Arizona Booklet X 2010

VOLUME 1

This booklet contains:

- Individual Tax Forms
- Corporation, Partnership, and Exempt Organization 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 they will adopt changes made to the federal tax law during the prior year. These forms assume the Legislature will adopt all federal law changes made after January 1, 2010.

If you use the amounts from your 2010 federal tax return to complete your Arizona return and the Legislature does not adopt the 2010 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 2010 conformity.

QUICK AND EASY ACCESS TO TAX HELP AND FORMS

PERSONAL COMPUTER

You may use a personal computer and modem to get the forms and information you need.

Here is a sample of what you will find when you visit our web site at **www.azdor.gov**:

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

PHONE

Information by phone...

Individual and Corporate Income Tax:

Phoenix..... (602) 255-3381
Toll-free from
area codes 520 and 928..... (800) 352-4090

Withholding Tax:

Phoenix..... (602) 255-2060
Toll-free from
area codes 520 and 928..... (800) 843-7196

Hearing Impaired TDD User:

Phoenix ..... (602) 542-4021
Toll-free
from area codes 520 and 928.... (800) 397-0256

WALK-IN SERVICE

You may get forms and information at any of our offices.

We have offices at the following locations:

Phoenix
1600 West Monroe

Gilbert
275 East Germann Road
Building 2, Suite 180

Tucson
400 West Congress

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

ARIZONA IRS e-file

www.azdor.gov

For details & eligibility

FREE E-File Available

Reasonable accommodations for any person with a disability can be made.

Notice

As a rule, the starting point for your Arizona return is your federal adjusted gross income. To take itemized deductions, you must start with the amount shown on the federal Schedule A. This is the case for 2010, except for changes Congress made to the federal tax code during 2010 and the following apply.

1. The changes affect how you figure your federal adjusted gross income.

   AND/OR

2. The changes affect how you figure your itemized deductions.

When federal changes are made, Arizona legislature must adopt those changes if the Arizona starting points are to be kept the same. The legislature will address this issue when it is in session during 2011. We must publish these forms before this issue will be addressed by the legislature. When we went to print, Arizona had not yet adopted any federal tax law changes made after January 1, 2010.

What does this mean to you? It means that if any of the federal law changes made in 2010 apply to your 2010 return, you can opt to file your 2010 return using one of the following methods.

1. You can wait and file your 2010 return after this issue has been addressed.

- To do this, you may need to ask for a filing extension. You must pay 90% of the tax due by the due date of the return before any extension.

2. You can file your 2010 return assuming that the federal law changes will be adopted.

If you opt for method 2, one of the following will apply.

- If Arizona adopts those changes, you do not have to do anything more.
- If Arizona does not adopt all those changes, you may need to amend your 2010 Arizona return. Your amended return will have to show the difference between the Arizona law and the federal law. If this happens, we will post more details at http://www.azdor.gov, you will need to click on the link for 2010 conformity.

3. You can file your 2010 return assuming that we will not adopt the federal law changes. If you opt for this method, you will have to do the following.

- You will have to research all of the federal changes made after January 1, 2010.
- You will have to figure out if any of those changes apply to you.
- You will have figure out how to make adjustments for those changes on your return.

If you opt for method 3, one of the following will apply.

- If Arizona does not adopt those changes, you do not have to do anything more.
- If Arizona adopts those changes, you may need to amend your 2010 Arizona return. Your amended return will have to show the difference between what you reported and what you should have reported. If this happens, we will post more details at http://www.azdor.gov, you will need to click on the link for 2010 conformity.

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ARIZONA FORM
131

Claim for Refund on Behalf of Deceased Taxpayer

Please print or type.

FOR CALENDAR YEAR **20YY**

OR OTHER TAX YEAR BEGINNING MMDDYYYY AND ENDING MMDDYYYY.

1 Decedent's Name (last, first, middle initial)	**2** Date of Death MMDDYYYY	**3** Decedent's Social Security No.
4 Number and Street (permanent residence or domicile on date of death)	**5** City State Zip Code	
6 Name of Person Claiming Refund (last, first, middle initial)	**7** Relationship to Decedent	**8** Claimant's Social Security or Federal I.D. No.
9 Number and Street of Person Claiming Refund		
10 City State Zip Code		

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

81 80

11 I am filing this claim as (*check only one box*):

- **a** ☐ Surviving spouse claiming a refund based on a joint return.
- **b** ☐ Court Appointed Personal Representative for the decedent's estate. *Attach a court certificate (issued after death) showing your appointment.*
- **c** ☐ Person other than *11a* or *11b* claiming refund for the decedent's estate. *Complete Schedule A below, and attach a copy of the death certificate or proof of death.* Please attach requested information and sign below. If you checked box 11c, *complete Schedule A.*

SCHEDULE A: *Complete only if you checked box (c) above.*

		YES	NO
12 Did the decedent leave a will?	**12**	☐	☐
a Has a personal representative been appointed for the estate of the decedent?	**12a**	☐	☐
b If "No", will one be appointed? If you answered "Yes" to *12a* or *12b*, do not file this form. The personal representative should file for the refund.	**12b**	☐	☐
13 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? If you answered "No", 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.	**13**	☐	☐

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.

➔ _____ Signature of Person Claiming Refund

_____ Date

Instructions

- **Attach this form to the front of the income tax return that would have been filed if the decedent had lived.**
- If the refund is issued in the name of the decedent, it may be cashed with the endorsement of the executor or administrator of the estate.
- Attach any required documents, certificates, etc., to this form.
- For military personnel, the original or an authentic copy of a telegram or letter from the Department of Defense notifying the next of kin of the decedent's death while in active service, or a death certificate issued by the Department of Defense will be sufficient proof of death.
- As the surviving spouse or personal representative, you may be required to file a fiduciary return (Form 141AZ) for the decedent's estate. For further information concerning this form, call (602) 255-3381, or toll-free from area codes 520 and 928, call (800) 352-4090.

NOTE:
If you are a surviving spouse who filed a joint return without Form 131 and you have already received a refund check in your name and your deceased spouse's name, you may return the joint-name check with Form 131. We will issue a new check in your name and we will mail the new check to you. If this applies to you, send Form 131 along with the joint-name check to: Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

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Items of Interest for 2010

Extra Time for Filing 2010 Returns

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011.

2010 Standard Deduction the Same as 2009

For 2010, the standard deduction is the same as it was for 2009 ($4,677 for a single taxpayer or a married couple filing separate returns and $9,354 for a head of household or a married couple filing a joint return).

Haiti Earthquake Relief Donations Made in 2010 but Deducted on Your 2009 Federal Return.

For Arizona purposes, you must deduct any donations for Haiti relief that you made during 2010 on your 2010 Arizona return. If you deducted these donations on your 2009 federal income tax return, you must add that amount back on the 2009 Arizona return and then deduct it on your 2010 Arizona return.

Discharge of Indebtedness (DOI) Income under I.R.C § 108(i)

If you made the federal election to defer the inclusion of DOI income under I.R.C. § 108(i), you must make an addition to Arizona income for the amount of DOI that you deferred and excluded from your 2010 federal adjusted gross income. In future years when you include that income on your federal income tax return, you will be allowed to take a subtraction for the amount already included in Arizona income.

Original Issue Discount (OID) on Reacquisition of Debt Instrument

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer deferred the DOI income under I.R.C. § 108(i). In this case a taxpayer may subtract any OID deduction that was deferred on the federal return. In future years when the taxpayer takes this deduction on the federal return, the taxpayer will be required to make an addition to Arizona income for the amount of OID already subtracted for Arizona purposes.

Special Net Operating Loss (NOL) Subtraction Rules for Losses Carried Forward from 2008 or 2009

Arizona did not adopt the federal net operating loss rules [I.R.C. § 172(b)(1)(H)] for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct the loss as if you computed the loss under I.R.C. § 172 in effect prior to the enactment of those rules. An Arizona subtraction will be allowed for the difference between the actual carryforward on the federal return and the carryforward that would have been allowed as a deduction on the federal return if the election had not been made.

New Refund Check-off for the "I Didn't Pay Enough Fund'

You may give some or all of your refund to the I Didn't Pay Enough Fund. Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Nonresidents Must Now Prorate the Standard Deduction

Nonresident individuals, who claim the standard deduction, must now prorate the deduction by the percentage which the taxpayer's Arizona gross income is of the taxpayer's federal adjusted gross income.

Private School Tuition Credit

If you make a donation to a private school tuition organization between January 1, 2011 and April 15, 2011, you may opt to take a credit for this donation on your 2010 return. If you do not take the credit for this donation on your 2010 return, you may take the credit on your 2011 return. See Form 323 for details.

New Refundable Renewable Energy Industry Credit

A taxpayer may qualify for the refundable renewable energy industry credit if the taxpayer expanded or located a qualified renewable energy operation in Arizona. See Form 342 for details.

Portion of R & D Credit May Now be Refundable

Starting with the 2010 taxable year, a portion of the R & D credit may be refundable to qualified taxpayers. See Form 308-I for details.

Innocent Spouse Relief Form 200 Revised

We have revised the Form 200 to help us process the form faster. The new Form 200 asks for a lot more information. We know that some of the questions on this form involve sensitive subjects, but we need this information to determine whether a taxpayer qualifies for relief.

New Estimated Payment Form for Form 141AZ Filers

A fiduciary making estimated income tax payments on behalf of an estate or trust should use new Form 141AZ ES rather than Form 140ES to make those payments.

New Extension Request Form for Form 141AZ Filers

A fiduciary filing for an Arizona extension or making an Arizona extension payment on behalf of an estate or trust should use new Form 141AZ EXT rather than Form 204.

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

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ARIZONA FORM **140**

Resident Personal Income Tax Return

OR FISCAL YEAR BEGINNING M M D D Y Y Y Y AND ENDING M M D D Y Y Y Y . 66

FOR CALENDAR YEAR **2010**

82F ☐ ◀ **Check box 82F if filing under extension**

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).** Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route 2 — Apt. No.	Daytime Phone (*with area code*)	Home Phone (*with area code*) 94
City, Town or Post Office 3 — State — Zip Code		

Filing Status

4 ☐ Married filing joint return

5 ☐ Head of household ..... ▶ NAME OF QUALIFYING CHILD OR DEPENDENT

6 ☐ Married filing separate return. *Enter spouse's name and Social Security No. above.*

7 ☐ Single

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88 81 80

Exemptions — *Enter the number claimed.* Do not put a check mark.

8 ☐ Age 65 or over (you and/or spouse)

9 ☐ Blind (you and/or spouse)

10 ☐ Dependents. *From page 2, line A2 – **do not include self or spouse**.*

11 ☐ Qualifying parents and ancestors of your parents. *From page 2, line A5.*

Attach required documents in upper left corner after page 2 of the return. Include any payment, federal and Arizona Schedules A.

12	Federal adjusted gross income (from your federal return)	12	00
13	Additions to income *(from page 2, line B12)*	13	00
14	*Add* lines 12 and 13	14	00
15	Subtractions from income *(from page 2, line C17 or line C30)*: If applicable, *enter the number from line C26a* 151	15	00
16	Arizona adjusted gross income: *Subtract* line 15 from line 14	16	00
17	**Deductions: *Check box and enter amount.*** *See instructions, page 15* ..... 17I ☐ **ITEMIZED** 17S ☐ **STANDARD**	17	00
18	Personal exemptions. *See page 15 of the instructions*	18	00
19	Arizona taxable income: *Subtract* lines 17 and 18 from line 16. If less than zero, *enter zero*	19	00
20	Compute the tax using amount on line 19 and Tax Table X, Y or Optional Tax Tables	20	00
21	Tax from recapture of credits *from Arizona Form 301, Part II, line 31*	21	00
22	Subtotal of tax: *Add* lines 20 and 21	22	00
23 - 24	Clean Elections Fund Tax Reduction: *See instructions, page 16* ..... 231 ☐ **YOURSELF** 232 ☐ **SPOUSE**	24	00
25	Reduced tax: *Subtract* line 24 from line 22	25	00
26	Family income tax credit *from worksheet on page 17 of instructions*	26	00
27	Credits from Arizona Form 301, Part II, line 59, or Forms 310, 321, 322, and 323 if Form 301 is not required	27	00
28	Credit type: *Enter form number* of each credit claimed 28 3 3 3 3		
29	Clean Elections Fund Tax Credit. *From worksheet on page 19 of the instructions*	29	00
30	**Balance of tax:** *Subtract* lines 26, 27 and 29 from line 25. If the sum of lines 26, 27 and 29 is more than line 25, *enter zero*	30	00
31	Arizona income tax withheld during 2010	31	00
32	Arizona estimated tax payments for 2010	32	00
33	2010 Arizona extension payment (Form 204)	33	00
34	Increased Excise Tax Credit *from worksheet on page 19 of the instructions*	34	00
35	Property Tax Credit *from Form 140PTC*	35	00
36	Other refundable credits: *Check the box(es) and enter the amount(s)* ..... 361 ☐ Form 308-I 362 ☐ Form 342	36	00
37	**Total payments/refundable credits:** *Add* lines 31 through 36	37	00
38	**TAX DUE:** If line 30 is larger than line 37, *subtract* line 37 from line 30 and *enter amount of tax due. Skip lines 39, 40 and 41*	38	00
39	**OVERPAYMENT:** If line 37 is larger than line 30, *subtract* line 30 from line 37 and *enter amount of overpayment*	39	00
40	Amount of line 39 to be applied to 2011 estimated tax	40	00
41	Balance of overpayment: *Subtract* line 40 from line 39	41	00

42 - 52 Voluntary Gifts to

Aid to Education (***entire* refund only**)	42		00	Arizona Wildlife	43		00	Citizens Clean Elections	44		00
Child Abuse Prevention	45		00	Domestic Violence Shelter	46		00	I Didn't Pay Enough Fund	47		00
National Guard Relief Fund	48		00	Neighbors Helping Neighbors	49		00	Special Olympics	50		00
Veterans' Donations Fund	51		00	Political Gift	52		00				

53 *Check only one* if making a political gift ..... 531 ☐ Democratic 532 ☐ Green 533 ☐ Libertarian 534 ☐ Republican

54	Estimated payment penalty and MSA withdrawal penalty	54	00
55	*Check applicable boxes* ..... 551 ☐ Annualized/Other 552 ☐ Farmer or Fisherman 553 ☐ Form 221 attached 554 ☐ MSA Penalty		
56	Total of lines 42 through 52 and 54	56	00
57	**REFUND:** *Subtract* line 56 from line 41. If less than zero, *enter amount owed on line 58*	57	00
58	**AMOUNT OWED:** *Add* lines 38 and 56. *Make check payable to Arizona Department of Revenue;* ***include SSN* on payment.**	58	00

Direct Deposit of Refund: ***Check box 57A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions*. 57A ☐

98 ROUTING NUMBER — ACCOUNT NUMBER — C ☐ Checking or S ☐ Savings

☐ **Payment enclosed.** *Check the box and attach your payment to the upper left corner of this page.*

ADOR 10413 (10)
Previous ADOR 91-0011

Your Name (as shown on page 1)	Your Social Security No.

PART A: Dependents and Qualifying Parents - do not list yourself or spouse

If completing Part A, also complete Part C, lines C15 and/or C16 and C17.

A1 *List children and other dependents.* If more space is needed, *attach a separate sheet.*

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A2 *Enter total number of persons listed in A1* here and on the front of this form, box 10; ***also complete Part C below***..... TOTAL **A2**

A3 a Enter the names of the dependents listed above who do not qualify as your dependent on your federal return:

b Enter dependents listed above who were not claimed on your federal return due to education credits:

A4 *List qualifying parents and ancestors of your parents.* If more space is needed, *attach a separate sheet.*
You cannot list the same person here and also on line A1. For information on who is a qualifying parent or ancestor of your parents, *see page 6 of the instructions.*

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A5 *Enter total number of persons listed in A4* here and on the front of this form, box 11..... TOTAL **A5**

PART B: Additions to Income

B6	Non-Arizona municipal interest	**B6**	00
B7	Ordinary income portion of lump-sum distributions excluded on your federal return	**B7**	00
B8	Total federal depreciation. *Also see the instructions for line C22*	**B8**	00
B9	Medical savings account (MSA) distributions. *See page 7 of the instructions*	**B9**	00
B10	I.R.C. §179 expense in excess of allowable amount. *Also see the instructions for line C29*	**B10**	00
B11	Other additions to income. *See instructions and attach your own schedule*	**B11**	00
B12	**Total.** *Add* lines B6 through B11. *Enter here and on the front of this form, line 13*	**B12**	00

PART C: Subtractions from Income

C13	Exemption: Age 65 or over. *Multiply* the number in box 8, page 1, by $2,100	**C13**	00		
C14	Exemption: Blind. *Multiply* the number in box 9, page 1, by $1,500	**C14**	00		
C15	Exemption: Dependents. *Multiply* the number in box 10, page 1, by $2,300	**C15**	00		
C16	Exemption: Qualifying parents and ancestors of your parents. *Multiply* the number in box 11, page 1, by $10,000	**C16**	00		
C17	Total exemptions: *Add* lines C13 through C16. **If you have no other subtractions from income, skip lines C18 through C30 and enter the amount on line C17 on Form 140, Page 1, line 15**			**C17**	00
C18	Interest on U.S. obligations such as U.S. savings bonds and treasury bills			**C18**	00
C19	Exclusion for federal, Arizona state or local government pensions (up to $2,500 per taxpayer)			**C19**	00
C20	Arizona state lottery winnings included as income on your federal return (up to $5,000 only)			**C20**	00
C21	U.S. Social Security or Railroad Retirement Act benefits included as income on your federal return *(the taxable amount)*			**C21**	00
C22	Recalculated Arizona depreciation			**C22**	00
C23	Certain wages of American Indians			**C23**	00
C24	Income tax refund from other states. *See instructions*			**C24**	00
C25	Deposits and employer contributions into MSAs. *See page 11 of the instructions*			**C25**	00
C26	Construction of an energy efficient residence. *See page 12 of the instructions. Enter the number then amount* **C26a**			**C26**	00
C27	Pay received for active service as a member of the reserves, national guard or the U.S. armed forces			**C27**	00
C28	Net operating loss adjustment. *See instructions before you enter any amount here*			**C28**	00
C29	Other subtractions from income. *See instructions and attach your own schedule*			**C29**	00
C30	Total: *Add lines C17 through C29.* ***Enter here and on the front of this form, line 15***			**C30**	00

Part D: Last Name(s) Used in Prior Years – *if different from name(s) used in current year*

D31

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

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** For free *e-file* requirements, check out our web site at www.azdor.gov.

Who Must Use Form 140?

You (and your spouse if married filing a joint return) may file Form 140 only if you are full year residents of Arizona.

You must use Form 140 rather than Form 140A or Form 140EZ to file for 2010 if any of the following apply to you.

- Your Arizona taxable income is $50,000 or more, regardless of filing status.
- You are making adjustments to income.
- You itemize deductions.
- You claim tax credits other than the family income tax credit, the credit for increased excise taxes, the property tax credit, or the Clean Elections Fund tax credit.
- You are claiming estimated payments.

Do You Have to File?

Arizona Filing Requirements **These rules apply to all Arizona taxpayers.**		
You must file if you are:	**and** your Arizona adjusted gross income is at least:	**or** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing jointly	$11,000	$15,000
• Married filing separately	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000
If you are an Arizona resident, you must report income from **all** sources. This includes out-of-state income.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax. Income Arizona law does not tax includes: • Interest from U.S. Government obligations • Social security retirement benefits received under Title II of the Social Security Act • Benefits received under the Railroad Retirement Act • Active duty military pay • Pay received for active service as a reservist or a National Guard member		
You can find your Arizona adjusted gross income on line 16 of Arizona Form 140.		

NOTE: *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are the Spouse of an American Indian and You are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of

spouses of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are in the Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service, to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military.*

If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child have to File an Arizona Return?

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

Find an Authorized E-File Provider

An authorized E-File provider can take the guesswork out of filing taxes.

To Find an Authorized e-File Provider near you log on www.azdor.gov

Authorized IRS e-file Provider

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did **either** of the following during 2010.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2010, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2010 and you did not remarry in 2010, or if your spouse died in 2011 before filing a return for 2010, you may file a joint return. If your spouse died in 2010, the joint return should show your spouse's 2010 income before death, and your income for all of 2010. If your spouse died in 2011, before filing the 2010 return, the joint return should show all of your income and all of your spouse's income for 2010. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file a fiduciary income tax return. For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

What are the Filing Dates and Penalties?

When Should You File?

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011. File your return as soon as you can after January 1, but no later than April 18, 2011. 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 year.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

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 18. See Form 204 for details. You do not have to attach a copy of the extension to your return when you file, but make sure that you check box **82F** 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.
2. Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to attach a copy of your federal extension to your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

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 year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2010 calendar year return by April 18, 2011, 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, we will charge you a late filing penalty. This penalty is 4½% 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% 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%.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 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% 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 section 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 return once you have filed, you should file Form 140X, *Individual Amended Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

Do You Need to Make Estimated Payments in 2011?

You must make Arizona estimated income tax payments during 2011 if:

Your filing status is:	AND Your Arizona gross income for 2010 was greater than:	AND Your Arizona gross income for 2011 is greater than:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you met the income threshold for 2010, you must make estimated payments during 2011 unless you are sure you will not meet the threshold for 2011.
As a full year resident, your Arizona gross income is your federal adjusted gross income. This amount is on line 12 of the 2010 Form 140.

See the worksheet for Form 140ES to figure how much your payments should be.

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you fail to make any required payments. We will charge you a penalty if you make any of your required payments late.

For details, see Arizona Form 221.

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.

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- 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.
- When asked to provide your own schedule, attach a separate sheet with your name and SSN at the top. Attach your own schedules to your return. Attach these schedules behind page 2 of your return and behind your Schedules A if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you include a daytime telephone number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

DO YOU HAVE A COMPLICATED RETURN?

E-File makes filing a complex return simple!

E-File Software Offers:
- Easy step-by-step instructions
- Error detection before filing
- Easy form selection
- Maximum deductions

For a list of approved software visit our website at www.azdor.gov

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you write your SSN on the appropriate line.*

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided.

If you are filing a joint return, enter your SSNs in the same order as your 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. Then enter your spouse's name and SSN on second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund to or correspond with you at that address.

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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.

ID Numbers for Paid Preparers

If you pay someone else 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 SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140.

Line 4 Box - Married Filing a Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2010. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2010 and you did not remarry in 2010. See page 2 of these instructions for details.

The Arizona Form 140 is for full year residents only. You may not file a joint Arizona income tax return on Form 140 if any of the following apply.

1. Your spouse is a nonresident alien (citizen of and living in another country).
2. Your spouse is a resident of another state.
3. Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you may file a joint return using Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you may file a joint return using Form 140PY. See Form 140PY instructions.

The department has issued a ruling on filing a joint return with your part-year resident or nonresident spouse. This ruling is ITR 95-2. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 5 Box - Head of Household

If you are filing as a head of household, check box 5.

You may file as head of household on your Arizona return, only if one of the following applies.

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

Line 6 Box - Married Filing Separately

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2010, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

The department has issued tax rulings on filing a separate return. These rulings are ITR 93-18 and ITR 93-19. *To* see these rulings, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling on when you may treat community income as separate income. This ruling is ITR 93-22. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. The department has issued a ruling on how to report income in this case. This ruling is ITR 93-20. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 7 Box - Single

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, 10, and 11. **Do not put a checkmark**. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete Part A, lines A1 through A3 on page 2. You may lose the exemption for qualifying parents or ancestors if you do not complete Part A, lines A4 and A5, on page 2.

Line 8 Box - Age 65 and Over

Write "1" in box 8 if you or your spouse were 65 or older in 2010. Write "2" in box 8 if both you and your spouse were 65 or older in 2010.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or partially blind. Write "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2010, you must get a statement certified by your eye doctor or registered optometrist that:

1. You cannot see better than 20/200 in your better eye with glasses or contact lenses or
2. Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead.

You must keep the statement for your records.

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Line 10 Box - Dependents

You must complete Part A, lines A1 through A3b, on page 2 of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see Arizona Individual Income Tax Ruling ITR 05-02.*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies.
  1. In 2010, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than $800.
  2. In 2010, you paid more than $800 for either Arizona home health care or other medical costs for the person.
- A stillborn child if the following apply:

1. The stillbirth occurred during 2010.
2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
3. The child would have otherwise been a member of your household.

Completing Line(s) A1

NOTE: *If a person who qualifies as your dependent is also a qualifying parent or ancestor of your parent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A1 that you listed on line A4.*

Enter the following on line(s) A1.

1. The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
2. The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2010. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

You may lose the exemption if you do not furnish this information.

Line A2 - Total Dependents

Enter the total number of persons listed on line(s) A1. Enter the same number on the front of the return in box 10.

Lines A3a and A3b - Persons You Did Not Take as Dependents on Your Federal Return

On line A3a, enter the following.

1. The names of any dependents age 65 or over listed on line(s) A1 that you cannot take as a dependent on your federal return.
2. The name of any stillborn child listed on line(s) A1, if the stillborn child was named. If the stillborn child was not named, enter "stillborn child" on line A3a. Also enter the date of birth resulting in the stillbirth.

On line A3b, enter the name of any student listed on line(s) A1 that you did not claim as an exemption on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

Line 11 Box - Qualifying Parents and Ancestors of Your Parents

A qualifying parent or ancestor of your parent may be any one of the following.

- Your parent or your parent's ancestor. Your parent's ancestor is your grand parent, great grand parent, great great grand parent, etc.
- If married filing a joint return, your spouse's parent or an ancestor of your spouse's parent.

You may claim this exemption if all of the following apply.

1. The parent or ancestor of your parent lived in your principal residence for the entire taxable year.
2. You paid more than one-half of the support and maintenance costs of the parent or ancestor of your parent during the taxable year.
3. The parent or ancestor of your parent was 65 years old or older during 2010.
4. The parent or ancestor of your parent required assistance with activities of daily living, like getting in and out of bed or chairs, walking around, going outdoors, using the toilet, bathing, shaving, brushing teeth, combing hair, dressing, medicating or feeding.

You must complete Part A, lines A4 and A5, on page 2 of your return before you can total your exemptions for qualifying parents and ancestors of your parents.

NOTE: *If a person who is a qualifying parent or ancestor of your parent also qualifies as your dependent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A4 that you listed on line A1.*

Completing Line(s) A4

Enter the following on line(s) A4.

1. The name of the qualifying parent or ancestor of your parent.
2. The SSN of the qualifying parent or ancestor of your parent.
3. The qualifying parent's or ancestor's relationship to you, or your spouse if filing a joint return.
4. The number of months the qualifying parent or ancestor of your parent lived in your home during 2010.

You may lose the exemption if you do not furnish this information.

Line A5 - Total Qualifying Parents or Ancestors of Your Parents

Enter the total number of persons listed on line(s) A4. Enter the same number on the front of the return in box 11.

Additions to Income

Line B6 - Non-Arizona Municipal Interest

Enter the amount of interest income from non-Arizona municipal bonds that you did not include as income on your 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.

If you received tax exempt interest from municipal bonds, attach a schedule listing the payors and the amount received from each payor. You may also want to attach 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 B7 - Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return

Use line B7 if you use federal averaging for lump-sum distributions from your pension or profit-sharing plan.

Arizona law does not provide for averaging. Enter the amount of the distribution that you treated as ordinary income on your federal return. If you choose to treat the capital gain portion of the distribution as ordinary income, you must also include that amount.

For details, see Arizona Department of Revenue Income Tax Ruling ITR 93-5.

Line B8 - Total Federal Depreciation

Enter the total amount of depreciation deducted on the federal return. If you make an entry here, you should also take a subtraction on line C22. To figure how much you should subtract, see the instructions for line C22.

Line B9 - Medical Savings Account (MSA) Distributions

For information on Arizona's MSA provisions, see the department's MSA brochure, Pub 542.

You must add amounts received from an MSA here if any of the following apply.

1 - You Withdrew Funds from Your MSA for Other Than Qualified Expenses

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

1. You withdrew money from your MSA during 2010.
2. You did not use the amount withdrawn to pay qualified medical expenses.
3. You did not have to include the withdrawal as income on your federal income tax return.

Enter the amount withdrawn.

2 - Deceased Account Holder Where the Named Beneficiary is Not the Decedent's Surviving Spouse

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

1. The account holder died during the year.
2. You are the named beneficiary of the decedent's MSA.
3. You are not the decedent's surviving spouse.
4. You did not have to include the value of the MSA as income on your federal income tax return.

In this case, the MSA ceased to be an MSA. Enter the fair market value of the MSA as of the date of death, less the amount of MSA funds used within one year of the date of death, to pay the decedent's qualified medical expenses. You can reduce the fair market value by only those expenses paid from the MSA. If you pay additional medical expenses for the decedent from the MSA after you file, you may file an amended return to further reduce the fair market value of the MSA.

3 - Decedent's Final Return and No Named MSA Beneficiary

Make an entry here if all of the following apply.

1. The account holder died during the year.
2. There is no named MSA beneficiary.
3. This is the decedent's final return.
4. The value of the MSA did not have to be included on the decedent's final federal income tax return.

In this case, the MSA ceases to be an MSA. Enter the fair market value of the MSA as of the date of death. This rule applies in all cases in which there is no named beneficiary, even if the surviving spouse ultimately obtains the right to the MSA assets.

NOTE: *The following are not withdrawals. Do not enter any of the following:*

- *Amounts from the MSA used to pay qualified medical expenses.*
- *A qualified return of excess contributions.*
- *A qualified rollover.*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary.*

For more information about the above items, see the department's MSA brochure, Pub 542.

Line B10 - I.R.C. § 179 Expense in Excess of Allowable Amount

Enter the amount of IRC § 179 expense deducted on the federal return that exceeds $25,000. If you make an entry here, you should also take a subtraction on line C29 for a portion of the amount entered here. To figure how much you should subtract, see the instructions for line C29.

Line B11 - Other Additions to Income

Use line B11 if any of the special circumstances below apply.

Attach your own schedule to the back of your return explaining any amounts entered here.

You may either add or subtract items A through D below (line B11 or C29, respectively) depending on your situation.

A. Pension Adjustments

Use this adjustment if **both** of the following apply.

1. Arizona taxed your pension for years before 1979.
2. You reported that pension on your federal return using the percentage exclusion method.

Do not use this adjustment if **either** of the following apply.

1. You reported your pension income as fully taxable on your federal return.
2. You reported your pension income on your federal return under the "three-year-rule".

Pension Adjustment Worksheet - Line B11	
Follow these steps to figure the adjustment. (Keep this worksheet for your records.)	
1. Your contribution to annuity.	1.
2. Pension amount received in prior years.	2.
3. Remainder of cost (line 1 minus line 2 but not less than zero).	3.
4. Pension amount received this year.	4.
5. Subtract line 3 from line 4 (but not less than zero).	5.
6. Enter the pension amount taxable on your federal return.	6.
7. Subtract line 6 from line 5.	7.
If line 7 is more than zero, enter the amount on line 7 as an addition to income. Enter the addition on line B11.	
If line 6 is more than line 5, enter the difference as a subtraction from income. Enter the subtraction on line C29.	

B. Married Persons Filing Separate Returns

If you file a separate Arizona return, you must report the following income on that return.

- one-half of the community income from all sources.
- all of your separate income.

If you and your spouse file a joint federal return but separate Arizona returns, you must make sure that each separate return reflects the correct income. If you begin your Arizona return with only the income that you earned during the year, you will have to adjust this income.

If you file separate federal returns, each of your federal returns should already reflect the correct income. Since your separate Arizona returns will begin with the federal adjusted gross income, you will not have to adjust your income.

If you have to adjust your income, attach a schedule showing how you figured your adjustment.

C. Partnership Income

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

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that difference as an addition. Enter the addition on line B11.

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that difference as a subtraction. Enter the subtraction on line C29.

D. Fiduciary Adjustment

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 positive number, enter that amount as an addition. Enter the addition on line B11.

If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a negative number, enter that amount as a subtraction. Enter the subtraction on line C29.

E. Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

You must adjust the amount of net operating loss deduction included in your federal adjusted gross income if you have already deducted any amount of the net operating loss included in your federal adjusted gross income for Arizona purposes. In this case, enter on line B11, the amount of net operating loss included in your federal adjusted gross income which you previously deducted for Arizona purposes.

Usually, Arizona conforms to the federal net operating loss provisions, including the carryback provisions. However, Arizona did not conform to 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 I.R.C. § 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. If you deducted a federal net operating loss carryback under the federal American Recovery and Reinvestment Act of 2009 or the federal Worker, Homeownership, and Business Assistance Act of 2009, see the instructions for line C28.

For information on deducting a net operating loss carryback in cases where you did not make an election under I.R.C. § 172(b)(1)(h), see Arizona Department of Revenue Income Tax Procedure *ITP 99-1*.

F. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. However, under the operation of former Arizona law (1989 and prior), you could deduct certain items in greater amounts for Arizona purposes than for federal purposes.

Investment interest and passive activity losses were such items. In some cases, you could have deducted such amounts in their entirety on the Arizona return. For federal purposes, the deduction for these items was limited, with the unused portions being carried forward and deducted in future years. Your Arizona return may include these previously deducted items because of the difference between the federal and former Arizona treatment. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

G. Claim of Right Adjustment for Amounts Repaid in 2010

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

1. During 2010, you were required to repay amounts held under a claim of right.

2. The amount required to be repaid during 2010 was more than $3,000.
3. You took a deduction for the amount repaid on your 2010 federal income tax return.

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

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

H. 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 2010 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 2010 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 adjusted gross income is more than the amount allowed for the taxable year under Arizona law.

I. Addition to S Corporation Income Due to Credits Claimed

Shareholders of an S corporation who claim a credit passed through from an S corporation 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 enter an amount on this line when claiming any of the following credits.

- Agricultural water conservation system credit
- Environmental technology facility credit
- Pollution control credit
- Credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets
- Credit for employment of TANF recipients
- Agricultural pollution control equipment credit
- Motion picture credits

J. Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlet Expenses

If you take a credit for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed (Form 319), you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

K. Wage Expense for Employers of TANF Recipients

If you take a credit for employing TANF recipients (Form 320), you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

L. Motion Picture Expenses

If you take a motion picture credit on Form 334, you cannot deduct any expenses deducted on your federal return related to the production, the infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal adjusted gross income for which you claimed a credit.

M. Agricultural Water Conservation System Credit

If you take this credit (Form 312), you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

N. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses

If you claim a credit for an investment in a qualified small business on Arizona Form 338, 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 2010 taxable year, on line B11, enter the amount by which the adjusted basis computed under the internal revenue code with respect to that property exceeds the adjusted basis of the property computed under Arizona Revised Statutes section 43-1074.02.

O. Depreciation or Amortization for a Water Conservation System

If you claimed a water conservation system credit on Arizona Form 339, you may not deduct any depreciation or amortization for that system on your Arizona return. Enter the amount of depreciation or amortization claimed on your federal return for the water conservation system for which you have claimed a credit.

P. Nonqualified Withdrawals from 529 College Savings Plans

You must make an addition to income if you received a nonqualified withdrawal from a 529 college savings plan. You must make an addition if the withdrawal was not included in your federal adjusted gross income. The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years.

A nonqualified withdrawal is a withdrawal other than any of the following:

1. A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.
2. A withdrawal made as the result of the death or disability of the designated beneficiary of an account.
3. A withdrawal that is made on the account of a scholarship, or the allowance or payment described in section 135(d)(1)(B) or (C) of the internal revenue code, and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
4. A rollover or change of designated beneficiary.

Q. 2010 Discharge of Indebtedness (DOI) Income

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of

DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under I.R.C. § 108(i), you must make an entry here. On line B11, enter the amount of DOI income that you deferred and excluded from the computation of your 2010 federal adjusted gross income under I.R.C. § 108(i). Even though you must include that DOI income on your 2010 Arizona return, Arizona will not tax that income again in the future years when you include the income in your federal adjusted gross income. If you make an entry here, also see the instructions for "Other Subtractions from Income" even though this subtraction will not apply until the year in which you include the income in your federal adjusted gross income.

R. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "Q" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the DOI income from a debt reacquisition in the year in which you reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for "Other Subtractions from Income.") If your federal adjusted gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return. Generally, this addition will not apply until taxable year 2014 through 2018. However, if you were required to accelerate reporting of the DOI income for federal purposes and were allowed to deduct accrued OID attributable to that income on a return filed for a year prior to 2014, this addition may apply to an earlier year. On line B11, enter the amount of any previously deferred OID that you deducted in computing your 2010 federal adjusted gross income, to the extent that the amount was previously subtracted from Arizona gross income.

S. Early Withdrawal of Arizona, County, City, or School Retirement System Contributions

If you meet all of the following, you must enter an amount here.

1. You left your job with the State of Arizona or an Arizona county, city, or school district for reasons other than retirement.
2. When you left, you took out the contributions you had made to the retirement system while employed.
3. You deducted these contributions on your Arizona income tax returns that you filed for prior years.
4. You did not include these contributions in your federal adjusted gross income this year.

If you meet all these tests, you must report as income those contributions previously deducted on your prior years' Arizona tax returns.

For details, see Arizona Department of Revenue Income Tax Ruling *ITR 93-7*.

T. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on the back cover if any of the following apply.

- You are a qualified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- 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 claimed the environmental technology facility credit.
- You claimed the pollution control credit.
- You claimed the recycling equipment credit.
- You claimed the agricultural pollution control equipment 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.

Line B12 - Total Additions

Add lines B6 through B11. Enter the total on line B12 and on the front of your return on line 13.

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 the back cover.

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

Line C13 - Exemption: Age 65 or Over

Multiply the number in box 8 on the front of your return by $2,100 and enter the result.

Line C14 - Exemption: Blind

Multiply the number in box 9 on the front of your return by $1,500 and enter the result.

Line C15 - Exemption: Dependents

Multiply the number in box 10 on the front of your return by $2,300 and enter the result.

Line C16 - Exemption: Qualifying Parents and Ancestors of Your Parents

Multiply the number in box 11 on the front of your return by $10,000 and enter the result.

Line C17 - Total

Add lines C13 through C16 and enter the total. If you have no other subtractions from income, skip lines C18 through C30 and enter this total on Form 140, page 1, line 15.

Line C18 - 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 FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's income tax ruling, ITR 06-1.*

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

Line C19 - Exclusion for U.S. Government, Arizona State or Local Government Pensions

If you receive pension income from any of the sources listed below, subtract the amount you received or $2,500, whichever is less. Include only the amount you reported as income on your federal return. If both you and your spouse receive such pension income, each spouse may subtract the amount received or $2,500, whichever is less.

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 System
- 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.*

Line C20 - Arizona Lottery Winnings

You may subtract up to $5,000 of winnings received in 2010 for Arizona lottery prizes.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction. See instructions for Form 140 Schedule A, *Itemized Deduction Adjustments*.

Line C21 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits as income on your federal return, use line C21 to subtract this income.

NOTE: *Enter only the taxable amount (the amount that was subject to federal tax). Do not include any amount that was not subject to federal income tax.*

See Arizona Department of Revenue Income Tax Ruling *ITR 96-1* for more information about railroad retirement benefits.

Line C22 - Recalculated Arizona Depreciation

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.

Line C23 - Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. The federal government must recognize these tribes.

For more information, see Arizona Department of Revenue Income Tax Ruling *ITR 96-4*.

Line C24 - Income Tax Refund from Other States

You may subtract income tax refunds received from other states if both of the following apply.

1. You reported the refund as income on your federal return.
2. You did not deduct the taxes paid to the other state as an itemized deduction on a prior year Arizona return.

Line C25 - Deposits and Employer Contributions Into MSAs

Deposits Made Into Your MSA

If you have a medical savings account (MSA), you may be able to subtract deposits made into that MSA. Make an entry here if all of the following apply.

1. You have an MSA that qualifies as an MSA under Arizona law, but not federal law.
2. Either you or your employer made deposits into that MSA during the tax year.

3. You had to include the deposits in income on your federal income tax return.

Enter the amount of the MSA deposits that you had to include in your federal adjusted gross income.

Employer Contributions Made to Employee MSAs

If you are an employer, you may subtract the amount contributed to your employees' MSAs that are established under Arizona law. You can subtract these contributions only to the extent not deductible for federal income tax purposes. Enter these contributions here.

Line C26 - 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 C26a, then enter the amount of the subtraction on line C26. Also enter the number on line C26a on Form 140, page 1, line 151.

Line C27 - Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces

Starting with 2006, members of the U.S. armed forces may subtract pay received for active duty military service. On line C27, enter the amount of that income included in your federal adjusted gross income.

Starting with 2007, members of the reserves or the National Guard may subtract pay received for active service as a reservist or as a National Guard member. This includes pay received for weekend or two-week training periods. On line C27, enter the amount of that income included in your federal adjusted gross income.

NOTE: *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. The department has issued a ruling on this issue. This ruling is ITR 10-1. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.*

Line C28 – Net Operating Loss Adjustment

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 I.R.C. § 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.*

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 I.R.C. § 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 I.R.C. § 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 2010 federal income tax return, if the election described in I.R.C. § 172(b)(1)(h) had not been made in the year of the loss. On line C28, enter the amount that exceeds the actual net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

Line C29 - Other Subtractions from Income

Use line C29 if any of the following special circumstances apply. Attach your own schedule to the back of your return explaining any amounts entered here.

A. Previously Reported Gain on Decedent's Installment Sale

Prior Arizona law required acceleration of any unrecognized installment sale gain upon the death of a taxpayer. However, this acceleration could have been avoided by the posting of a bond. If acceleration was required, your federal adjusted gross income may include installment sale amounts already recognized on a decedent's final Arizona return. If your federal adjusted gross income includes such amounts, you may subtract that portion of the gain included on your federal return.

B. Fiduciary Adjustment

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 that amount as a subtraction. Enter the subtraction on line C29.

If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a positive number, enter that amount as an addition. Enter the addition on line B11.

C. Partnership Income

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

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that difference as a subtraction. Enter the subtraction on line C29.

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that difference as an addition. Enter the addition on line B11.

D. Federally Taxable Arizona Municipal Interest

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, that is included in your Arizona gross income. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income.

E. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted. Enter the lesser of the total of the following adoption expenses or $3,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses.

1. Nonreimbursed medical and hospital costs.
2. Adoption counseling.
3. Legal and agency fees.
4. Other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed $3,000.

F. 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 of the costs incurred for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

G. 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 2010 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 2010 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 adjusted gross income.

H. 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 2010, 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.

I. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution that you had to include in your federal adjusted gross income. A qualified state tuition program is a program that meets the requirements of I.R.C. § 529.

J. Subtraction for World War II Victims

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount of the distributions that you had to include in your federal adjusted gross 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 you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious or political reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income.

K. Installment Sale Income from Another State Taxed by the Other State in a Prior Taxable Year

You may subtract income from an installment sale if **both** of the following apply:

1. The income from the sale is subject to Arizona income tax in 2010; and
2. You paid income tax to another state on that income in a **prior** tax year.

Enter the amount of such income that you included in your Arizona gross income for 2010.

Do not enter any amount that is subject to tax by both Arizona and another state in 2010. In this case, you may be eligible for a tax credit. See Form 309 for details.

L. Agricultural Crops Given to Arizona Charities

Arizona law allows a subtraction for qualified crop gifts made during 2010 to one or more charitable organizations. To take this subtraction, you must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. You must make your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the larger of 80% of the wholesale market price or 80% of the most recent sale price for the contributed crop.

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

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

With respect to 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 with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to I.R.C. § 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.)

N. Adjustment for IRC § 179 Expense Not Allowed

Enter 20% of the amount entered on line B10. This same amount can also be subtracted in each of the following four taxable years, effectively amortizing the difference in treatment over five years. If you made an addition for IRC § 179 expense on your, 2006, 2007, 2008 and/or 2009 return, also enter 20% of the amount added for 2006, 2007, 2008 and/or 2009.

O. Contributions to 529 College Savings Plans

For taxable years 2008 through 2012, you may subtract amounts you contribute to 529 college savings plans during the taxable year. You may subtract the amount you contributed during the year up to a total of $750 ($1,500 for a married couple filing a joint return). If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total taken by both of you cannot be more than $1,500.

If you contribute more than $750 ($1,500 if married) during the year, your total subtraction is still limited to $750 ($1,500 if you are married). For example, Jorge and Kate are married and have two children. During 2010, Jorge and Kate, contributed $1,500 to a 529 plan for Child 1 and $1,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of $3,000 during 2010, they may subtract only $1,500 on their 2010 return.

You may take a subtraction for a contribution that you made during 2010, to a plan that existed before 2010. You may take a subtraction for a contribution that you made during 2010, to a plan established in another state. You may take a subtraction for a contribution that you made in 2010, to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).

P. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under I.R.C. § 108(i), you were required to add the amount of deferred DOI income to Arizona income for the year for which you made the election. (See the instructions for "Other Additions to Income.") If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in you federal adjusted gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. However, if you had to accelerate the deferral for federal purposes, this subtraction may apply to a taxable year prior to 2014. On line C29, enter the amount of previously deferred DOI income that you included in your federal adjusted gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

Q. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "P" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under I.R.C. § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona income on the return filed for the year in which you reacquired the debt instrument. Since Arizona is taxing the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income. On line C29, enter the amount of any OID that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2010 under I.R.C. § 108(i).

R. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on the back cover if any of the following apply.

- You are a qualified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- 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 were an Arizona resident before December 31, 1975, and you are receiving IRA distributions from your IRA account to which you made contributions before December 31, 1975.
- You were an Arizona resident before December 31, 1975, and you are receiving distributions from your qualified self-employment retirement plan to which you made contributions before December 31, 1975.
- 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 C30 - Total Subtractions

Add lines C17 through C29. Enter the total here and on the front of your return on line 15.

Line D31 - Last Name(s) Used in Prior Years

Use line D31 if the last name that you are using on this return is not the same as the last name you used on returns filed for the last 4 years. On line D31, enter any other last name(s) that you used when filing your return during the last 4 years.

Totaling Your Income

Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2010 federal return to determine your federal adjusted gross income even if not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

NOTE: *Be sure to use your federal adjusted gross income and not your federal taxable income.*

If the amount on line 12 is more than $75,000 ($150,000 if filing a joint return), you may need to make estimated payments. See "Do You Need to Make Estimated Payments" instructions on page 4.

Line 13 - Additions to Income

Enter the amount from line B12, page 2, of your return.

Line 15 - Subtractions From Income

Enter the amount from page 2, line C17 or line C30.

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Figuring Your Tax

Line 17 - Itemized or Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deductions.

When you ***e-File***, the software completes the math for you.

Your Standard Deduction

If you take the standard deduction, check box 17S.

If your filing status is:	Your standard deduction is:
• Single	$4,677
• Married filing separately	$4,677
• Married filing jointly	$9,354
• Head of household	$9,354

Your Itemized Deductions

You may claim itemized deductions on your Arizona return even if you take a standard deduction on your federal return. For the most part, you may claim those deductions allowable as itemized deductions under the Internal Revenue Code. In some cases, the amount allowed for some deductions may not be the same as the amount allowable for federal purposes. You may have to adjust the amounts shown on your completed federal Form 1040, Schedule A. See Form 140 Schedule A, *Itemized Deduction Adjustments* to figure if you have to make any adjustments.

To figure your itemized deductions, you must complete a federal Form 1040, Schedule A. Then, if required, complete Form 140 Schedule A, *Itemized Deduction Adjustments*. If you do not have to complete Form 140 Schedule A, *Itemized Deduction Adjustments*, enter the amount from federal Form 1040, Schedule A, on Form 140, line 17.

NOTE: *If you itemize, you must attach a copy of the completed federal Schedule A to your Arizona return. If itemizing, check box* 17I.

Line 18 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the chart below to figure your personal exemption. If married, you may also use Form 202 to figure your personal exemption.

Personal Exemption Chart

If you checked filing status:	Enter:
• Single (Box 7)	$2,100
• Married filing joint return (Box 4) and claiming no dependents (Box 10)	$4,200
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$6,300
• Head of household and you are **not** married (Box 5)	$4,200
• Head of household and you **are** a married person who qualifies to file as head of household (Box 5)	$3,150, Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with neither spouse claiming any dependents (Box 10)	$2,100, Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$3,150, Or Complete Form 202 *Personal Exemption Allocation Election*.

A married couple who does not claim any dependents may take one personal exemption of $4,200. If the husband and wife file separate returns, either spouse may take the entire $4,200 exemption, or the spouses may divide the $4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $2,100. If you and your spouse do not complete Form 202, you may take an exemption of only $2,100 (one-half of the total $4,200).

A married couple who claims at least one dependent may take one personal exemption of $6,300. If the husband and wife file separate returns, either spouse may take the entire $6,300 exemption, or the spouses may divide the $6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150. If you and your spouse do not complete Form 202, you may take an exemption of only $3,150 (one-half of the total $6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire $6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150. If you and your spouse do not complete Form 202 you may take an exemption of only $3,150 (one-half of the total $6,300).

The spouse who claims more than one-half of the total personal exemption must attach the original Form 202 to his or her return. The spouse who claims less than one-half of the total personal exemption must attach a copy of the completed Form 202 to his or her return.

Line 19 - Taxable Income

Subtract lines 17 and 18 from line 16 and enter the result. Use this amount to calculate your tax using Tax Table X or Y or the Optional Tax Tables.

Line 20 - Tax Amount

Enter the tax from either Tax Table X or Y or the Optional Tax Tables. If your taxable income is less than $50,000, use the Optional Tax Table. If your taxable income is $50,000 or more, use Tax Table X or Y.

Line 21 - Tax From Recapture of Credits From Arizona Form 301

Enter the amount of tax due from recapture of the credits from Form 301, Part II, line 31.

Line 22 - Subtotal of Tax

Add lines 20 and 21.

Lines 23 and 24 - Clean Elections Fund Tax Reduction

You may designate $5 of your tax go to the Clean Elections Fund and may also reduce your tax by up to $5. If you are married filing a joint return, both you and your spouse may make this designation and also reduce your tax by up to $10.

Single Taxpayers, Heads of Household, and Married Taxpayers Filing a Joint Return With Only One Spouse Making a Designation

To make this designation, Check box **231** marked yourself.

If you checked box **231** and the amount on Form 140, page 1, line 22 is $10 or more, enter $5 on line 24. If the amount on line 22 is less than $10, complete the following worksheet.

Married Taxpayers Filing a Joint Return With Both Spouses Making a Designation

If both spouses want to make this designation, one spouse should check box **231**, and the other spouse should check box **232**.

If you checked both box **231** and box **232** and the amount on Form 140, page 1, line 22 is $20 or more, enter $10 on line 24.

If the amount on line 22 is less than $20, complete the following worksheet.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 140, page 1, line 22.	
2. If you checked box **231**, enter $5. If a joint return and your spouse also checked box **232**, enter $10.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	
4. If you checked box **231**, enter $5. If a joint return and your spouse also checked box **232**, enter $10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form 140, page 1, line 24.	

NOTE: *Amounts designated to the Clean Elections Fund here do not qualify for the credit on line 29.*

Line 25 - Reduced Tax

Subtract line 24 from line 22. Enter the result.

Line 26 - Family Income Tax Credit

e-file ***e-File*** software will let you know if you are eligible and will figure the credit for you.

You may take this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete Worksheet II in step 4.

Step 1

Complete Worksheet I below.

Worksheet I	
1. Enter the amount from Form 140, page 1, line 16.	
2. Enter the amount from Form 140, page 2, line C17.	
3. Add lines 1 and 2. Enter the result.	

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

Step 3

- Look at column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140, page 1, box 10 excluding persons listed on Page 2, line A3a).
- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 3.

If the amount entered in step 1 on Worksheet I, line 3 is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140, page

1, box 10, excluding persons listed on Page 2, line A3a, you qualify to take this credit. To figure your credit, complete step 4.

Table I Married Filing a Joint Return	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$23,600
• 3	$27,300
• 4 or more	$31,000

Table II Head of Household	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$20,135
• 3	$23,800
• 4	$25,200
• 5 or more	$26,575

Table III Single Or Married Filing Separately	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140, page 1, box 10 excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or more	$10,000

Step 4

If you qualify to take the credit, complete Worksheet II.

Worksheet II **You must complete Steps 1 through 3 before you complete Worksheet II.**	
1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed on Page 2, line A3a.	
2. Number of personal exemptions. If you checked filing status 4, **enter** the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.	
3. Add lines 1 and 2. Enter the result.	
4. Multiply the amount on line 3 by $40. Enter the result.	
5. If you checked filing status 4 or 5, **enter** $240 here. If you checked filing status 6 or 7, enter $120 here.	
6. Family income tax credit. Enter the lesser of line 4 or line 5. Also enter this on Form 140, page 1, line 26.	

NOTE*: The family income tax credit will only reduce your tax and cannot be refunded.*

Line 27 - Nonrefundable Credits From Arizona Form 301 or Forms 310, 321, 322, and 323 if Form 301 is not Required

Complete line 27 if you can take any of the following credits. Also make sure that you attach the Arizona Form 301 if you are required to complete Form 301 and the appropriate credit form or forms to your return.

1. **Defense Contracting Credits.** Your unused defense contracting credit carryover may be carried forward as a credit against subsequent taxable years' tax liability through tax year 2011. See Form 302 for details.

2. **Enterprise Zone Credit**. You may qualify for this credit if your business in an Arizona enterprise zone had net increases in qualified employment positions. Use Form 304 to figure this credit.

3. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

4. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

5. **Recycling Equipment Credit**. The recycling equipment credit allowable to individuals has been repealed. You may not take this credit for taxable years beginning January 1, 2003 or later. However, the repeal did not affect any credit carryover that accrued prior to the repeal. Use Form 307 to figure any allowable credit carryover.

6. **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.

7. **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 to figure your credit.

8. **Credit for Solar Energy Devices.** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

9. **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.

10. **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.

11. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you install solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you construct. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

12. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

13. **Credit for Contributions to Charities That Provide Assistance to the Working Poor.** You may qualify for this credit if you made contributions to certain charities that provide help to the working poor. Use Form 321 to figure this credit.

14. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

15. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

16. **Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incur 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.

17. **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.

18. **Credit for Healthy Forest Enterprises.** You may qualify for this credit if you had net increases in qualified employment positions as a healthy forest enterprise. Use Form 332 to figure this credit.

19. **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.

20. **Motion Picture Credits.** A credit is available to motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to figure this credit.

21. **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or other nonresidential applications located in Arizona. Use Form 336 to figure this credit.

22. **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.

23. **Credit for Water Conservation Systems.** You may qualify for this credit if you installed a qualifying water conservation system in your residence located in Arizona. Use Form 339 to figure this credit.

24. **Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

Compute your credit on the appropriate form. Then, if required, complete Form 301 and enter the amount from Form 301, line 59. The credits on line 27 cannot reduce your tax below zero. These credits are not refundable credits.

Attach Arizona Form 301, along with any supporting documents, to your return.

Line 28 - Credit Type

If you entered an amount on line 27, write the form number of each credit claimed.

If you are claiming:	Write form number:
1. Defense Contracting Credits	302
2. Enterprise Zone Credit	304
3. Environmental Technology Facility Credit	305
4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Increased Research Activities - Individuals	308
7. Credit for Taxes Paid to Another State or Country	309
8. Credit for Solar Energy Devices	310
9. Agricultural Water Conservation System Credit	312
10. Pollution Control Credit	315
11. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
12. Credit for Employment of TANF Recipients	320
13. Credit for Contributions to Charities That Provide Assistance to the Working Poor	321
14. Credit for Contributions Made or Fees Paid to Public Schools	322
15. Credit for Contributions to Private School Tuition Organizations	323
16. Agricultural Pollution Control Equipment Credit	325
17. Credit for Donation of School Site	331
18. Credit for Healthy Forest Enterprises	332
19. Credit for Employing National Guard Members	333
20. Motion Picture Credits	334
21. Credit for Solar Energy Devices - Commercial and Industrial Applications	336
22. Credit for Investment in Qualified Small Businesses	338
23. Credit for Water Conservation Systems	339
24. Credit for Donations to the Military Family Relief Fund	340

Line 29 - Clean Elections Fund Tax Credit

NOTE: *An amount entered on Form 140, page 1, line 24 does not qualify for the credit. Do not include that amount here. For the purpose of this credit, that amount is not a donation.*

If you made a donation to the Citizens Clean Elections Fund, you may take a credit for that gift.

For 2010, you may claim a credit for:

- Donations made directly to the fund during 2010.
- A donation made to the fund on your 2009 income tax return that you filed in 2010.

You may not claim a credit on the 2010 return for a donation made to the fund on your 2010 return. If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

Complete the following worksheet to figure your credit.

Worksheet for Calculating the 2010 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2010.	
2. Enter the amount donated to the fund with your 2009 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140, page 1, line 25.	
5. Enter the amount from Form 140, page 1, line 26.	
6. Enter the amount from Form 140, page 1, line 27.	
7. Add line 5 and line 6. Enter the total	
8. Subtract line 7 from line 4.	
9. Multiply line 8 by 20% (.20).	
10. Enter $640 if single, head of household, or married filing separately. Enter $1,280 if married filing joint.	
11. Enter the larger of line 9 or line 10.	
12. Enter the smaller of line 3, line 8, or line 11 here and also on Form 140, page 1, line 29.	
NOTE: *This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.*	

Line 30 - Balance of Tax

Subtract lines 26, 27 and 29 from line 25. If the sum of lines 26, 27 and 29 is more than line 25, enter zero.

Totaling Payments and Credits

Line 31 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer(s). Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state. Attach the Form(s) W-2 and 1099-R after the last page of your return.

NOTE: *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

Line 32- Arizona Estimated Tax Payments for 2010 and Amount Applied From 2009 Return

Use this line if you did one of the following.

1. Made estimated income tax payments to Arizona for 2010.
2. Applied any of your refund from your 2009 Arizona return to 2010 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2010 taxes.

NOTE: *If you made joint Arizona estimated payments for 2010, but are filing separate 2010 Arizona income tax returns, see Arizona Department of Revenue Income Tax Ruling ITR 02-3.*

Line 33 - 2010 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.aztaxes.gov.

Line 34 - Increased Excise Tax Credit

You may take this credit if you meet all of the following:

1. You meet the income threshold for your filing status.
2. You are not claimed as a dependent by any other taxpayer.
3. You were not sentenced for at least 60 days of 2010 to a county, state or federal prison.

If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140, page 1, line 12, is $25,000 or less. If you are single or married filing a separate return, you may take this credit if the amount on Form 140, page 1, line 12 is $12,500 or less.

To figure your credit, complete the following worksheet.

NOTE: *Do not complete the following worksheet if you are claiming the property tax credit on Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit. If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, here and enter the property tax credit from Form 140PTC, page 1, line 15, on line 35.*

Credit for Increased Excise Taxes Worksheet		
	Check one	
	Yes	No
If you checked filing status 4 or 5, is the amount on Form 140, page 1, line 12, $25,000 or less? If you checked filing status 6 or 7, is the amount on Form 140, page 1, line 12, $12,500 or less?		
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
1. Enter the number of dependents you entered on Form 140, page 1, box 10, excluding persons listed on Page 2, line A3a. Also exclude any dependent that is not an Arizona resident.		
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.		
3. Add lines 1 and 2. Enter the result.		
4. Multiply the amount on line 3 by $25. Enter the result.		
5. Maximum credit.	$ 100	00
6. Enter the smaller of line 4 or line 5 here and also on Form 140, page 1, line 34.		

NOTE: *The credit cannot exceed $100 per household. Do not claim this credit if someone else in your household has already claimed $100 of the credit. If someone else in your household has claimed less than $100, you may claim the credit as long as all credit claims filed from your household do not exceed $100.*

Line 35 - Property Tax Credit

You may take the property tax credit if you meet **all** the following.

1. You were either 65 or older in 2010 or receiving SSI Title 16 income from the Social Security Administration.

NOTE: *This is not the normal Social Security disability.*

2. You were an Arizona resident for the full year in 2010.
3. You paid property tax on your Arizona home in 2010. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your income from all sources was under $3,751. If you lived with others, the household income was under $5,501.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15.

Attach Form 140PTC to your return.

Tax Tip: *To claim a property tax credit, you must file your claim or extension request by April 18, 2011. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

Line 36 - Other Refundable Credits

Enter the total of refundable credits you are claiming from Form 308-I, *Credit for Increased Research Activities - Individuals*, or Form 342, *Credit for Renewable Energy Industry*.

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 attach the credit claim form (308-I or 342) to your return when you file.

Credit for Increased Research Activities - Individuals (Form 308-I)

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.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part IV, line 23, here.

Renewable Energy Industry Credit (Form 342)

You may qualify for the refundable renewable energy industry credit if you expanded or located a qualified renewable energy operation in Arizona. For more information about this credit, see Arizona Form 342.

If you are claiming the renewable energy industry credit, from Form 342, enter the amount from Form 342, Part IV, line 12, here.

NOTE: *If you are claiming a refundable credit from both Form 308-I and Form 342, add the amount from Form 308-I, part IV, line 23 to the amount from Form 342, Part IV, line 12 and enter the total on Form 140, page 1, line 36.*

Line 37 - Total Payments and Refundable Credits

Add lines 31 through 36. Enter the total.

Also, do the following if you computed your 2010 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 37.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

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

Figuring Your Overpayment or Tax Due

Line 38 - Tax Due

If line 30 is more than line 37, you have tax due. Subtract line 37 from line 30. Skip lines 39, 40 and 41.

Line 39 - Overpayment

If line 37 is more than line 30, subtract line 30 from line 37. Complete lines 40 and 41.

Line 40 - Amount of Line 39 to Apply to 2011 Estimated Tax

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

NOTE: *If you apply any of the amount shown on line 39 to 2011, you cannot use that amount to pay any tax that is later found to be due for 2010. You also may not claim a refund for that amount until you file your 2011 return.*

Line 41 - Balance of Overpayment

Subtract line 40 from line 39 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 42 - Aid To Education Fund

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money in this fund to school districts.

CAUTION: *If you make a contribution to the Aid to Education Fund,* ***you must contribute your entire refund****. You may not give more than or less than your entire refund.*

Line 43 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

Line 44 - Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. You may also send in additional

money with your return. If you send in additional money with your return, include that amount on line 58. Enter the amount you want to donate on line 44.

If you make a donation to the fund with your 2010 return that you file in 2011, you may claim a credit for that donation on your 2011 return.

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

Line 45 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 46 - Domestic Violence Shelter Fund

You may give some or all of your refund to the domestic violence shelter fund. You may also give more than your entire refund.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 47 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Line 48 - National Guard Relief Fund

You may give some or all of your refund to the National Guard Relief fund. You may also give more than your entire refund.

Gifts go to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

Line 49 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills and conserving energy.

Line 50 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 51 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

Line 52 - Political Gift

Gifts go to one of the following political parties:

- Democratic
- Green
- Libertarian
- Republican

You may give some or all of your refund to a political party. You may also give more than your entire refund.

Line 53 - Political Party

Check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 52.

Line 54 - Estimated Payment Penalty and MSA Withdrawal Penalty

Estimated Payment Penalty

NOTE: *Do not complete Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140, page 1, line 31, is more than the amount on Form 140, page 1, line 30. If the amount on Form 140, page 1, line 31, is more than the amount on Form 140, page 1, line 30, skip line 54, unless you must report an MSA penalty.*

You must have made Arizona estimated income tax payments during 2010 if:

Your filing status is:	AND Your Arizona gross income for 2009 was greater than:	AND Your Arizona gross income for 2010 was greater than:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2010 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 2011. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check Box 2 on line 55 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and attach Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

MSA Withdrawal Penalty

You must pay a withdrawal penalty if you made an MSA withdrawal during 2010 and all of the following apply.

1. You used the amount withdrawn for purposes other than to pay for qualified medical expenses.
2. You made the withdrawal on a day other than the last business day of the year.
3. The withdrawal is not subject to the federal withdrawal penalty.

The penalty is equal to 10% of the withdrawal. The withdrawal penalty is not subject to abatement. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

The following withdrawals are not subject to the penalty.

1. Any withdrawal subject to the federal withdrawal penalty.
2. Withdrawals made from your MSA on the last business day of the tax year.
3. Any withdrawal made by an account holder who is at least age 59 1/2 when he or she makes the withdrawal.

NOTE: *The following are not withdrawals. Do not enter a penalty for any of the following.*

- *Amounts from the MSA used to pay qualified medical expenses*
- *A qualified return of excess contributions*
- *A qualified rollover*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary*

For more information about the above items, see the department's MSA brochure, Pub 542.

Line 55 -

Box 1 - Check box 1 if any of the following applies to you:

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50 percent of the total of all of your required installments.

Box 2 - If you are an individual who for federal purposes reports as a farmer or fisherman, check box 2.

Box 3 - If you completed and attached Form 221, check box 3.

Box 4 - If you included an MSA penalty on line 54, check box 4.

Figuring Your Refund or Tax Due

Line 57 - Refund

e-file You can get your refund in as little as 7 to 10 days when you ***e-File*** and use direct deposit.

Subtract line 56 from line 41. Enter your refund on line 57 and skip line 58.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the 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, 1600 W Monroe, Phoenix AZ 85007. 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 57 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 57A if the direct deposit will ultimately be placed in a foreign account. If you check box 57A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

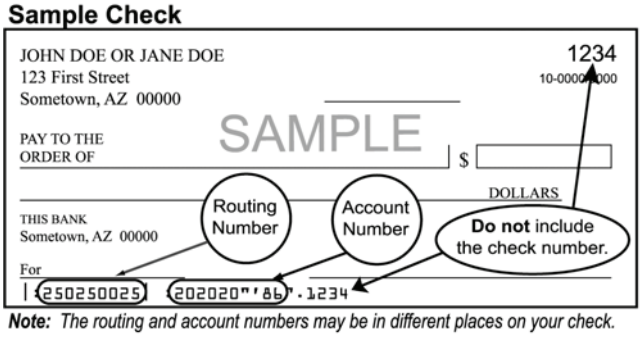
The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

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

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 that follows the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

Line 58 - Amount Owed

Add lines 38 and 56. Enter the amount you owe on line 58. If you are making voluntary donations on lines 43 through 52 in excess of your overpayment, enter the difference on line 58. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *Attach your check to the front of your return in the upper left hand corner where indicated. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 58 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our web site at www.azdor.gov.

If you cannot pay the full amount shown on line 58, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2011. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

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 is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

Instructions Before Mailing

- Make sure your SSN is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- 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. If you received your return in the mail, use the preprinted label. **If the label is not correct, do not use it.**
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 2 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home.
- If claiming exemptions for qualifying parents or ancestors, write the number of qualifying parents or ancestors claimed on the **front** of the return. On page 2 of the return, also write each parent's or ancestor's name, relationship, SSN, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign if filing jointly.
- Write your SSN on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

The Department of Revenue may charge you $25 for a check returned unpaid by your financial institution.

- Attach **all** required documents. Place these documents to the back of your return. Use just one staple to attach your documents where shown on page 1 of the return. Please do not use tape. Documents you must attach include those items listed in numbers 1 through 6 below.

1. Attach Form(s) W-2 after the last page of your return. Also attach Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
2. Attach Arizona Form 301, applicable credit forms, and your own schedules after page 2 of your return. If itemizing, attach these forms after your Arizona Schedule A and your federal Schedule A.
3. If claiming a credit for taxes paid to another state or country, attach a copy of the other state's or country's filed return.
4. If you itemize, be sure to attach a copy of the federal Schedule A. Attach the Arizona Schedule A and the federal Schedule A directly after page 2 of your return. Attach other forms and schedules behind the Schedules A.
5. If you are claiming a property tax credit, attach a completed Form 140PTC and all required documents.
6. If you have tax exempt interest income, be sure to attach a schedule listing the payors and the amount received from each payor.

- Do not send correspondence with your return.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in

with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To mail your return, use an envelope that came in your booklet.

To avoid delays, please use separate envelopes for each return.

Where Should I Mail My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the yellow address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the white address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

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%. 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.

Where's My Refund?

If you e-filed, you can expect your refund within 2 weeks of the date you filed. If you filed a paper return, you can expect your refund within 12 weeks of the date you filed. You can check on your refund by visiting www.azdor.gov and clicking on "Where's my refund?" If you have not received your refund within the noted time frames, you may call one of the numbers listed on the back cover. Before you call, be sure to have a copy of your 2010 tax return on hand. You will need to know your SSN, your filing status and your 5-digit zip code.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **For purposes of this chart**, "income" means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 1, line 16 plus the amount on Form 140, page 2, line C15; or Form 140A, page 1, line 18, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit if you are qualified.*

	FILING STATUS			
NUMBER OF DEPENDENTS	**SINGLE**	**MARRIED FILING SEPARATE**	**UNMARRIED HEAD OF HOUSEHOLD**	**MARRIED FILING JOINT**
0	$ 8,326	$ 8,326	N/A	$ 16,653
1	(A) 10,000	10,146	18,953	20,000
2	11,396	12,446	20,135	23,600
3	13,696	14,746	23,800	27,300
4	15,996	17,046	25,200	(C) 31,000
5	18,296	19,346	(B) 26,575	31,000

EXAMPLES

	(A) single, $10,000 income*, one dependent	(B) unmarried head of household, $26,575 income*, five dependents	(C) married filing joint, $31,000 income*, four dependents
Income*	$ 10,000	$ 26,575	$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-4,677	-9,354	-9,354
Personal exemption	-2,100	-4,200	-6,300
Net taxable income	$ 923	$ 1,521	$ 6,146
Tax (optional tax table)	$ 24	$ 39	$ 159
less: Family tax credit	-80	-240	-240
Tax owed	**$ 0**	**$ 0**	**$ 0**

*For purposes of these examples, "income" means Arizona adjusted gross income plus the dependent exemption amount claimed.

ARIZONA SCHEDULE
A

Itemized Deduction Adjustments

For Full-Year Residents Filing Form 140

2010

Attach to your return.

Your Name as shown on Form 140	Your Social Security Number
Spouse's Name as shown on Form 140	Spouse's Social Security Number

To itemize on your Arizona return, you must first complete a federal Schedule A. Use Form 140, Schedule A, to adjust the amount shown on the federal Schedule A. Complete Form 140, Schedule A, ***only if you are making changes*** to the amount shown on the federal Schedule A. *See instructions for details.*

Adjustment to Medical and Dental Expenses

1	Medical and dental expenses	1	00			
2	Amount of medical savings account (MSA) distributions used to pay qualified medical expenses included on line 1	2	00			
3	Medical expenses allowed to be taken as a federal itemized deduction	3	00			
4	*Add* line 2 and line 3, and *enter the result*	4	00			
5	If line 1 is the same as or more than line 4, *subtract* line 4 from line 1; otherwise, *go to line 6*			5		00
6	If line 4 is more than line 1, *subtract* line 1 from line 4			6		00

Adjustment to Interest Deduction

7	If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), *enter the amount of mortgage interest you paid for 2010 that is equal to the amount of your 2010 federal credit*			7		00

Adjustment to Gambling Losses

8	Wagering losses allowed as a federal itemized deduction	8	00			
9	Total gambling winnings included in your federal adjusted gross income	9	00			
10	Arizona lottery subtraction from Form 140, page 2, line C20	10	00			
11	Maximum allowable gambling loss deduction: *Subtract* line 10 from line 9	11	00			
12	If line 11 is less than line 8, *subtract* line 11 from line 8; otherwise *enter "zero"*			12		00

Adjustment to Charitable Contributions

13	Amount of charitable contributions for which you are taking a credit under Arizona law			13		00
14	Haiti earthquake contributions made after January 11, 2010 and before March 1, 2010. *See the instructions before you enter any amount here*			14		00

Other Adjustments

15	Amount allowed as a federal itemized deduction that relates to income not subject to Arizona tax			15		00

Adjusted Itemized Deductions

16	*Add* the amounts on lines 5, 7 and 14	16	00			
17	*Add* the amounts on lines 6, 12, 13 and 15	17	00			
18	Total federal itemized deductions allowed to be taken on federal return	18	00			
19	*Enter the amount* from line 16 above	19	00			
20	*Add* lines 18 and 19	20	00			
21	*Enter the amount* from line 17 above	21	00			
22	Arizona itemized deductions: *Subtract* line 21 from line 20. *Enter the result* here and on Form 140, page 1, line 17			22		00

NOTE: You must attach a copy of federal Form 1040, Schedule A, to your return if you itemize your deductions.

2010 Form 140 Schedule A Itemized Deduction Adjustments

Who Should Complete This Form?

You may itemize on your Arizona return, even if you do not itemize on your federal return. But, to itemize on your Arizona return, you must first complete a federal Schedule A. Use Form 140, Schedule A, to adjust the amount shown on the federal Schedule A. Complete Form 140, Schedule A, only if you are making changes to the amount shown on the federal Schedule A.

You must complete Form 140, Schedule A, only if any of the following items apply to you.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while taking a subtraction for Arizona lottery winnings.
4. Your deductions claimed on the federal Schedule A include expenses related to income not subject to Arizona tax.
5. You are claiming an Arizona credit for any amount allowed as a charitable contribution.
6. You made a cash gift during 2010 to aid Haiti earthquake victims and you deducted that gift on your 2009 return.

If any of the above items apply to you, complete a federal Form 1040 Schedule A and then complete Form 140 Schedule A, Itemized Deduction Adjustments as instructed below.

Do not complete Form 140, Schedule A, Itemized Deduction Adjustments, if the above items do not apply to you. If you do not have to complete Form 140, Schedule A, *Itemized Deduction Adjustments*, enter the amount from federal Form 1040, Schedule A, on Form 140, page 1, line 17.

Line-by-Line Instructions

Lines 1 through 6

NOTE: *Skip lines 1 through 6 if you are **not** deducting medical and dental expenses.*

In most cases, the deduction allowed on the Arizona return will be larger than the deduction allowed on the federal return. On your Arizona return, you do not have to reduce your medical expenses by a percentage of your federal adjusted gross income.

Complete lines 1 through 6 if you are deducting medical and dental expenses. In most cases, you may deduct more medical expenses on your Arizona return than you can deduct on your federal return. Complete lines 1 through 6 to deduct those expenses that were less than 7.5% of your federal adjusted gross income. Also complete lines 1 through 6 if you had an MSA.

Line 1

Enter the total of your medical and dental expenses. Do not include any expenses that were paid by insurance or other sources. Do not reduce the amount you enter on line 1 by amounts paid from an MSA.

Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If you are self-employed, do not include any amount that you paid for health insurance that you deducted in computing your federal adjusted gross income.

For details about what types of expenses you may deduct, see federal Form 1040, Schedule A.

Line 2

Enter any amount of medical and dental expenses included on line 1 that were paid from your MSA.

Complete lines 3 through 6 as instructed on the form.

Line 7

NOTE: *Skip line 7 if you are **not** claiming a credit for interest paid on mortgage credit certificates on your federal return.*

If you claimed this credit on your federal return (using Form 8396), you may deduct the amount of mortgage interest you paid in 2010 that is equal to the amount of that credit. Enter the amount of that interest here.

Lines 8 through 12

NOTE: *Skip lines 8 through 12 if you are **not** deducting gambling losses.*

You may deduct wagering losses only to the extent of your wagering gains. You must complete lines 8 through 12 if both of the following apply:

1. You took a subtraction for Arizona lottery winnings; and
2. You are claiming a deduction for gambling losses.

Complete lines 8 through 12 as instructed on the form.

Line 13

NOTE: *Skip line 13 if you are **not** taking any credit for an amount allowed as a charitable contribution.*

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit. If you are claiming a credit on your 2010 return for a contribution made during 2011 (see Arizona Form 323), you must make this adjustment on your 2011 return, even though you are claiming the credit on your 2010 return.

Line 14

If you made a cash gift to help Haiti earthquake victims after January 11, 2010, but before March 1, 2010, you may have to enter an amount here. For federal purposes, you were allowed to treat that gift as if you made it in 2009 rather than 2010. In this case, you would have deducted that gift as a charitable deduction on your 2009 federal income tax return and not your 2010 return.

For Arizona purposes, you should not have deducted that gift on your 2009 return. That gift should be deducted on your 2010 Arizona income tax return. If you included that amount as a deduction on your 2009 federal income tax return, you should have reduced your 2009 Arizona charitable deduction by that amount. If you reduced your 2009 Arizona charitable contribution by the amount of that gift, enter that amount here.

Line 15

You may not deduct any expense that relates to income not subject to Arizona tax. You must complete line 15 if your federal Schedule A includes such expenses. Such expenses include:

1. Interest or other related expenses incurred to purchase or carry U.S. obligations, when the income is not subject to Arizona tax.
2. State taxes paid to other states for prior years if you were not an Arizona resident for that prior year.
3. Employee business expenses that relate to income not subject to Arizona tax.

This list is not all-inclusive. There may be other items included in your federal Schedule A that you cannot deduct on the Arizona return.

Enter the amount of expenses deductible on federal Schedule A that are allocable to income not subject to Arizona income tax.

Lines 16 through 22

Complete lines 16 through 22 as instructed on the form.

ARIZONA FORM **140A**

Resident Personal Income Tax Return (Short Form)

FOR CALENDAR YEAR **2010**

STOP ***If your Arizona taxable income is $50,000 or more, you must use Arizona Form 140.***

82F ☐ ◀ **Check box 82F if filing under extension**

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).** Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route 2 — Apt. No.	Daytime Phone *(with area code)*	Home Phone *(with area code)* 94
City, Town or Post Office 3 — State — Zip Code		

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88 81 80

Filing Status

4 ☐ Married filing joint return

5 ☐ Head of household ..... ▶ NAME OF QUALIFYING CHILD OR DEPENDENT

6 ☐ Married filing separate return. *Enter spouse's name and Social Security No. above.*

7 ☐ Single

Exemptions — ***Enter the number claimed.*** **Do not put a check mark.**

8 ☐ Age 65 or over (you and/or spouse)

9 ☐ Blind (you and/or spouse)

10 ☐ Dependents. *From page 2, line A2 - **do not include self or spouse**.*

11 ☐ Qualifying parents and ancestors of your parents. *From page 2, line A5.*

Attach required documents in upper left corner after page 2 of the return. Include any payment stapled to upper left corner.

12	Federal adjusted gross income (from your federal return)		12 00
13	Exemption - Age 65 or over: *Multiply* the number in box 8 by $2,100	13 00	
14	Exemption - Blind: *Multiply* the number in box 9 by $1,500	14 00	
15	Exemption - Dependents: *Multiply* the number in box 10 by $2,300	15 00	
16	Exemption - Qualifying parents and ancestors of your parents: *Multiply* the number in box 11 by $10,000.	16 00	
17	Total subtractions. *Add* lines 13 through 16		17 00
18	Arizona adjusted gross income: *Subtract* line 17 from line 12		18 00
19	Standard deduction: If you checked filing status box 4 or 5, *enter $9,354.* If you checked box 6 or 7, *enter $4,677*		19 00
20	Personal exemptions. *See page 7 of the instructions*		20 00
21	Arizona taxable income. *Subtract* lines 19 and 20 from line 18. If less than zero, *enter zero.* If $50,000 or more, *use Form 140*		21 00
22	Amount of tax from Optional Tax Tables		22 00
23 - 24	Clean Elections Fund Tax Reduction: *See instructions pages 7 and 8* ..... 231☐ **YOURSELF** 232☐ **SPOUSE**		24 00
25	Reduced tax: *Subtract* line 24 from line 22		25 00
26	Family income tax credit *from worksheet on page 8 of instructions*		26 00
27	Subtract line 26 from line 25: If less than zero, *enter zero*		27 00
28	Clean Elections Fund Tax Credit: *From worksheet on page 9 of the instructions*		28 00
29	Balance of tax: *Subtract* line 28 from line 27. If line 28 is more than line 27, *enter zero*		29 00
30	Arizona income tax withheld during 2010	30 00	
31	2010 Arizona extension payment (Form 204)	31 00	
32	Increased Excise Tax Credit *from worksheet on page 9 of the instructions*	32 00	
33	Property Tax Credit *from Form 140PTC*	33 00	
34	Total payments/credits: *Add* lines 30 through 33		34 00
35	**TAX DUE.** If line 29 is larger than line 34, *subtract* line 34 from line 29, and *enter amount of tax due. Skip line 36*		35 00
36	**OVERPAYMENT:** If line 34 is larger than line 29, *subtract* line 29 from line 34, and *enter the amount of overpayment*		36 00

37 - 47 Voluntary Gifts to

				Aid to Education (*entire* **refund only**)	37	00	Arizona Wildlife	38	00
Citizens Clean Elections	39	00		Child Abuse Prevention	40	00	Domestic Violence Shelter	41	00
I Didn't Pay Enough Fund	42	00		National Guard Relief Fund	43	00	Neighbors Helping Neighbors	44	00
Special Olympics	45	00		Veterans' Donations Fund	46	00	Political Gift	47	00

48 *Check only one* if making a political gift ..... 481☐Democratic 482☐Green 483☐Libertarian 484☐Republican

49	Total voluntary gifts: *Add* lines 37 through 47	49 00
50	**REFUND:** *Subtract* line 49 from line 36. If less than zero, *enter amount owed on line 51*	50 00
	Direct Deposit of Refund: ***Check box 50A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions*. 50A☐	
	98 ROUTING NUMBER ☐☐☐☐☐☐☐☐☐ ACCOUNT NUMBER ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ C ◯ Checking or S ◯ Savings	
51	**AMOUNT OWED:** *Add* lines 35 and 49. ***Make check payable to* Arizona Department of Revenue; *include SSN* on payment**	51 00

☐ **Payment enclosed.** *Check the box and attach your payment to the upper left corner of this page.*

PLEASE BE SURE TO SIGN THE RETURN ON THE REVERSE SIDE OF THIS PAGE.

Your Name (as shown on page 1)	Your Social Security No.

PART A: Dependents and Qualifying Parents - do not list yourself or spouse

A1 *List children and other dependents.* If more space is needed, *attach a separate sheet.*

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A2 *Enter total number of persons listed in A1* here and on the front of this form, box 10 ..... TOTAL **A2**

A3 **a** Enter the names of the dependents listed above who do not qualify as your dependent on your federal return. *See page 6 of the instructions.*

b Enter dependents listed above who were not claimed on your federal return due to education credits:

A4 *List qualifying parents and ancestors of your parents.* If more space is needed, *attach a separate sheet*. You cannot list the same person here and also on line A1. For information on who is a qualifying parent or ancestor of your parents, *see page 6 of the instructions.*

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A5 *Enter total number of persons listed in A4* here and on the front of this form, box 11 ..... TOTAL **A5**

PART B: Last Name(s) Used in Prior Years – *if different from name(s) used in current year*

B6

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

Leave the Paper Behind - *e-File*!

- **Quick Refunds**
- **Accurate**
- **Proof of Acceptance**
- **Free ****

No more paper, math errors, or mailing delays when you ***e-File***!

Refunds in as little as 7 to 10 days with direct deposit option.

e-File today, pay by April 18, 2011, 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 web site 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 web site at www.azdor.gov.

Who Can Use Form 140A?

You can use Form 140A to file for 2010 if all of the following apply to you.

- You (and your spouse if married filing a joint return) are full year residents of Arizona.
- Your Arizona taxable income is less than $50,000, regardless of your filing status.
- You are not making any adjustments to income.
- You do not itemize deductions.
- The only tax credits you can claim are:
  - the family income tax credit,
  - the property tax credit,
  - the credit for increased excise taxes,
  - the Clean Elections Fund tax credit.
- You are not claiming estimated tax payments.

NOTE: *If you are an active duty military member and required to file an Arizona return,* ***DO not*** *file Form 140A. For 2010, you may subtract all active duty military pay included in federal adjusted gross income. To take this subtraction, you must file your 2010 return using Form 140. For more information, see Form 140 instructions.*

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You must file if you are:	**and** your Arizona adjusted gross income is at least:	**or** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing jointly	$11,000	$15,000
• Married filing separately	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000
If you are an Arizona resident, you must report income from **all** sources. This includes out-of-state income.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax. Income Arizona law does not tax includes: • Interest from U.S. Government obligations • Social security retirement benefits received under Title II of the Social Security Act • Benefits received under the Railroad Retirement Act • Active duty military pay • Pay received for active service as a reservist or a National Guard member		
You can find your Arizona adjusted gross income on line 18 of Arizona Form 140A.		

NOTE: *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.

- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Form 140**. In this case, do not file Form 140A.

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are the Spouse of an American Indian and You are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are in The Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service, to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military.*

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2010.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2010, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2010 and you did not remarry in 2010, or if your spouse died in 2011 before filing a return for 2010, you may file a joint return. If your spouse died in 2010, the joint return should show your spouse's 2010 income before death, and your income for all of 2010. If your spouse died in 2011, before filing the 2010 return, the joint return should show all of your income and all of your spouse's income for 2010. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file a fiduciary income tax return. For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

What are the Filing Dates and Penalties?

When Should You File?

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011. File your return as soon as you can after January 1, but no later than April 18, 2011.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

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 18. See Form 204 for details. You do not have to attach a copy of the extension to your return when you file, but make sure that you check box **82F** 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.
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to attach a copy of your federal extension to your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

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 year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2010 calendar year return by April 18, 2011, 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, we will charge you a late filing penalty. This penalty is 4½% 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% 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%.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% of the tax shown on your return by the return's original due date. If you do not pay this amount, we can 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% 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 section 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 return once you have filed, you should file Form 140X, *Individual Amended Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

Find an Authorized e-File Provider

An authorized E-File provider can take the guesswork out of filing taxes.

To Find an Authorized e-File Provider near you log on www.azdor.gov

Authorized IRS e-file Provider

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- 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.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you include a daytime telephone number.

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you write your SSN on the appropriate line.*

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided.

If you are filing a joint return, enter your SSNs in the same order as your 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. Then enter your spouse's name and SSN on second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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.

ID Numbers for Paid Preparers

If you pay someone else 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 SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper ID numbers may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140A.

Line 4 Box - Married Filing a Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2010. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2010 and you did not remarry in 2010. See page 2 of these instructions for details.

The Arizona Form 140A is for full year residents only. You may not file a joint Arizona income tax return on Form 140A if any of the following apply.

1. Your spouse is a nonresident alien (citizen of and living in another country).
2. Your spouse is a resident of another state.
3. Your spouse is a part-year Arizona resident.

If filing a joint return with your nonresident spouse, you may file a joint return using Form 140NR. See Form 140NR instructions.

If filing a joint return with your part-year resident spouse, you may file a joint return using Form 140PY. See Form 140PY instructions.

The department has issued a ruling on filing a joint return with your part-year resident or nonresident spouse. This ruling is ITR 95-2. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 5 Box - Head of Household

If you are filing as a head of household, check box 5.

You may file as head of household on your Arizona return, only if one of the following applies.

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

Line 6 Box - Married Filing Separately

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2010, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. Under these laws, a separate return must reflect one-half of the community income from all sources plus any separate income.

When you file separate returns, you must account for community deductions and credits on the same basis as community income. Both you and your spouse must either itemize or not itemize. If one of you itemizes, you both must itemize. If one of you takes a standard deduction, you both must take a standard deduction. One of you may not claim a standard deduction while the other itemizes.

If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

The department has issued tax rulings on filing a separate return. These rulings are ITR 93-18 and ITR 93-19. *To* see these rulings, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling on when you may treat community income as separate income. This ruling is ITR 93-22. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. The department has issued a ruling on how to report income in this case. This ruling is ITR 93-20. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 7 Box - Single

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, 10, and 11. Do not put a checkmark. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete Part A, lines A1 through A3b, on page 2. You may lose the exemption for qualifying parents or ancestors if you do not complete Part A, lines A4 and A5, on page 2.

Line 8 Box - Age 65 and Over

Write "1" in box 8 if you or your spouse were 65 or older in 2010. Write "2" in box 8 if both you and your spouse were 65 or older in 2010.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or partially blind. Write "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2010, you must get a statement certified by your eye doctor or registered optometrist that:

1. You cannot see better than 20/200 in your better eye with glasses or contact lenses or
2. Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead.

You must keep the statement for your records.

Line 10 Box - Dependents

You must complete Part A, lines A1 through A3b, on page 2 of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see Arizona Individual Income Tax Ruling ITR 05-02.*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies.

1. In 2010, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than $800.
2. In 2010, you paid more than $800 for either Arizona home health care or other medical costs for the person.

- A stillborn child if the following apply:

1. The stillbirth occurred during 2010.
2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.

Submits your IRS and AZ Returns at the same time
Figures Clean Election Fund Tax Reduction
Calculates Deductions and Exemptions
Checks for Errors before you file
And, Much More

ARIZONA IRS e-file

Saves Time ★ Safe ★ Faster Refunds

Most taxpayers using this form are eligible for FREE e-File. Log on www.azdor.gov to see if you qualify.

3. The child would have otherwise been a member of your household.

Completing Line(s) A1

NOTE: *If a person who qualifies as your dependent is also a qualifying parent or ancestor of your parent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A1 that you listed on line A4.*

Enter the following on line(s) A1.

1. The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
2. The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2010. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

You may lose the exemption if you do not furnish this information.

Line A2 - Total Dependents

Enter the total number of persons listed on line(s) A1. Enter the same number on the front of the return in box 10.

Lines A3a and A3b - Persons You did Not Take as Dependents on Your Federal Return

On line A3a, enter the following.

1. The names of any dependents age 65 or over listed on line(s) A1 that you cannot take as a dependent on your federal return.
2. The name of any stillborn child listed on line(s) A1, if the stillborn child was named. If the stillborn child was not named, enter "stillborn child" on line A3a. Also enter the date of birth resulting in the stillbirth.

On line A3b, enter the name of any student listed on line(s) A1, that you did not claim as an exemption on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

Line 11 Box - Qualifying Parents and Ancestors of Your Parents

A qualifying parent or ancestor of your parent may be any one of the following.

- Your parent or your parent's ancestor. Your parent's ancestor is your grand parent, great grand parent, great great grand parent, etc.
- If married filing a joint return, your spouse's parent or an ancestor of your spouse's parent.

You may claim this exemption if all of the following apply.

1. The parent or ancestor of your parent lived in your principal residence for the entire taxable year.
2. You paid more than one-half of the support and maintenance costs of the parent or ancestor of your parent during the taxable year.
3. The parent or ancestor of your parent was 65 years old or older during 2010.
4. The parent or ancestor of your parent required assistance with activities of daily living, like getting in and out of bed or chairs, walking around, going outdoors, using the toilet, bathing, shaving, brushing teeth, combing hair, dressing, medicating or feeding.

You must complete Part A, lines A4 and A5, on page 2 of your return before you can total your exemptions for qualifying parents and ancestors of your parents.

NOTE: *If a person who is a qualifying parent or ancestor of your parent also qualifies as your dependent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A4 that you listed on line A1.*

Completing Line(s) A4

Enter the following on line(s) A4.

1. The name of the qualifying parent or ancestor of your parent.
2. The SSN of the qualifying parent or ancestor of your parent.
3. The qualifying parent's or ancestor's relationship to you, or your spouse if filing a joint return.
4. The number of months the qualifying parent or ancestor of your parent lived in your home during 2010.

You may lose the exemption if you do not furnish this information.

Line A5 - Total Qualifying Parents or Ancestors of Your Parents

Enter the total number of persons listed on line(s) A4. Enter the same number on the front of the return in box 11.

Line B6 - Last Name(s) Used in Prior Years

Use line B6 if the last name that you are using on this return is not the same as the last name you used on returns filed for the last 4 years. On line B6, enter any other last name(s) that you used when filing your return during the last 4 years.

Totaling Your Income

Line 12 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 12. You must complete a 2010 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

NOTE: *Be sure to use your federal adjusted gross income and not your federal taxable income.*

Exemptions

Line 13 - Age 65 or Over

Multiply the number you entered in box 8 by $2,100.

Line 14 - Blind

Multiply the number you entered in box 9 by $1,500.

Line 15 - Dependents

Multiply the number you entered in box 10 by $2,300.

Line 16 - Qualifying Parents and Ancestors of Your Parents

Multiply the number you entered in box 11 by $10,000.

Figuring Your Tax

Line 19 - Standard Deduction

If your filing status is:	Your standard deduction is:
• Single	$4,677
• Married filing separately	$4,677
• Married filing jointly	$9,354
• Head of household	$9,354

Line 20 - Personal Exemptions

The amount you may claim as a personal exemption depends on your filing status. If married, the amount you may claim as a personal exemption also depends on whether you or your spouse claim dependents. You may use the chart below to figure your personal exemption. If married, you may also use Form 202 to figure your personal exemption.

Personal Exemption Chart

If you checked filing status:	Enter:
Single (Box 7)	$2,100
Married filing joint return (Box 4) and claiming no dependents (Box 10)	$4,200
Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$6,300
Head of household and you are **not** married (Box 5)	$4,200
Head of household and you **are** a married person who qualifies to file as head of household (Box 5)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.
Married filing separately (Box 6) with neither spouse claiming any dependents (Box 10)	$2,100 Or Complete Form 202 *Personal Exemption Allocation Election*.
Married filing separately (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.

A married couple who does not claim any dependents may take one personal exemption of $4,200. If the husband and wife file separate returns, either spouse may take the entire $4,200 exemption, or the spouses may divide the $4,200 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $2,100. If you and your spouse do not complete Form 202 you may take an exemption of only $2,100 (one-half of the total $4,200).

A married couple who claims at least one dependent may take one personal exemption of $6,300. If the husband and wife file separate returns, either spouse may take the entire $6,300 exemption, or the spouses may divide the $6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150. If you and your spouse do not complete Form 202 you may take an exemption of only $3,150 (one-half of the total $6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire $6,300 personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150. If you and your spouse do not complete Form 202 you may take an exemption of only $3,150 (one-half of the total $6,300).

The spouse who claims more than one-half of the total personal exemption must attach the original Form 202 to his or her return. The spouse who claims less than one-half of the total personal exemption must attach a copy of the completed Form 202 to his or her return.

Line 21 - Taxable Income

Subtract lines 19 and 20 from line 18 and enter the result. Use this amount to find your tax using the Optional Tax Tables.

STOP! *You must file a Form 140 if your Arizona taxable income is $50,000 or more.*

Line 22 - Tax Amount

Enter the tax from the Optional Tax Tables.

Lines 23 and 24 - Clean Elections Fund Tax Reduction

You may designate $5 of your tax go to the Clean Elections Fund and may also reduce your tax by up to $5. If you are married filing a joint return, both you and your spouse may make this designation and also reduce your tax by up to $10.

Single Taxpayers, Heads of Household, and Married Taxpayers Filing a Joint Return With Only One Spouse Making a Designation

To make this designation, Check box **231** marked yourself.

If you checked box **231** and the amount on Form 140A, page 1, line 22, is $10 or more, enter $5 on line 24. If the amount on line 22 is less than $10, complete the following worksheet.

Married Taxpayers Filing a Joint Return With Both Spouses Making a Designation

If both spouses want to make this designation, one spouse should check box **231**, and the other spouse should check box **232**.

If you checked both box **231** and box **232** and the amount on Form 140A, page 1, line 22, is $20 or more, enter $10 on line 24. If the amount on line 22 is less than $20, complete the following worksheet.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 140A, page 1, line 22.	
2. If you checked box 231, enter $5. If a joint return and your spouse also checked box 232, enter $10.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	
4. If you checked box 231, enter $5. If a joint return and your spouse also checked box 232, enter $10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form 140A, page 1, line 24.	

NOTE: *Amounts designated to the Clean Elections Fund here do not qualify for the credit on line 28.*

Line 26 - Family Income Tax Credit

e-file ***e-File*** software will let you know if you are eligible and will figure the credit for you.

You may take this credit if your income does not exceed the maximum income allowed for your filing status. You may qualify for this credit even if your parents can claim you as a dependent on their income tax return.

- Complete steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete the worksheet in step 4.

Step 1

Enter the amount from Form 140A, page 1, line 12.	

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

Step 3

- Look at the column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a).
- Find the maximum income [in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1.

If the amount entered in step 1 is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a, you qualify to take this credit. To figure your credit, complete step 4.

Table I Married Filing a Joint Return	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$23,600
• 3	$27,300
• 4 or more	$31,000

Table II Head of Household	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$20,135
• 3	$23,800
• 4	$25,200
• 5 or more	$26,575

Table III Single Or Married Filing Separately	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or more	$10,000

Step 4

If you qualify to take the credit, complete the following worksheet.

Worksheet **You must complete Steps 1 through 3 before you complete this Worksheet.**	
1. Enter the number of dependents you entered on Form 140A, page 1, box 10, excluding persons listed on Page 2, line A3a.	
2. Number of personal exemptions. If you checked filing status 4, **enter** the number 2. If you checked filing status 5, 6, or 7, **enter** the number 1.	
3. Add lines 1 and 2. Enter the result.	
4. Multiply the amount on line 3 by $40. Enter the result.	
5. If you checked filing status 4 or 5, enter $240 here. If you checked filing status 6 or 7, enter $120 here.	
6. Family income tax credit. Enter the lesser of line 4 or line 5. Also enter this on Form 140A, page 1, line 26.	

NOTE: *The family income tax credit will only reduce your tax and cannot be refunded.*

Line 27 -

Subtract line 26 from line 25. If the result is less than zero, enter zero.

Line 28 - Clean Elections Fund Tax Credit

NOTE: *An amount entered on Form 140A, page 1, line 24 does not qualify for the credit. Do not include that amount here. For the purpose of this credit, that amount is not a donation.*

If you made a donation to the Citizens Clean Elections Fund, you may take a credit for that gift.

For 2010, you may claim a credit for:

- Donations made directly to the fund during 2010.

- A donation made to the fund on your 2009 income tax return that you filed in 2010.

You may not claim a credit on the 2010 return for a donation made to the fund on your 2010 return. If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

Complete the worksheet below to figure your credit.

Worksheet for Calculating the 2010 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2010.	
2. Enter the amount donated to the fund with your 2009 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140A, line 27.	
5. Multiply line 4 by 20% (.20).	
6. Enter $640 if single, head of household, or married filing separately. Enter $1,280 if married filing joint.	
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 140A, line 28.	

NOTE: *This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.*

Totaling Payments and Credits

Line 30 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Attach the Form(s) W-2 after the last page of your return.

NOTE: *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

Line 31 - 2010 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.aztaxes.gov.

DIRECT DEPOSIT

FAST
-- e-File Refunds within 7 to 10 days*

CONVENIENT
-- No extra trips to the bank

SECURE
-- No lost or forged checks

*AVERAGE REFUND TAKES LESS THAN 7 DAYS

DIRECT PAYMENT

FAST
-- e-File and e-Pay in a single step

CONVENIENT
-- You choose the payment date*

SECURE
-- Payment data is safeguarded along with other tax information

ARIZONA IRS e-file

*PAYMENT DATE CANNOT BE LATER THAN THE APRIL DEADLINE.

Line 32 - Increased Excise Tax Credit

You may take this credit if you meet all of the following:

1. You meet the income threshold for your filing status.
2. You are not claimed as a dependent by any other taxpayer.
3. You were not sentenced for at least 60 days of 2010 to a county, state or federal prison.

If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140A, page 1, line 12, is $25,000 or less. If you are single or married filing a separate return, you may take this credit if the amount on Form 140A, page 1, line 12, is $12,500 or less.

To figure your credit, complete the following worksheet.

Do not complete the following worksheet if you are claiming the property tax credit on Form 140PTC. Use Form 140PTC to figure both the credit for increased excise taxes and the property tax credit. If you are claiming both the credit for increased excise taxes and the property tax credit, enter the increased excise tax credit from Form 140PTC, page 1, line 17, here and enter the property tax credit from Form 140PTC, page 1, line 15, on line 33.

Credit for Increased Excise Taxes Worksheet		
	Check one	
	Yes	No
If you checked filing status 4 or 5, is the amount on Form 140A, page 1, line 12, $25,000 or less?		
If you checked filing status 6 or 7, is the amount on Form 140A, page 1, line 12, $12,500 or less?		
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
1. Enter the number of dependents you entered on Form 140A, page 1, box 10 excluding persons listed on Page 2, line A3a. Also exclude any dependent that is not an Arizona resident.		
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.		
3. Add lines 1 and 2. Enter the result.		
4. Multiply the amount on line 3 by $25. Enter the result.		
5. Maximum credit.	$100	00
6. Enter the smaller of line 4 or line 5 here and also on Form 140A, page 1, line 32.		

NOTE: *The credit cannot exceed $100 per household. Do not claim this credit if someone else in your household has already claimed $100 of the credit. If someone else in your household has claimed less than $100, you may claim the credit as long as all credit claims filed from your household do not exceed $100.*

Line 33 - Property Tax Credit

You may take the property tax credit if you meet **all** the following.

1. You were either 65 or older in 2010 or receiving SSI Title 16 income from the Social Security Administration.

NOTE: *This is not the normal Social Security disability.*

2. You were an Arizona resident for the full year in 2010.
3. You paid property tax on your Arizona home in 2010. You paid rent on taxable property for the entire year or you did a combination of both.
4. If you lived alone, your income from all sources was under $3,751. If you lived with others, the household income was under $5,501.

Complete Form 140PTC to figure your credit. Enter the amount from Form 140PTC, page 1, line 15.

Attach Form 140PTC to your return.

Tax Tip: *To claim a property tax credit, you must file your claim or extension request by April 18, 2011. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

Figuring Your Overpayment or Tax Due

Line 35 - Tax Due

If line 29 is more than line 34, you have tax due. Subtract line 34 from line 29. Skip line 36.

Line 36 - Overpayment

If line 34 is more than line 29, subtract line 29 from line 34.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 37 - Aid to Education Fund

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money in this fund to school districts.

CAUTION: *If you make a contribution to the Aid to Education Fund,* ***you must contribute your entire refund****. You may not give more than or less than your entire refund.*

Line 38 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

Line 39 - Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. You may also send in additional money with your return. If you send in additional money with your return, include that amount on line 51. Enter the amount you want to donate on line 39.

If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

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

Line 40 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 41 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 42 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Line 43 - National Guard Relief Fund

You may give some or all of your refund to the National Guard Relief Fund. You may also give more than your entire refund.

Gifts go to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

Line 44 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills and conserving energy.

Line 45 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 46 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

Line 47 - Political Gift

Gifts go to one of the following political parties:

- Democratic
- Green
- Libertarian
- Republican

You may give some or all of your refund to a political party. You may also give more than your entire refund.

Line 48 - Political Party

Check the box for the political party to which you wish to give. You may select only one party. If you do not select a political party, the department will return the amount on line 47.

Figuring Your Refund or Tax Due

Line 50 - Refund

Subtract line 49 from line 36. Enter your refund on line 50 and skip line 51.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the 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, 1600 W Monroe, Phoenix, AZ 85007. 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 50 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 50A if the direct deposit will ultimately be placed in a foreign account. If you check box 50A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

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

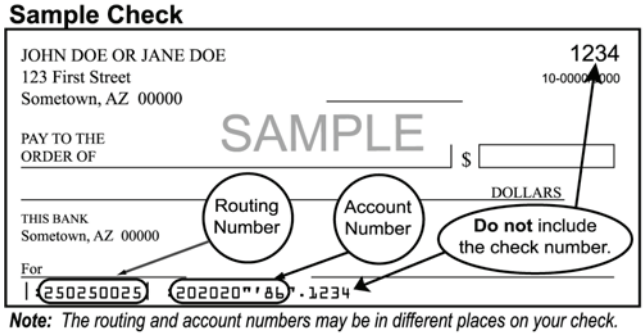
NOTE: *We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

The routing number must be 9 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 below, 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.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

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 below, the account number is 20202086. Be sure **not** to include the check number.

Line 51 - Amount Owed

Add lines 35 and 49. Enter the amount you owe on line 51. If you are making voluntary donations on lines 38 through 47 in excess of your overpayment, enter the difference on line 51. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *Attach your check to the front of your return in the upper left hand corner where indicated. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 Discover, MasterCard, Visa, or American Express credit card. Go to www.aztaxes.gov click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 51 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our web site at www.azdor.gov.

If you cannot pay the full amount shown on line 51, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2011. To limit the

interest and penalty charges, pay as much of the tax as possible when you file.

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 140A is not considered a valid return unless you sign it. If the return does not have the proper signatures, the department cannot send a refund check.

Instructions Before Mailing

- Make sure your SSN is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- 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. If you received your return in the mail, use the peel-off label. **If the label is not correct, do not use it.**
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 2 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home.
- If claiming exemptions for qualifying parents or ancestors, write the number of qualifying parents or ancestors claimed on the **front** of the return. On page 2 of the return, also write each parent's or ancestor's name, relationship, SSN, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign if filing jointly.
- Write your SSN on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

The Department of Revenue may charge you $25 for a check returned unpaid by your financial institution.

- Attach **all** required documents.
  1. Attach Form(s) W-2 after the last page of your return.
  2. If you are claiming a property tax credit, attach a completed Form 140PTC and all required documents.
- Do not send correspondence with your return.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To mail your return, use the envelope that came in your booklet. To avoid delays, please use separate envelopes for each return.

Where Should I Mail My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the yellow address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the white address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Make sure you put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

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%. 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.

Where's My Refund?

If you e-filed, you can expect your refund within 2 weeks of the date you filed. If you filed a paper return, you can expect your refund within 12 weeks of the date you filed. You can check on your refund by visiting www.azdor.gov and clicking on "Where's my refund?" If you have not received your refund within the noted time frames, you may call one of the numbers listed on the back cover. Before you call, be sure to have a copy of your 2010 tax return on hand. You will need to know your SSN, your filing status and your 5-digit zip code.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **For purposes of this chart**, "income" means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 1, line 16 plus the amount on Form 140, page 2, line C15; or Form 140A, page 1, line 18, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit if you are qualified.*

FILING STATUS				
NUMBER OF DEPENDENTS	**SINGLE**	**MARRIED FILING SEPARATE**	**UNMARRIED HEAD OF HOUSEHOLD**	**MARRIED FILING JOINT**
0	$ 8,326	$ 8,326	N/A	$ 16,653
1	(A) 10,000	10,146	18,953	20,000
2	11,396	12,446	20,135	23,600
3	13,696	14,746	23,800	27,300
4	15,996	17,046	25,200	(C) 31,000
5	18,296	19,346	(B) 26,575	31,000

EXAMPLES

	(A) single, $10,000 income*, one dependent	(B) unmarried head of household, $26,575 income*, five dependents	(C) married filing joint, $31,000 income*, four dependents
Income*	$ 10,000	$ 26,575	$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-4,677	-9,354	-9,354
Personal exemption	-2,100	-4,200	-6,300
Net taxable income	$ 923	$ 1,521	$ 6,146
Tax (optional tax table)	$ 24	$ 39	$ 159
less: Family tax credit	-80	-240	-240
Tax owed	$ **0**	$ **0**	$ **0**

*For purposes of these examples, "income" means Arizona adjusted gross income plus the dependent exemption amount claimed.

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ARIZONA FORM
140EZ

Resident Personal Income Tax Return (EZ Form)

FOR CALENDAR YEAR **2010**

82F ☐ ◀ **Check box 82F if filing under extension**

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).** Your Social Security No.
Spouse's First Name and Initial *(if box 4 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route 2 / Apt. No.	Daytime Phone *(with area code)*	Home Phone *(with area code)* 94
City, Town or Post Office 3 / State / Zip Code		

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

Attach required documents in upper left corner after this page. Include W-2 and any payment.

STOP ***You must use Arizona Form 140 if:***
- *Your Arizona taxable income is $50,000 or more*
- *You are claiming estimated payments*

FILING STATUS: *Check one box.*
4 ☐ Married filing joint return
5 ☐ Single

81 80

6	Federal adjusted gross income *from your federal return*	6	00
7	Standard deduction and personal exemption: If you checked filing status box 4, *enter $13,554;* if you checked filing status box 5, *enter $6,777*	7	00
8	Arizona taxable income: *Subtract* line 7 from line 6. If less than zero, *enter zero.* If $50,000 or more, *use Form 140*	8	00
9	Amount of tax from Optional Tax Tables	9	00
10 - 11	Clean Elections Fund Tax Reduction: *See instructions page 5*.... 101☐ **YOURSELF** 102☐ **SPOUSE**	11	00
12	Reduced tax: *Subtract* line 11 from line 9	12	00
13	Family income tax credit *from worksheet on page 5 of instructions*	13	00
14	Clean Elections Fund Tax Credit *from worksheet on page 6 of the instructions*	14	00
15	Balance of tax: *Subtract* lines 13 and 14 from line 12. If the sum of lines 13 and 14 is more than line 12, *enter zero*	15	00
16	Arizona income tax withheld during 2010 — 16		00
17	2010 Arizona extension payment (Form 204) — 17		00
18	Increased Excise Tax Credit *from worksheet on page 6 of the instructions* — 18		00
19	Total payments/credits: *Add* lines 16 through 18	19	00
20	**TAX DUE:** If line 15 is larger than line 19, *subtract* line 19 from line 15, *and enter the amount of tax due. Skip* lines 21 and 23	20	00
21	**OVERPAYMENT:** If line 19 is larger than line 15, *subtract* line 15 from line 19	21	00
22	**VOLUNTARY CONTRIBUTION TO THE CITIZENS CLEAN ELECTIONS FUND:** *See page 6 of instructions.* If making a contribution, *check this box:* 22A1☐ and *enter the amount* — 22		00
23	**REFUND:** *Subtract* line 22 from line 21. If less than zero, *enter amount owed on line 24*	23	00
	Direct Deposit of Refund: ***Check box 23A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions*..... 23A☐ ROUTING NUMBER 98 / ACCOUNT NUMBER — C Checking or S Savings		
24	**AMOUNT OWED:** *Add* lines 20 and 22. *Make check payable to* Arizona Department of Revenue; ***include SSN on payment***	24	00
	☐ **Payment enclosed.** *Check the box and attach your payment to the upper left corner of this page.*		
25	Last name(s) used in prior years - *if different from name(s) used in current year*		

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN — PAID PREPARER'S ADDRESS — ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

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2010 Resident Personal Income Tax Return

Arizona Form 140EZ

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

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- **Accurate**
- **Proof of Acceptance**
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Refunds in as little as 7 to 10 days with direct deposit option.

e-File today, pay by April 18, 2011 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 web site 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 web site at www.azdor.gov.

Who Can Use Form 140EZ?

You can use Form 140EZ to file for 2010 if all of the following apply to you.

- You are single, or if married, you and your spouse are filing a joint return.
- You (and your spouse if married filing a joint return) are full year residents of Arizona.
- You (and your spouse if married filing a joint return) were under age 65 and not blind at the end of 2010.
- You are not claiming any dependents.
- You are not claiming an exemption for a qualifying parent or ancestor.
- You are not making any adjustments to income.
- You do not itemize deductions.
- You are not making voluntary gifts through means of a refund check-off, except for voluntary gifts to the Citizens Clean Elections Fund.
- Your Arizona taxable income is less than $50,000, regardless of your filing status.
- The only tax credits you are claiming are:
  - the family income tax credit,
  - the credit for increased excise taxes,
  - the Clean Elections Fund tax credit.

NOTE: *If you are an active duty military member and required to file an Arizona return,* ***DO not*** *file Form 140EZ. For 2010, you may subtract all active duty military pay included in federal adjusted gross income. To take this subtraction, you must file your 2010 return using Form 140. For more information, see Form 140 instructions.*

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You must file if you are:	**AND** your Arizona adjusted gross income is at least:	**OR** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing jointly	$11,000	$15,000
• Married filing separately	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000

If you are an Arizona resident, you must report income from **all** sources. This includes out-of-state income.

To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.

Income Arizona law does not tax includes:

- Interest from U.S. Government obligations
- Social security retirement benefits received under Title II of the Social Security Act
- Benefits received under the Railroad Retirement Act
- Active duty military pay
- Pay received for active service as a reservist or a National Guard member

If you use this form, your Arizona adjusted gross income is the same as your federal adjusted gross income that you entered on line 6.

NOTE: *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

Enrolled members of American Indian tribes that must file a return may subtract wages earned while living and working on their tribe's reservation. **If you are eligible to subtract these wages, you must file Form 140**. In this case, do not file Form 140EZ.

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are the Spouse of an American Indian and You are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are in the Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service, to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military.*

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 2010.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2010, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2010 and you did not remarry in 2010, or if your spouse died in 2011 before filing a return for 2010, you may file a joint return. If your spouse died in 2010, the joint return should show your spouse's 2010 income before death, and your income for all of 2010. If your spouse died in 2011, before filing the 2010 return, the joint return should show all of your income and all of your spouse's income for 2010. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are any Other Returns Required?

You may also have to file a fiduciary income tax return. For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

DIRECT DEPOSIT

FAST
-- E-File Refunds within 7 days*

CONVENIENT
-- No extra trips to the bank

SECURE
-- No lost or forged checks

*AVERAGE REFUND TAKES LESS THAN 7 DAYS

DIRECT PAYMENT

FAST
-- E-File and E-Pay in a single step

CONVENIENT
-- You choose the payment date*

SECURE
-- Payment data is safeguarded along with other tax information

ARIZONA e-file

*PAYMENT DATE CANNOT BE LATER THAN THE APRIL DEADLINE. ONLY AVAILABLE WHEN A RETURN IS E-FILED.

What are the Filing Dates and Penalties?

When Should You File?

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011. File your return as soon as you can after January 1, but no later than April 18, 2011.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

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 18. See Form 204 for details. You do not have to attach a copy of the extension to your return when you file, but make sure that you check box **82F** 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.
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to attach a copy of your federal extension to your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

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 year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2010 calendar year return by April 18, 2011, 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, we will charge you a late filing penalty. This penalty is 4½% 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% 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%.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 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% 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 section 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 change your return after you have filed, you should file Form 140X, *Individual Amended Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

Forget about midnight runs to the post office

www.azdor.gov

See the light of day from the comfort of your home with E-File

ARIZONA IRS e-file

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- 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.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you also include a daytime telephone number.

Entering Your Name, Address, and SSN

NOTE: *Please make sure that you write in your SSN on the appropriate line.*

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided.

If you are filing a joint return, enter your SSNs in the same order as your names. *If your name appears first on the return, make sure your SSN is the first number listed.* If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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.

ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an ID number where asked.

A paid preparer may use any of the following.

- his or her SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper ID numbers may also be subject to a penalty.

Your Filing Status

Line 4 Box - Married Filing a Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2010. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2010 and you did not remarry in 2010. See page 2 of these instructions for details.

Line 5 Box - Single

If you are filing as single, check box 5.

Use this filing status if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

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

ARIZONA IRS e-file

www.azdor.gov
For details & eligibility

FREE E-File Available

Income

Line 6 - Federal Adjusted Gross Income

You must complete your federal return before you enter an amount on line 6. You must complete a 2010 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Your federal adjusted gross income is your Arizona gross income.

NOTE: *Be sure to use your federal adjusted gross income and not your federal taxable income.*

Figuring Your Tax

Line 7 - Standard Deduction and Personal Exemption

If your filing status is:	Your standard deduction and personal exemption are:
Married filing jointly	$ 13,554
Single	$ 6,777

Line 8 - Arizona Taxable Income

Subtract line 7 from line 6 and enter the result. Use this amount to find your tax using the Optional Tax Tables.

Line 9 - Tax Amount

Enter the tax from the Optional Tax Tables.

Lines 10 and 11 - Clean Elections Fund Tax Reduction

You may designate $5 of your tax go to the Clean Elections Fund and may also reduce your tax by up to $5. If you are married filing a joint return, both you and your spouse may make this designation and also reduce your tax by up to $10.

Single Taxpayers and Married Taxpayers Filing a Joint Return With Only One Spouse Making a Designation

To make this designation, check box **10**1 marked yourself.

If you checked box **10**1 and the amount on Form 140EZ, page 1, line 9 is $10 or more, enter $5 on line 11. If the amount on line 9 is less than $10, complete the worksheet below.

Married Taxpayers Filing a Joint Return With Both Spouses Making a Designation

If both spouses want to make this designation, one spouse should check box **10**1, and the other spouse should check box **10**2.

If you checked both box **10**1 and box **10**2 and the amount on Form 140EZ, page 1, line 9 is $20 or more, enter $10 on line 11. If the amount on line 9 is less than $20, complete the worksheet below.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 140EZ, page 1, line 9.	
2. If you checked box **10**1, enter $5. If a joint return and your spouse also checked box **10**2, enter $10.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	

Worksheet continued:	
4. If you checked box **10**1, enter $5. If a joint return and your spouse also checked box **10**2, enter $10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form 140EZ, line 11.	

NOTE: *Amounts designated to the Clean Elections Fund here do not qualify for the credit on line 14.*

Line 13 - Family Income Tax Credit

e-file ***e-File*** software will let you know if you are eligible and will figure the credit for you.

You may take this credit if your income does not exceed the maximum income allowed for your filing status.

If you are married filing a joint return with no dependents, you may take this credit if the amount on Form 140EZ, page 1, line 6, is $20,000 or less.

If you are single with no dependents, you may take this credit if the amount on Form 140EZ, page 1, line 6, is $10,000 or less.

You may qualify for this credit even if your parents can claim you as a dependent on their income tax return.

To figure your credit, complete the following worksheet.

Family Income Tax Credit Worksheet		
	Check one	
	Yes	No
If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6, $20,000 or less? If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6, $10,000 or less? If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
If you checked filing status 4 (married filing jointly), enter $80 here. If you checked filing status 5 (single), enter $40 here. Also enter this amount on Form 140EZ, page 1, line 13.	$	00

NOTE: *The family income tax credit will only reduce your tax and cannot be refunded.*

Line 14 - Clean Elections Fund Tax Credit

NOTE: *An amount entered on Form 140EZ, page 1, line 11 does not qualify for the credit. Do not include that amount here. For the purpose of this credit, that amount is not a donation.*

If you made a donation to the Citizens Clean Elections Fund, you may take a credit for that gift.

For 2010, you may claim a credit for:

- Donations made directly to the fund during 2010.
- A donation made to the fund on your 2009 income tax return that you filed in 2010.

You may not claim a credit on the 2010 return for a donation made to the fund on your 2010 return. If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

Complete the worksheet below to figure your credit.

Worksheet for Calculating the 2010 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2010.	
2. Enter the amount donated to the fund with your 2009 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140EZ, line 12.	
5. Enter the amount from Form 140EZ, line 13.	
6. Subtract the amount on line 5 from the amount on line 4.	
7. Multiply the amount on line 6 by 20% (.20).	
8. Enter $640 if single. Enter $1,280 if married filing joint.	
9. Enter the larger of line 7 or line 8.	
10. Enter the smaller of line 3, line 6, or line 9 here and also on Form 140EZ, line 14.	

NOTE: *This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.*

Payments

Line 16 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Attach the Form(s) W-2 after the last page of your return.

NOTE: *You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.*

Line 17 - 2010 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.aztaxes.gov.

Line 18 - Increased Excise Tax Credit

You may take this credit if you meet all of the following:

1. You meet the income threshold for your filing status.
2. You are not claimed as a dependent by any other taxpayer.
3. You were not sentenced for at least 60 days of 2010 to a county, state or federal prison.

If you are married filing a joint return, you may take this credit if the amount on Form 140EZ, page 1, line 6, is $25,000 or less. If you are single, you may take this credit if the amount on Form 140EZ, page 1, line 6, is $12,500 or less.

To figure your credit, complete the following worksheet.

Credit for Increased Excise Taxes Worksheet	Check one	
	Yes	No
If you checked filing status 4, is the amount on Form 140EZ, page 1, line 6, $25,000 or less? If you checked filing status 5, is the amount on Form 140EZ, page 1, line 6, $12,500 or less? If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
If you checked filing status 4 (married filing jointly), enter $50 here. If you checked filing status 5 (single), enter $25 here. Also enter this amount on Form 140EZ, page 1, line 18.		00

Note: *The credit cannot exceed $100 per household. Do not claim this credit if someone else in your household has already claimed $100 of the credit. If someone else in your household has claimed less than $100, you may claim the credit as long as all credit claims filed from your household do not exceed $100.*

Refund or Tax Due

Line 20 - Tax Due

If line 15 is more than line 19, subtract line 19 from line 15 and enter the amount of tax due. Skip lines 21 and 23.

Line 21 - Overpayment

If line 19 is more than line 15, subtract line 15 from line 19.

Line 22 - Voluntary Gift to the Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. If you want to give some or all of your refund to this fund, check box 22A1 and enter on line 22 the amount you want to give.

NOTE: *If you enter an amount on this line, your refund will be reduced by the amount you enter.*

You may also send in additional money with your return. If you send in additional money with your return, include that amount on line 24. Check box 22A1 and enter the amount you want to give on line 22.

If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

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

Line 23 - Refund

Subtract line 22 from line 21. Enter your refund on line 23 and skip line 24.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the 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, 1600 W Monroe, Phoenix AZ 85007. Make sure that you include your SSN in your letter.*

Submits your IRS and AZ Returns at the same time
Figures Clean Election Fund Tax Reduction
Calculates Deductions and Exemptions
Checks for Errors before you file
And, Much More

ARIZONA IRS e-file

Saves Time ★ Safe ★ Faster Refunds

Most taxpayers using this form are eligible for FREE e-File. Log on www.azdor.gov to see if you qualify.

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 23 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. Be sure to check the box if the direct deposit will ultimately be placed in a foreign account.

NOTE: *Check the box on line 23A if the direct deposit will ultimately be placed in a foreign account. If you check box 23A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

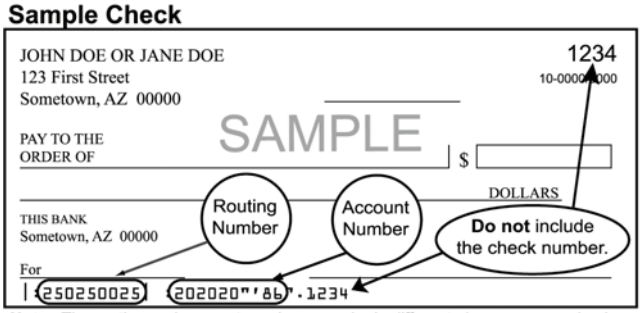
The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check below, the routing number is 250250025.

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

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 below, the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

Line 24 - Amount Owed

Add lines 20 and 22. Enter the amount owed. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: Attach your check to the front of your return in the upper left hand corner where indicated. *Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 Discover, MasterCard, Visa, or American Express credit card. Go to www.aztaxes.gov click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 24 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our web site at www.azdor.gov.

If you cannot pay the full amount shown on line 24, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2011. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

Line 25 - Last Name(s) Used in Prior Years

Use line 25 if the last name that you are using on this return is not the same as the last name you used on returns filed for the last 4 years. On line 25, enter any other last name(s) that you used when filing your return during the last 4 years.

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 140EZ is not considered a valid return unless you sign it. The department cannot send a refund check if you, and your spouse if married filing jointly, fail to sign the return.

FOR PEACE OF MIND...e-FILE

Ask your tax professional for E-File
or
Do-it-yourself using the Internet

www.azdor.gov

ARIZONA IRS e-file

Instructions Before Mailing

- Make sure your SSN is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime number is not the same as your home number, make sure you also include a daytime telephone number.
- 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. If you received your return in the mail, use the peel-off label. **If the label is not correct, do not use it.**
- Check the **boxes** to make sure you filled in all required boxes.
- Sign your return and have your spouse sign if filing jointly.
- Attach **all** required documents.

1. Attach *Form(s) W-2* after the last page of your return.
2. Write your SSN on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

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The department may charge you $25 for a check returned unpaid by your financial institution.

- Do not send correspondence with your return.

Filing Your Return

To mail your return, use the envelope that came in your booklet.

To avoid delays, please use separate envelopes for each return.

Where Should I Mail My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the yellow address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the white address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Make sure you put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

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%. 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.

Where's My Refund?

If you e-filed, you can expect your refund within 2 weeks of the date you filed. If you filed a paper return, you can expect your refund within 12 weeks of the date you filed. You can check on your refund by visiting www.azdor.gov and clicking on "Where's my refund?" If you have not received your refund within the noted time frames, you may call one of the numbers listed on the back cover. Before you call, be sure to have a copy of your 2010 tax return on hand. You will need to know your SSN, your filing status and your 5-digit zip code.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

Did You Know...

...most taxpayers who use this form are eligible for FREE e-File?

To see if YOU qualify log on ***www.azdor.gov***

ARIZONA IRS e-file

HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. **For purposes of this chart**, "income" means Arizona adjusted gross income plus the dependent exemption claimed (Form 140, page 1, line 16 plus the amount on Form 140, page 2, line C15; or Form 140A, page 1, line 18, plus the amount on Form 140A, page 1, line 15, or Form 140EZ, page 1, line 6). *To rely on this chart, you must claim the family income tax credit if you are qualified.*

	FILING STATUS			
NUMBER OF DEPENDENTS	**SINGLE**	**MARRIED FILING SEPARATE**	**UNMARRIED HEAD OF HOUSEHOLD**	**MARRIED FILING JOINT**
0	$ 8,326	$ 8,326	N/A	$ 16,653
1	(A) 10,000	10,146	18,953	20,000
2	11,396	12,446	20,135	23,600
3	13,696	14,746	23,800	27,300
4	15,996	17,046	25,200	(C) 31,000
5	18,296	19,346	(B) 26,575	31,000

EXAMPLES

	(A) single, $10,000 income*, one dependent	(B) unmarried head of household, $26,575 income*, five dependents	(C) married filing joint, $31,000 income*, four dependents
Income*	$ 10,000	$ 26,575	$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-4,677	-9,354	-9,354
Personal exemption	-2,100	-4,200	-6,300
Net taxable income	$ 923	$ 1,521	$ 6,146
Tax (optional tax table)	$ 24	$ 39	$ 159
less: Family tax credit	-80	-240	-240
Tax owed	**$ 0**	**$ 0**	**$ 0**

*For purposes of these examples, "income" means Arizona adjusted gross income plus the dependent exemption amount claimed.

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ARIZONA FORM **140PY**

Part-Year Resident Personal Income Tax Return

OR FISCAL YEAR BEGINNING M M D D Y Y Y Y AND ENDING M M D D Y Y Y Y

FOR CALENDAR YEAR **2010**

82F ☐ ◀ **Check box 82F if filing under extension**

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route 2 / Apt. No.	Daytime Phone (with area code)	Home Phone (with area code) 94
City, Town or Post Office 3 / State / Zip Code		

You must enter your SSN(s).

Filing Status

4 ☐ Married filing joint return

5 ☐ Head of household ..... ▶ NAME OF QUALIFYING CHILD OR DEPENDENT

6 ☐ Married filing separate return. *Enter spouse's name and Social Security No. above.*

7 ☐ Single

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88

Exemptions

Enter the number claimed. **Do not put a check mark.**

8 ☐ Age 65 or over (you and/or spouse)

9 ☐ Blind (you and/or spouse)

10 ☐ Dependents. *From page 2, line A2 – **do not include self or spouse.***

11 ☐ Qualifying parents and ancestors of your parents *from page 2, line A5.*

81 80

12-13 Residency Status ***(check one):*** **12** ☐ Part-Year Resident Other than Active Military **13** ☐ Part-Year Resident Active Military

ONE STAPLE. NO TAPE. Attach required documents in upper left corner after page 2 of the return. Include any payment, federal and Arizona Schedules A.

14	Federal adjusted gross income (from your federal return)	14	00
15	Arizona income *(from page 2, line B19)*	15	00
16	Additions to income *(from page 2, line C24)*	16	00
17	*Add* lines 15 and 16	17	00
18	Subtractions from income *(from page 2, line D36): Enter the number from line D34a* 18 1	18	00
19	Arizona adjusted gross income: *Subtract* line 18 from line 17	19	00
20	**Deductions. *Check box and enter amount.*** *See instructions, page 16* 20 I ☐ **ITEMIZED** 20 S ☐ **STANDARD**	20	00
21	Personal exemptions. *See page 17 of the instructions*	21	00
22	Arizona taxable income: *Subtract* lines 20 and 21 from line 19. If less than zero, *enter zero*	22	00
23	Compute the tax using Tax Table X or Y	23	00
24	Tax from recapture of credits *from Arizona Form 301, Part II, line 31*	24	00
25	Subtotal of tax: *Add* lines 23 and 24	25	00
26 - 27	Clean Elections Fund Tax Reduction: *See instructions, page 18* 26 1 ☐ **YOURSELF** 26 2 ☐ **SPOUSE**	27	00
28	Reduced tax: *Subtract line 27 from line 25*	28	00
29	Family income tax credit *from worksheet on page 19 of the instructions*	29	00
30	Credits from Arizona Form 301, Part II, line 59, or Forms 310, 321, 322 and 323 if Form 301 is not required	30	00
31	Credit type: *Enter form number of each credit claimed* 31 3 3 3 3		
32	Clean Elections Fund Tax Credit: *From worksheet on page 20 of the instructions*	32	00
33	Balance of tax: *Subtract* lines 29, 30 and 32 from line 28. If the sum of lines 29, 30 and 32 is more than line 28, *enter zero*	33	00
34	Arizona income tax withheld during 2010	34	00
35	Arizona estimated tax payments for 2010	35	00
36	2010 Arizona extension payment (Form 204)	36	00
37	Increased Excise Tax Credit: *From worksheet on page 21 of the instructions*	37	00
38	Other refundable credits: *Check the box(es) and enter the amount(s)* 38 1 ☐ Form 308-I 38 2 ☐ Form 342	38	00
39	Total payments/refundable credits: *Add* lines 34 through 38	39	00
40	**TAX DUE:** If line 33 is larger than line 39, *subtract* line 39 from line 33, and *enter amount of tax due. Skip lines 41, 42 and 43*	40	00
41	**OVERPAYMENT:** If line 39 is larger than line 33, *subtract* line 33 from line 39, and *enter amount of overpayment*	41	00
42	Amount of line 41 to be applied to 2011 estimated tax	42	00
43	Balance of overpayment: *Subtract* line 42 from line 41	43	00

44 - 54 Voluntary Gifts to

Aid to Education (***entire* refund only**)	44		00	Arizona Wildlife	45		00
Citizens Clean Elections	46		00	Child Abuse Prevention	47		00	Domestic Violence Shelter	48		00
I Didn't Pay Enough Fund	49		00	National Guard Relief Fund	50		00	Neighbors Helping Neighbors	51		00
Special Olympics	52		00	Veterans' Donations Fund	53		00	Political Gift	54		00

55 *Check only one* if making a political gift: 55 1 ☐ Democratic 55 2 ☐ Green 55 3 ☐ Libertarian 55 4 ☐ Republican

56	Estimated payment penalty and MSA withdrawal penalty	56	00
57	*Check applicable boxes* 57 1 ☐ Annualized/Other 57 2 ☐ Farmer or Fisherman 57 3 ☐ Form 221 attached 57 4 ☐ MSA Penalty		
58	Total of lines 44 through 54 and 56	58	00
59	**REFUND:** *Subtract* line 58 from line 43. If less than zero, *enter amount owed on line 60*	59	00
	Direct Deposit of Refund: ***Check box 59A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions* 59A ☐		
	98 ROUTING NUMBER ____ ACCOUNT NUMBER ____ C ◯ Checking or S ◯ Savings		
60	**AMOUNT OWED:** *Add* lines 40 and 58. *Make check payable to Arizona Department of Revenue;* ***include SSN* on payment**	60	00
	☐ **Payment enclosed.** *Check the box and attach your payment to the upper left corner of this page.*		

ADOR 10149 (10)
Previous ADOR 91-0069

Your Name (as shown on page 1)	Your Social Security No.

PART A: Dependents

A1 *List children and other dependents.* Do not list yourself or spouse. If more space is needed, attach a separate sheet.

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A2 *Enter total number of persons listed in A1* here and on the front of this form, box 10 ..... TOTAL **A2**

A3 **a** Enter the names of the dependents listed above who do not qualify as your dependent on your federal return:

b Enter dependents listed above who were not claimed on your federal return due to education credits:

A4 *List qualifying parents and ancestors of your parents.* If more space is needed, attach a separate sheet. You cannot list the same person here and also on line A1. For information on who is a qualifying parent or ancestor of your parents, see pages 5 and 6 of the instructions.

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A5 *Enter total number of persons listed in A4* here and on the front of this form, box 11 ..... TOTAL **A5**

PART B: Arizona Percent of Total Income

B6 Dates of Arizona residency: From M M D D Y Y Y Y to M M D D Y Y Y Y.

List other state(s) of residency:

		2010 FEDERAL Amount from Federal Return	2010 ARIZONA Amount Only
B7	Wages, salaries, tips, etc.	B7 00	00
B8	Interest	B8 00	00
B9	Dividends	B9 00	00
B10	Arizona income tax refunds	B10 00	00
B11	Alimony received	B11 00	00
B12	Business income (or loss) *from federal Schedule C*	B12 00	00
B13	Gains (or losses) *from federal Schedule D*	B13 00	00
B14	Rents, royalties, partnerships, estates, trusts, small business corporations *from federal Schedule E*	B14 00	00
B15	Other income reported on your federal return	B15 00	00
B16	**Total income:** *Add* lines B7 through B15	B16 00	00
B17	Federal adjustments. *Attach your own schedule*	B17 00	00
B18	Federal adjusted gross income: *Subtract* line B17 from line B16 in the FEDERAL column	B18 00	
B19	Arizona income: *Subtract* line B17 from line B16 in the ARIZONA column. *Enter here and on the front of this form, line 15*		B19 00
B20	Arizona percentage: *Divide* line B19 by line B18, and *enter the result* (not over 100%)		B20 %

PART C: Additions

C21	I.R.C. §179 expense in excess of allowable amount	C21 00
C22	Total depreciation included in Arizona gross income	C22 00
C23	Other additions to income: *See instructions and attach your own schedule*	C23 00
C24	Total: *Add* lines C21 through C23. *Enter here and on the front of this form on line 16*	C24 00

PART D: Subtractions from Income

D25	Exemption: Age 65 or over. Multiply the number in box 8, page 1, by $2,100	D25 00	
D26	Exemption: Blind. *Multiply* the number in box 9, page 1, by $1,500	D26 00	
D27	Exemption: Dependents. *Multiply* the number in box 10, page 1, by $2,300	D27 00	
D28	Exemption: Qualifying parents and ancestors. *Multiply* the number in box 11, page 1, by $10,000	D28 00	
D29	Total exemptions: *Add* lines D25 through D28	D29 00	
D30	*Multiply line D29 by the percentage on line B20, and enter the result*		D30 00
D31	Interest on U.S. obligations such as U.S. savings bonds and treasury bills included in the ARIZONA column		D31 00
D32	Arizona state lottery winnings included on line B15 in the ARIZONA column (up to $5,000 only)		D32 00
D33	U.S. Social Security or Railroad Retirement Act benefits included in your ARIZONA income		D33 00
D34	Construction of an energy efficient residence: *See page 12 of instructions. Enter number then amount* D34a		D34 00
D35	Other subtractions from income: *See instructions and attach your own schedule*		D35 00
D36	Total: *Add* lines D30 through D35. *Enter here and on the front of this form, line 18*		D36 00

E37 Last name(s) used in prior years – *if different from name(s) used in current year:*

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

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** For free *e-file* requirements, check out our web site at www.azdor.gov.

Are You Subject to Tax in Arizona?

As a part-year resident, you are subject to tax on all of the following.

1. Any income you earned in 2010 while an Arizona resident. This includes any interest or dividends received from sources outside Arizona.
2. Any income you earned from an Arizona source in 2010 before moving to (or after leaving) the state.

NOTE: *If you also have Arizona source income and deductions for the portion of the year you were an Arizona nonresident, file Arizona Form 140PY for the entire taxable year.*

Do You Have to File?

Arizona Filing Requirements These rules apply to all Arizona taxpayers.		
You must file if you are:	**and** your Arizona adjusted gross income is at least:	**or** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing jointly	$11,000	$15,000
• Married filing separately	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000
If you are a part-year resident, you must report all income for the part of the year you were an Arizona resident, plus any income from Arizona sources for the part of the year you were an Arizona nonresident.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income Arizona law does not tax.		
You can find your Arizona adjusted gross income on line 19 of Arizona Form 140PY.		

NOTE: *You must file a state return even if your employer withheld all or part of the tax. Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are the Spouse of an American Indian and You are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are in the Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military pay.

If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona part-year resident, you must report all of your income for the portion of the year you were a resident, no matter where stationed. You must include your military pay, but using Form 140PY, you may subtract all pay received for active duty military service, to the extent it is included in your Arizona gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military.*

If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

If you are a full year resident, you must file Form 140, Form 140A, or Form 140EZ.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return.*

You are a part-year resident if you did either of the following during 2010.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2010, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2010 and you did not remarry in 2010, or if your spouse died in 2011 before filing a return for 2010, you may file a joint return. If your spouse died in 2010, the joint return should show your spouse's 2010 income before death, and your income for all of 2010. If your spouse died in 2011, before filing the 2010 return, the joint return should show all of your income and all of your spouse's income for 2010. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are Any Other Returns Required?

You may also have to file a fiduciary income tax return. For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

What Are the Filing Dates and Penalties?

When Should You File?

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011. File your return as soon as you can after January 1, but no later than April 18, 2011.

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 year.

What If You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

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 18. See Form 204 for details. You do not have to attach a copy of the extension to your return when you file, but make sure that you check box **82F** 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.
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to attach a copy of your federal extension to your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

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 year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2010 calendar year return by April 18, 2011, 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, we will charge you a late filing penalty. This penalty is 4½% 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% 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%.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 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% 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 section 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 return once you have filed, you should file Form 140X, *Individual Amended Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

Do You Need to Make Estimated Payments in 2011?

You must make Arizona estimated income tax payments during 2011 if:		
Your filing status is:	**AND** Your Arizona gross income for 2010 was greater than:	**AND** Your Arizona gross income for 2011 exceeds:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you met the income threshold for 2010, you must make estimated payments during 2011 unless you are sure you will not meet the threshold for 2011.

As a part-year resident, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona. Your Arizona gross income is on line 15 of the 2010 Arizona Form 140PY.

See the worksheet for Form 140ES to figure how much your payments should be.

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you fail to make any

required payments. We will charge you a penalty if you make any of your required payments late.

For details, see Arizona Form 221.

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.

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- 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.
- When asked to provide your own schedule, attach a separate sheet with your name and SSN at the top. Attach your own schedules to your return. Attach these schedules behind page 2 of your return and behind your Schedules A if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you include a daytime number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you write your SSN on the appropriate line.*

Print or type your name, address, and SSN in the space provided. If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

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.* Put your last names in the same order as your first names and SSNs.

If you are married filing separately, enter your name and SSN on the first line 1. Then enter your spouse's name and SSN on second line 1.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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.

ID Numbers for Paid Preparers

If you pay someone else 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 SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper ID numbers may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140PY.

Line 4 Box - Married Filing a Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2010. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2010 and you did not remarry in 2010. See page 2 of these instructions for details.

If you are a part-year resident married to an Arizona full year resident, you may file a joint return using the 140PY. The department has issued a ruling on filing a joint return with your full-year resident spouse. This ruling is ITR 95-2. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 5 Box - Head of Household

If you are filing as a head of household, check box 5.

You may file as head of household on your Arizona return, only if one of the following applies.

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

Line 6 Box - Married Filing Separately

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2010, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return. The department has issued a ruling on how to report income in this case. This ruling is ITR 93-20. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling on when you may treat community income as separate income. This ruling is ITR 93-22. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.*

Line 7 Box - Single

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, 10, and 11. Do not put a checkmark. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete Part A, lines A1 through A3b on page 2. You may lose the exemption for qualifying parents or ancestors if you do not complete Part A, lines A4 and A5, on page 2.

Line 8 Box - Age 65 and Over

Write "1" in box 8 if you or your spouse were 65 or older in 2010. Write "2" in box 8 if both you and your spouse were 65 or older in 2010.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or partially blind. Write "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2010, you must get a statement certified by your eye doctor or registered optometrist that:

1. You cannot see better than 20/200 in your better eye with glasses or contact lenses or
2. Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead.

You must keep the statement for your records.

Line 10 Box - Dependents

You must complete Part A, lines A1 through A3b, on page 2 of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see Arizona Individual Income Tax Ruling ITR 05-02.*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies.

1. In 2010, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than $800.
2. In 2010, you paid more than $800 for either Arizona home health care or other medical costs for the person.

- A stillborn child if the following apply:

1. The stillbirth occurred in Arizona during 2010.
2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
3. The child would have otherwise been a member of your household.

Completing Line(s) A1

NOTE: *If a person who qualifies as your dependent is also a qualifying parent or ancestor of your parent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A1 that you listed on line A4.*

Enter the following on line(s) A1.

1. The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
2. The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2010. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

You may lose the exemption if you do not furnish this information.

Line A2 - Total Dependents

Enter the total number of persons listed on line(s) A1. Enter the same number on the front of the return in box 10.

Lines A3a and A3b - Persons You Did Not Take as Dependents on Your Federal Return

On line A3a, enter the following.

1. The names of any dependents age 65 or over listed on line(s) A1 that you cannot take as a dependent on your federal return.
2. The name of any stillborn child listed on line(s) A1, if the stillborn child was named. If the stillborn child was not named, enter "stillborn child" on line A3a. Also enter the date of birth resulting in the stillbirth.

On line A3b, enter the name of any student listed on line(s) A1, that you did not claim as an exemption on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

Line 11 Box - Qualifying Parents and Ancestors of Your Parents

A qualifying parent or ancestor of your parent may be any one of the following.

- Your parent or your parent's ancestor. Your parent's ancestor is your grandparent, great grandparent, great great grandparent, etc.
- If married filing a joint return, your spouse's parent or an ancestor of your spouse's parent.

You may claim this exemption if all of the following apply.

1. The parent or ancestor of your parent lived in your principal residence for the entire taxable year.
2. You paid more than one-half of the support and maintenance costs of the parent or ancestor of your parent during the taxable year.
3. The parent or ancestor of your parent was 65 years old or older during 2010.
4. The parent or ancestor of your parent required assistance with activities of daily living, like getting in and out of bed or chairs, walking around, going outdoors, using the toilet, bathing, shaving, brushing teeth, combing hair, dressing, medicating or feeding.

You must complete Part A, lines A4 and A5, on page 2 of your return before you can total your exemptions for qualifying parents and ancestors of your parents.

NOTE: *If a person who is a qualifying parent or ancestor of your parent also qualifies as your dependent, you may claim that person as a dependent on line A2,* ***or*** *you may claim that person as a qualifying parent or ancestor of your parent on line A5. You may* ***not*** *claim that same person on both line A2 and line A5. Do not list the same person on line A4 that you listed on line A1.*

Completing Line(s) A4

Enter the following on line(s) A4.

1. The name of the qualifying parent or ancestor of your parent.
2. The SSN of the qualifying parent or ancestor of your parent.
3. The qualifying parent's or ancestor's relationship to you, or your spouse if filing a joint return.
4. The number of months the qualifying parent or ancestor of your parent lived in your home during 2010.

You may lose the exemption if you do not furnish this information.

Line A5 - Total Qualifying Parents or Ancestors of Your Parents

Enter the total number of persons listed on line(s) A4. Enter the same number on the front of the return in box 11.

Reporting Your Residency Status

Check the appropriate box.

Line 12 Box - Part-Year Resident Other Than Active Duty Military

Check box 12 if you were an Arizona resident for part of 2010 and were not an active duty military member.

Line 13 Box - Part-Year Resident Active Military

Check box 13 if you were an active duty military member who either began or gave up Arizona residency during 2010.

Determining Arizona Income

Now complete Parts B, C, and D on page 2 of the return.

Use Part B to determine what portion of your total income is taxable by Arizona.

NOTE: *If you are unable to determine the proper line to use, please contact one of the numbers listed on the back cover.*

FEDERAL Column

Enter the actual amounts shown on your 2010 federal income tax return in the FEDERAL column. Complete lines B7 through B18. Line B18 should equal the federal adjusted gross income shown on your 2010 federal return Form 1040, Form 1040A, or Form 1040EZ.

ARIZONA Column

Enter that portion of your federal income received while you were an Arizona resident in the Arizona column. For example, if you became an Arizona resident on June 30, enter all income you received from that day to December 31, 2010.

NOTE: *If you also have Arizona source income for the portion of the taxable year you were an Arizona nonresident, also include that source income on the appropriate line in the Arizona column.*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a part-year resident, your Arizona gross income may include some of these losses. For the part of the year you were an Arizona resident, you may consider any passive losses that arose while an Arizona resident. For the part of the year you were an Arizona nonresident, you may consider only those passive losses that arose from Arizona sources. Your 2010 Arizona gross income can include only losses you used on your 2010 federal return.

The following line-by-line instructions apply to the ARIZONA column.

Line B6 - Dates of Arizona Residency

If you became an Arizona resident during 2010, enter the date that you became an Arizona resident. If you gave up your Arizona residency during 2010, do both of the following.

1. Enter the date you became an Arizona resident.
2. Enter the date you gave up your Arizona residency.

Line B7 - Wages, Salaries, Tips, etc.

Enter all amounts received while an Arizona resident.

Also enter all amounts received from Arizona employment during the part of the year you were an Arizona nonresident.

NOTE: *Do not include active duty military pay for the part of the year you were a nonresident.*

Line B8 - Interest

Enter all amounts received while an Arizona resident.

You must also enter any interest income derived from Arizona sources during the part of the year you were an Arizona nonresident. Interest income from Arizona sources is interest income that has acquired an Arizona business situs.

If you received tax exempt interest from municipal bonds, attach a schedule listing the payors and the amount received from each payor. You may also want to attach 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. Be sure you add the

amount you received while an Arizona resident from non-Arizona municipal bonds to your income on line C23.

Line B9 - Dividends

Enter all amounts received while an Arizona resident.

You must also enter any dividends derived from Arizona sources during the part of the year you were an Arizona nonresident. Dividend income from Arizona sources is dividend income that has acquired an Arizona business situs.

Line B10 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2010 that you included in your federal adjusted gross income.

Line B11 - Alimony Received

Enter amounts received while an Arizona resident.

Line B12 - Business Income or (Loss)

Enter any business or farm income or (loss) incurred while you were an Arizona resident.

Also enter income or (loss) derived from Arizona businesses during the part of the year you were an Arizona nonresident.

Line B13 - Gains or (Losses)

Enter any gain or (loss) on property sold while an Arizona resident if you included the amount as income on your 2010 federal return.

Also enter gains or (losses) on sales of Arizona property during the part of the year you were an Arizona nonresident.

Line B14 - Rents, etc.

Enter income received from rents, royalties, partnerships, estates, trusts, small business corporations, etc., while an Arizona resident.

Also enter rents or royalties earned on Arizona properties during the part of the year you were an Arizona nonresident. Enter any income or (loss) derived from Arizona sources from partnerships, small business corporations, etc., during the part of the year you were an Arizona nonresident.

Line B15 - Other Income Reported on Your Federal Return

Enter other income shown on your federal return that you received while an Arizona resident. Other income may include pensions, social security, unemployment, and lottery winnings. Attach a schedule listing these other items.

Also enter any other income derived from Arizona sources during the part of the year you were an Arizona nonresident.

Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of net operating loss deduction included in your federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

As a part-year resident, Arizona recognizes that portion of the federal net operating loss which is attributable to income taxed by Arizona as the Arizona net operating loss.

As a part-year Arizona resident, include in Arizona gross income the amount of federal net operating loss carry forward or carryback attributable to Arizona unless any of the following apply.

1. The net operating loss attributable to Arizona included in your federal adjusted gross income has already been deducted for Arizona purposes.
2. The net operating loss included in your federal adjusted gross income was incurred from non-Arizona sources while a nonresident.

Enter the amount of net operating loss deduction included in your federal adjusted gross income that was attributable to income taxed by Arizona. Do not include any amount of the loss that has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback in cases where you did not make an election under I.R.C. § 172(b)(1)(h), see Arizona Department of Revenue Income Tax Procedure ITP 99-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

If you made an election under I.R.C. § 172(b)(1)(h), see the instructions for "Other Subtractions from Income."

Line B16 - Total Income

Add lines B7 through B15 and enter the total.

Line B17 - Federal Adjustments

If any of the following are included in adjustments shown on your federal return, make an entry on this line as explained on the next page.

1. IRA: Enter the amount actually paid while an Arizona resident for your IRA and/or your spouse's IRA.
2. Student loan interest: Enter the amount you paid while an Arizona resident.
3. Self-employed SEP, SIMPLE and qualified plans: Enter the amount actually paid while an Arizona resident.
4. Self-employment tax: Enter that portion of the self-employment tax that relates to self-employment income reportable to Arizona.
5. Self-employed health insurance: Enter that amount of self-employed health insurance that was actually paid while an Arizona resident.
6. Penalty on early withdrawal of savings: Multiply the federal deduction by the ratio of your Arizona interest to your federal interest.
7. Alimony: Enter the amount actually paid while an Arizona resident.
8. Moving expenses: Enter the amount of moving expenses included in your federal adjusted gross income that you accrued and paid during the part of the year you were an Arizona resident.

NOTE: *Do not enter any amounts for items 1 through 8 above unless you deducted these items in computing your federal adjusted gross income.*

If your federal return shows other adjustments to income, attach your own schedule to show your calculation.

Line B19 - Arizona Income

Complete line B19 as instructed on the form.

Line B20 - Arizona Percentage

Divide line B19 by line B18, and enter the result on line B20. (**Do not enter more than 100 percent.**) This is the Arizona percentage of your total income.

Example:		
Arizona Gross Income from line B19	Federal Adjusted Gross Income from line B18	Arizona percentage
$ 7,500	$ 30,000	$7,500/30,000 = 25%

Determining Additions to Income

Line C21 - I.R.C. § 179 Expense in Excess of Allowable Amount

Enter the amount of I.R.C. § 179 expense included in your Arizona gross income that exceeds $25,000. If you make an entry here, also see the instructions for line D35, "Other Subtractions From Income".

Line C22 - Total Depreciation Included in Arizona Gross Income

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, also see the instructions for line D35, "Other Subtractions from Income."

Line C23 - Other Additions to Income

Use line C23 if any of the special circumstances below apply. Attach your own schedule to the back of your return, explaining any amounts entered on line C23.

A. Non-Arizona Municipal Interest

Enter interest income earned from non-Arizona municipal bonds while an Arizona resident.

NOTE: *You may reduce this addition by any interest or other related expenses incurred to purchase or carry the obligation. As a part-year resident, you may reduce the addition by the amount of those expenses attributable to income subject to Arizona tax. You may reduce the addition by those expenses that you could not deduct on your federal return.*

B. Ordinary Income Portion of Lump Sum Distribution Excluded on Your Federal Return

Arizona law does not provide for averaging. Enter the amount of the distributions received while an Arizona resident and treated as ordinary income on your federal return. If you chose to treat the capital gain portion of the distributions as ordinary income, you must also include that amount on line C23.

For more information, see Arizona Department of Revenue Income Tax Ruling, ITR 93-5.

C. Fiduciary Adjustment

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.

Depending on your situation, you may either add (line C23) or subtract (line D35) this amount.

If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a positive number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as an addition. Enter the addition on line C23.

If the amount on line 3 of your Arizona Form 141AZ, Schedule K-1, is a negative number, enter that portion of line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction from income. Enter the subtraction on line D35.

D. Medical Savings Account (MSA) Distributions

For information on Arizona's MSA provisions, see the department's MSA brochure, Pub 542.

You must add amounts received from an MSA here if any of the following apply.

1 - You Withdrew Funds from Your MSA for Other than Qualified Expenses

If you had an MSA during the part of the year you were an Arizona resident, you must make an entry here if all of the following apply.

1. You withdrew money from your MSA during 2010, while either a resident or a nonresident.
2. You did not use the amount withdrawn to pay qualified medical expenses.
3. You did not have to include the withdrawal as income on your federal income tax return.

Enter the amount withdrawn.

If you had an MSA during the part of the year you were an Arizona nonresident, you must make an entry here if all of the following apply.

1. You had Arizona source income while an Arizona nonresident.
2. Your MSA qualified as an MSA under Arizona law.
3. If you were an employee, your high deductible health coverage was provided by your Arizona employer. If you were self employed, your high deductible health coverage was provided by your Arizona business.
4. You withdrew money from your MSA during 2010, while either a resident or a nonresident.
5. You did not use the amount withdrawn to pay qualified medical expenses.
6. You did not have to include the withdrawal as income on your federal income tax return.

Enter the amount withdrawn.

2 - Deceased Account Holder Where the Named Beneficiary is Not the Decedent's Surviving Spouse

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

1. The account holder died during the part of the year you were an Arizona resident.
2. The decedent's MSA qualified as an MSA under Arizona law.
3. You are the named beneficiary of the decedent's MSA.
4. You are not the decedent's surviving spouse.
5. You did not have to include the value of the MSA as income on your federal income tax return.

In this case, the MSA ceases to be an MSA. Enter the fair market value of the MSA as of the date of death, less the amount of MSA funds used within one year of the date of death, to pay the decedent's qualified medical expenses. You can reduce the fair market value by only those expenses paid from the MSA. If you pay additional medical expenses for the decedent from the MSA after you file, you may file an amended return to further reduce the fair market value of the MSA.

3 - Decedent's Final Return and No Named MSA Beneficiary

Make an entry here if all of the following apply.

1. The account holder died during the part of the year in which he or she was an Arizona resident.
2. There is no named MSA beneficiary.

3. This is the decedent's final return.
4. The value of the MSA did not have to be included on the decedent's final federal income tax return.

In this case, the MSA ceases to be an MSA. Enter the fair market value of the MSA as of the date of death. This rule applies in all cases in which there is no named beneficiary, even if the surviving spouse ultimately obtains the right to the MSA assets.

NOTE: *The following are not withdrawals. Do not enter any of the following:*

- *Amounts from the MSA used to pay qualified medical expenses*
- *A qualified return of excess contributions*
- *A qualified rollover*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary*

For more information about the above items, see the department's MSA brochure, Pub 542.

E. Pension Adjustments

Depending on your situation, you may either add (line C23) or subtract (line D35) this amount.

Use this adjustment if both of the following apply.

1. Arizona taxed your pension for years before 1979.
2. You reported that pension on your federal return using the percentage exclusion method.

Do not use this adjustment if either of the following applies.

1. You reported your pension income as fully taxable on your federal return.
2. You reported your pension income on your federal return under the "three-year-rule".

Follow the worksheet below to figure the adjustment.

Pension Adjustment Worksheet	
Follow these steps to figure the adjustment: (Keep this worksheet for your records.)	
1. Your contribution to annuity.	1.
2. Pension amount received in prior years.	2.
3. Remainder of cost (line 1 minus line 2 but not less than zero).	3.
4. Pension amount received this year.	4.
5. Subtract line 3 from line 4 (but not less than zero).	5.
6. Enter the pension amount taxable on your federal return.	6.
7. Subtract line 6 from line 5.	7.
If line 7 is more than zero, enter the amount on line 7 as an addition to income. Enter the addition on line C23.	
If line 6 is more than line 5, enter the difference as a subtraction from income. Enter the subtraction on line D35.	

F. Partnership Income

Depending on your situation, you may either add (line C23) or subtract (line D35) this amount.

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

If the difference reported on your Arizona Form 165, Schedule K-1, is a positive number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as an addition. Enter the addition on line C23.

If the difference reported on your Arizona Form 165, Schedule K-1, is a negative number, enter that portion of the difference that is allocable to partnership income taxable by Arizona as a subtraction. Enter the subtraction on line D35.

G. Agricultural Water Conservation System Credit

If you take this credit (Form 312), you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

H. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. However, under the operation of former Arizona law (1989 and prior), you could deduct certain items in greater amounts for Arizona purposes than federal purposes. Investment interest and passive activity losses were such items. In some cases, you could have deducted such amounts in their entirety on the Arizona return. For federal purposes, the deduction for these items was limited, with the unused portions being carried forward and deducted in future years. Your Arizona return may include these previously deducted items because of the difference between the federal and former Arizona treatment. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

I. Claim of Right Adjustment for Amounts Repaid in 2010

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

1. During 2010, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2010 was more than $3,000.
4. You took a deduction for the amount repaid on your 2010 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

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

J. 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 2010 you were required to repay income 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 2010 Arizona taxable income.
5. The amount of the loss carryover included in your Arizona gross 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 Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

K. Addition to S Corporation Income Due to Credits Claimed

Shareholders of an S corporation who claim a credit passed through from an S corporation 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 enter an amount on this line when claiming any of the following credits.

- Agricultural water conservation system credit
- Environmental technology facility credit
- Pollution control credit
- Credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets
- Credit for employment of TANF recipients
- Agricultural pollution control equipment credit
- Motion picture credits

L. Solar Hot Water Heating Plumbing Stub Out and Electric Vehicle Recharge Outlet Expenses

If you take a credit for installing solar hot water heating plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

M. Wage Expense for Employers of TANF Recipients

If you take a credit for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

N. Motion Picture Expenses

If you take a motion picture credit on Form 334, you cannot deduct any expenses related to the production, the infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing Arizona gross income for which you claimed a credit.

O. Early Withdrawal of Arizona, County, City, or School Retirement System Contributions

If you meet all the following, you must enter an amount here.

1. You left your job with the State of Arizona or an Arizona county, city, or school district for reasons other than retirement.
2. When you left, you took out the contributions you had made to the retirement system while employed.
3. You deducted these contributions on your Arizona income tax returns that you filed for prior years.
4. You did not include these contributions in your federal adjusted gross income this year.

If you meet all these tests, you must report as income those contributions previously deducted on your prior years' Arizona tax returns.

For more information, see Arizona Department of Revenue Income Tax Ruling *ITR 93-7*.

NOTE: *Any interest earned on your retirement contributions while they were in the system should be reported on line B8 in both the FEDERAL and ARIZONA income columns.*

P. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses

If you claim a credit for an investment in a qualified small business on Arizona Form 338, 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 2010 taxable year, enter the amount by which the adjusted basis computed under the internal revenue code with respect to that property exceeds the adjusted basis of the property computed under Arizona Revised Statutes section 43-1074.02.

Q. Depreciation or Amortization for a Water Conservation System

If you claimed a water conservation system credit on Arizona Form 339, you may not deduct any depreciation or amortization for that system on your Arizona return. Enter the amount of depreciation or amortization claimed on your federal return for the water conservation system for which you have claimed a credit.

R. Nonqualified Withdrawals from 529 College Savings Plans

You must make an addition to income if you received a nonqualified withdrawal from a 529 college savings plan. You must make an addition if the withdrawal was not included in your federal adjusted gross income. The amount that you must add is the amount withdrawn, but no more than the difference between the amount of contributions subtracted in prior years and the amount added in any prior years.

A nonqualified withdrawal is a withdrawal other than any of the following:

1. A qualified withdrawal. A qualified withdrawal is a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account.
2. A withdrawal made as the result of the death or disability of the designated beneficiary of an account.
3. A withdrawal that is made on the account of a scholarship, or the allowance or payment described in section 135(d)(1)(B) or (C) of the internal revenue code, and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
4. A rollover or change of designated beneficiary.

S. 2010 Discharge of Indebtedness (DOI) Income

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI

income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under I.R.C. § 108(i), you must add the amount deferred to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. On line C23, enter the amount of DOI income that you deferred and excluded from the computation of your 2010 federal adjusted gross income under I.R.C. § 108(i), to the extent that the income was from a debt reacquisition that occurred while you were an Arizona resident or to the extent the DOI income is Arizona source income. Even though you must include that DOI income on your 2010 Arizona return, Arizona will not tax that income again in the future years when you include that DOI income in your federal adjusted gross income and likewise your Arizona gross income. If you make an entry here, also see the instructions for "Other Subtractions from Income" even though this subtraction will not apply until the year in which you include the income in your Arizona gross income.

T. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "S" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. In this case, you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for "Other Subtractions from Income.")

If your Arizona gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return that you included in your Arizona gross income. Generally, this addition will not apply until taxable year 2014 through 2018. However, if you were required to accelerate reporting of the DOI income for federal purposes and were allowed to deduct accrued OID attributable to that income on an Arizona return filed for a year prior to 2014, this addition may apply to an earlier year. On line C23, enter the amount of any previously deferred OID that you deducted in computing your 2010 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

U. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on the back cover if any of the following apply.

- You are a previously certified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- 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 claimed the environmental technology facility credit.
- You claimed the pollution control credit.
- You claimed the recycling equipment credit.
- You claimed the agricultural pollution control equipment 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.

Line C24 - Total Additions

Add lines C21 through C23. Enter the total on line C24 and on the front of your return on line 16.

Determining 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 the back cover.

NOTE: *You may not subtract any amount which is allocable to income excluded from your Arizona taxable income.*

Line D25 - Exemption: Age 65 or Over

Multiply the number in box 8 on the front of your return by $2,100 and enter the result.

Line D26 - Exemption: Blind

Multiply the number in box 9 on the front of your return by $1,500 and enter the result.

Line D27 - Exemption: Dependents

Multiply the number in box 10 on the front of your return by $2,300 and enter the result.

Line D28 - Exemption: Qualifying Parents and Ancestors

Multiply the number in box 11 on the front of your return by $10,000 and enter the result.

Line D29 - Total

Add lines D25 through D28 and enter the total.

Line D30 - Prorated Exemptions

Multiply the amount on line D29 by the Arizona percentage from line B20 and enter the result.

Active Duty Military Personnel Only: *If you were an active duty military member who either began or gave up Arizona residency during 2010, do not prorate these exemptions. You are allowed 100 percent deductions for the age 65, the blind, and the dependent exemptions. Enter the amount on line D29 (Total) on this line.*

Line D31 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included on line B8 in the ARIZONA column. 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 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 FNMA or GNMA bonds since this interest is taxable by Arizona. For details, see the department's income tax ruling, ITR 06-1.*

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 D32 - Arizona Lottery Winnings

You may subtract up to $5,000 of winnings received in 2010 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line B15 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

Line D33 - U.S. Social Security Benefits or Railroad Retirement Benefits

Arizona does not tax social security benefits received under Title II of the Social Security Act. Arizona does not tax railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. If you included such social security or railroad retirement benefits on your federal return as income and also included this amount in the ARIZONA column on line B15, subtract this income on line D33.

Subtract only the amount you reported as income on your federal return and included on line B15 in the ARIZONA column.

See Arizona Department of Revenue Income Tax Ruling *ITR 96-1* for more information about railroad retirement benefits.

Line D34 - 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 D34a, then enter the amount of the subtraction on line D34. Also enter the number from line D34a on Form 140PY, page 1, line 181.

Line D35 - Other Subtractions

Use line D35 if any of the following special circumstances apply. Attach your own schedule to the back of your return, explaining any amounts entered here.

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

If you receive pension income from any of the sources listed below, subtract the amount you received or $2,500, whichever is less. Include only the amount you reported as income on your federal return and included on line B15 in the ARIZONA column. If both you and your spouse receive such pension income, each spouse may subtract the amount received or $2,500, whichever is less.

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 System
- 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 plan established by an Arizona community college district.

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

B. Previously Reported Gain on Decedent's Installment Sale

Prior Arizona law required acceleration of any unrecognized installment sale gain upon the death of a taxpayer. However, this acceleration could have been avoided by the posting of a bond. If acceleration was required, your federal adjusted gross income may include installment sale amounts already recognized on a decedent's final Arizona return. Deduct that portion of the gain included on line B13, ARIZONA column.

C. Deposits Made Into Your MSA

If you have an MSA, you may be able to subtract deposits made into that MSA. Make an entry here if all of the following apply.

1. You have an MSA that qualifies as an MSA under Arizona law, but not federal law.
2. Either you or your employer made deposits into that MSA during the tax year.
3. You had to include the deposits in income on your federal income tax return.

Enter the amount of the MSA deposits that you had to include in your federal adjusted gross income.

D. Employer Contributions Made to Employee MSAs

If you are an employer, you may subtract the amount contributed to your employees' MSAs that are established under Arizona law. You can subtract these contributions only to the extent not deductible for federal income tax purposes. Enter these contributions here.

E. Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2010 to one or more charitable organizations. To take this subtraction, you must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. You must make your gift to a charitable organization located in Arizona which is exempt from Arizona income tax.

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

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

F. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line B7, ARIZONA column. The federal government must recognize these tribes.

For more information, see Arizona Department of Revenue Income Tax Ruling, ITR 96-4.

G. Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces

Starting with 2006, members of the U.S. armed forces may subtract pay received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. If you are a member of the U.S. armed forces, you may subtract the amount of pay received for active duty military service that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2010 federal return that you also included on line B7 in the ARIZONA column.

Starting with 2007, if you are a member of the reserves or the National Guard, you may subtract pay received for active service as a reservist or as a National Guard member, including pay received for weekend or two week training periods. You may subtract the amount of pay received for active service as a reservist or as a National Guard member that you had to include in your Arizona gross income. Enter only that amount of pay reported on your 2010 federal return that you also included on line B7 in the ARIZONA column.

H. Federally Taxable Arizona Municipal Interest

Enter the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, that you included in your Arizona gross income. Enter only that amount of Arizona municipal interest income that you included on line B8 in the ARIZONA column. Do not enter any Arizona municipal interest that is exempt from federal taxation and not included in your federal adjusted gross income.

I. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted.

Enter the lesser of the total of the following adoption expenses or $3,000.

When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses.

1. Nonreimbursed medical and hospital costs.
2. Adoption counseling.
3. Legal and agency fees.
4. Other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed $3,000.

J. 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 of the costs incurred for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to

noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

K. 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 2010 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2010 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross 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 Arizona gross income.

L. 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 2010, enter the portion of wages or salaries attributable to income subject to Arizona tax that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

M. Qualified State Tuition Program Distributions

If you are a beneficiary of a qualified state tuition program, you may subtract some of the amount distributed from the program for qualified education expenses. Enter the amount of the distribution included in your federal adjusted gross income that you included as income in the Arizona column. A qualified state tuition program is a program that meets the requirements of I.R.C. § 529.

N. Subtraction for World War II Victims

You may subtract distributions made to you for your persecution or the persecution of your ancestors by Nazi Germany or any other Axis regime for racial, religious or political reasons. If you are the first recipient of such distributions, enter the amount of the distributions that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

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 you if you were persecuted by Nazi Germany or any other Axis regime for racial, religious or political reasons before, during or immediately after World War II. If you are the first recipient of such income, enter the amount of income that you had to include in your federal adjusted gross income that you also entered in the ARIZONA column on your Form 140PY.

O. Installment Sale Income from Another State Taxed by the Other State in a Prior Taxable Year

You may subtract income from an installment sale if **both** of the following apply:

1. The income from the sale is subject to Arizona income tax in 2010; and
2. You paid income tax to another state on that income in a prior tax year.

Enter the amount of such income that you included in your Arizona gross income for 2010.

Do not enter any amount that is subject to tax by both Arizona and another state in 2010. In this case, you may be eligible for a tax credit. See Form 309 for details.

P. Recalculated Arizona Depreciation

Figure the total amount of depreciation allowable pursuant to I.R.C. § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes. Enter the amount that is attributable to income taxable by Arizona.

Q. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

With respect to 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 attributable to income taxable by Arizona with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to I.R.C. § 167(a) attributable to income taxable by Arizona 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.) A part-year resident may subtract only that amount that is attributable to income subject to Arizona tax.

R. Fiduciary Adjustment

If the amount reported on line 3 of your Arizona Form 141AZ, Schedule K-1, is a negative number, enter that portion of Form 141AZ, Schedule K-1, line 3 that is allocable to estate or trust income taxable by Arizona as a subtraction from income. Enter the subtraction on line D35.

S. Adjustment for I.R.C. § 179 Expense Not Allowed

Enter 20% of the amount entered on line C23 for excess I.R.C. § 179 expense. This same amount can be subtracted in each of the following four taxable years also, effectively amortizing the difference in treatment over five years. If you made an addition for I.R.C. § 179 expense on your 2006, 2007, 2008 and/or 2009 return, also enter 20% of the amount added for 2006, 2007, 2008 and/or 2009.

T. Contributions to 529 College Savings Plans

For taxable years 2008 through 2012, you may subtract amounts you contribute to 529 college savings plans during

the taxable year. You may subtract the amount you contributed during the year, while an Arizona resident, up to a total of $750 ($1,500 for a married couple filing a joint return). If you are married filing separate returns, either you or your spouse may take the subtraction, or you may divide it between you, but the total taken by both of you cannot be more than $1,500.

If you contribute more than $750 ($1,500 if married) during the year, your total subtraction is still limited to $750 ($1,500 if you are married). For example, Jorge and Kate are married and have two children. During 2010, Jorge and Kate, contributed $1,500 to a 529 plan for Child 1 and $1,500 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of $3,000 during 2010, they may subtract only $1,500 on their 2010 return.

You may take a subtraction for a contribution that you made during 2010, to a plan that existed before 2010. You may take a subtraction for a contribution that you made during 2010, to a plan established in another state. You may take a subtraction for a contribution that you made in 2010, to any 529 college savings plan. This could be a plan established for a child, grandchild, niece, nephew, or any other person for whom a plan has been established.

You cannot take a subtraction for an amount transferred from one college savings plan to a different college savings plan (a rollover).

U. Net Operating Loss Adjustment.

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 I.R.C. § 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.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under I.R.C. § 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 I.R.C. § 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 2010 federal income tax return, if the election described in I.R.C. § 172(b)(1)(h) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method is attributable to income taxed by Arizona. The amount you may take as a subtraction is the difference between the Arizona amount and the amount actually taken for federal purposes that you included in your Arizona gross income. On line D35, enter the amount of carry forward deduction allowable on your Arizona return that exceeds the actual amount of net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

V. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of DOI income under I.R.C. § 108(i), you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an Arizona source. (See the instructions for "Other Additions to Income.") If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that DOI income twice. In the year in which you include that deferred DOI income in your federal adjusted gross income and likewise, your Arizona gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. However, if you had to accelerate the deferral for federal purposes, this subtraction may apply to a taxable year prior to 2014. On line D35, enter the amount of previously deferred DOI income that you in included in your Arizona gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

W. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "V" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under I.R.C. § 108(i). For Arizona purposes, you were required to add the amount of deferred DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument if the debt reacquisition occurred while you were an Arizona resident, or if the DOI income was from an

Arizona source. If Arizona taxed the federally deferred DOI income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that DOI income. On line D35, enter the amount of any OID related to that DOI income that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2010 under I.R.C. § 108(i).

X. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on the back cover if any of the following apply.

- You are a previously certified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- 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 were an Arizona resident before December 31, 1975, and you are receiving IRA distributions from your IRA account to which you made contributions before December 31, 1975.
- You were an Arizona resident before December 31, 1975, and you are receiving distributions from your qualified self-employment retirement plan to which you made contributions before December 31, 1975.
- 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 D36 - Total Subtractions

Add lines D30 through D35. Enter the total here and on the front of your return, line 18.

Line E37 - Last Name(s) Used in Prior Years

Use line E37 if the last name that you are using on this return is not the same as the last name you used on Arizona returns filed for the last 4 years. On line E37, enter any other last name(s) that you used when filing your Arizona return during the last 4 years.

Totaling Your Income

Line 14 - Federal Adjusted Gross Income

You must complete your federal return before completing your Arizona return. You must complete a 2010 federal return to determine your federal adjusted gross income even if not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Enter your federal adjusted gross income from page 2, line B18.

Line 15 - Arizona Income

Enter your Arizona income from page 2, line B19, of your return.

Line 16 - Additions to Income

Enter the amount from page 2, line C24, of your return.

Line 18 - Subtractions from Income

Enter the amount from page 2, line D36, of your return.

Figuring Your Arizona Tax

Line 20 - Itemized or Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deduction.

e-file When you ***e-File***, the software completes the math for you.

Your Standard Deduction

Tax Tip: *The standard deduction is not prorated.*

If you take the standard deduction, check box **20**S.

If your filing status is:	Your standard deduction is:
• Single	$4,677
• Married filing separate	$4,677
• Married filing joint	$9,354
• Head of household	$9,354

Your Itemized Deductions

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return. The itemized deductions allowed for Arizona purposes are, with some exceptions, those itemized deductions that are allowable under the Internal Revenue Code.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following.

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.

Complete Arizona Form 140PY, Schedule A(PY), to determine your Arizona itemized deductions.

A part-year resident who also had Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following.

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the period of nonresidency.
3. A portion of all other itemized deductions paid during the period of nonresidency.

Complete Arizona Form 140PY, Schedule A(PYN), to determine your Arizona itemized deductions. Form 140PY, Schedule A(PYN), is not included in your booklet. You may get this form by visiting our web site at www.azdor.gov.

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A. Then complete the Arizona Form 140PY, Schedule A(PY) or A(PYN). If you itemize deductions, check box **20**I.

NOTE: *If you itemize, you must attach a copy of your federal Schedule A to your Arizona return.*

For more information on itemized deductions allowed to a part-year Arizona resident, see Arizona Individual Income Tax Ruling *ITR 94-10*.

Line 21 - Personal Exemptions

Your personal exemption depends on your filing status. See Personal Exemption Chart. Then complete the Personal Exemption Worksheet.

NOTE For Active Duty Military Personnel Only: *If you were an active duty military member who either began or gave up Arizona residency during 2010, do not prorate the personal exemption. You are allowed a 100 percent deduction for the personal exemption (to include spouse).*

Personal Exemption Chart
Caution, be sure to complete the worksheet below.

If you checked filing status:	Personal Exemption before proration:
• Single (Box 7)	$2,100
• Married filing joint return (Box 4) and claiming no dependents (Box 10)	$4,200
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$6,300
• Head of household and you are **not** married (Box 5)	$4,200
• Head of household and you **are** a married person who qualifies to file as head of household (Box 5)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with neither spouse claiming any dependents (Box 10)	$2,100 Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.

Personal Exemption Worksheet

1. Enter amount from the chart above. Taxpayers, other than active duty military members, complete lines 2 and 3. If you are an active duty military member who either began or gave up Arizona residency during 2010, skip lines 2 and 3 and enter this amount on Form 140PY, page 1, line 21.	$
2. Enter your Arizona percentage from Form 140PY, page 2, line B20.	%
3. Multiply line 1 by the percent on line 2. Enter the result here and on Form 140PY, page 1, line 21.	$

A married couple who does not claim any dependents may take one personal exemption of $4,200 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire $4,200 exemption, or the spouses may divide the $4,200 (prior to prorating) between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $2,100 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only $2,100 (one-half of the total $4,200).

A married couple who claims at least one dependent may take one personal exemption of $6,300 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire $6,300 exemption, or the spouses may divide the $6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only $3,150 (one-half of the total $6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire $6,300 (prior to prorating) personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may take an exemption of only $3,150 (prior to prorating) (one-half of the total $6,300).

The spouse who claims more than one-half of the total personal exemption (prior to prorating) must attach the original Form 202 to his or her return. The spouse who claims less than one-half of the total personal exemption (prior to prorating) must attach a copy of the completed Form 202 to his or her return.

Line 22 - Taxable Income

Subtract lines 20 and 21 from line 19 and enter the result. Use this amount to calculate your tax using Tax Table X or Y.

Line 23 - Tax Amount

Enter the tax from Tax Table X or Y.

Line 24 - Tax From Recapture of Credits From Arizona Form 301

Enter the amount of tax due from recapture of the credits from Form 301, Part II, line 31.

Line 25 - Subtotal of Tax

Add lines 23 and 24.

Lines 26 and 27 - Clean Elections Fund Tax Reduction

You may designate $5 of your tax go to the Clean Elections Fund and may also reduce your tax by up to $5. If you are married filing a joint return, both you and your spouse may make this designation and also reduce your tax by up to $10.

Single Taxpayers, Heads of Household, and Married Taxpayers Filing a Joint Return With Only One Spouse Making a Designation

To make this designation, Check box **261** marked yourself.

If you checked box **261** and the amount on Form 140PY, page 1, line 25, is $10 or more, enter $5 on line 27. If the amount on line 25 is less than $10, complete the following worksheet.

Married Taxpayers Filing a Joint Return With Both Spouses Making a Designation

If both spouses want to make this designation, one spouse should check box **261**, and the other spouse should check box **262**.

If you checked both box **261** and box **262** and the amount on Form 140PY, page 1, line 25, is $20 or more, enter $10 on line 27. If the amount on line 25 is less than $20, complete the following worksheet.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 140PY, page 1, line 25.	
2. If you checked box **261**, enter $5. If a joint return and your spouse also checked box **262**, enter $10.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	
4. If you checked box **261**, enter $5. If a joint return and your spouse also checked box **262**, enter $10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form 140PY, page 1, line 27.	

NOTE: *Amounts designated to the Clean Elections Fund here do not qualify for the credit on line 32.*

Line 28 - Reduced Tax

Subtract line 27 from line 25. Enter the result.

Line 29 - Family Income Tax Credit

e-File software will let you know if you are eligible and will figure the credit for you.

You may take this credit if your income does not exceed the maximum income allowed for your filing status.

- Complete steps 1, 2, and 3 to see if you qualify for this credit.
- If you qualify to take this credit, complete Worksheet II in step 4.

Step 1

Complete Worksheet I below.

Worksheet I	
1. Enter the amount from Form 140PY, page 1, line 19.	
2. Enter the amount Form 140PY, page 2, line D30.	
3. Add lines 1 and 2. Enter the result.	

Step 2

Look at the following tables. Find your filing status.

- Use Table I if married filing a joint return.
- Use Table II if head of household.
- Use Table III if single or married filing a separate return.

Step 3

- Look at the column (a) labeled "number of dependents" and find the number of dependents you are claiming (Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a.).
- Find the maximum income [amount in column (b)] for the number of dependents you are claiming.
- Compare that income [the amount in column (b)] with the income listed in Step 1 on Worksheet I, line 3.

If the amount entered in step 1 on Worksheet I, line 3, is equal to or less than the maximum income allowed for the number of dependents you are claiming, you qualify to take this credit. To figure your credit, complete step 4.

Table I Married Filing a Joint Return	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$23,600
• 3	$27,300
• 4 or more	$31,000

Table II Head of Household	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or 1	$20,000
• 2	$20,135
• 3	$23,800
• 4	$25,200
• 5 or more	$26,575

Table III Single Or Married Filing Separately	
Column (a)	**Column (b)**
Number of dependents you are claiming on Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a.	Maximum Income
• 0 or more	$10,000

Step 4

If you qualify to take the credit, complete this worksheet following the tables.

Worksheet II **You must complete Steps 1 through 3 before you complete Worksheet II**	
1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a.	
2. Number of personal exemptions. If you checked filing status 4, **enter** the number 2. If you checked filing status 5, 6, or 7, **enter** the number 1.	
3. Add lines 1 and 2. Enter the result.	
4. Multiply the amount on line 3 by $40. Enter the result.	
5. If you checked filing status 4 or 5, enter $240 here. If you checked filing status 6 or 7, enter $120 here.	
6. Family income tax credit. Enter the lesser of line 4 or line 5. Also enter this on Form 140PY, page 1, line 29.	
NOTE: *The family income tax credit will only reduce your tax and cannot be refunded.*	

Line 30 - Nonrefundable Credits From Arizona Form 301 or Forms 310, 321, 322 and 323 if Form 301 is not Required

Complete line 30 if you can take any of the following credits. Also make sure that you attach the Arizona Form 301 if you are required to complete Form 301 and the appropriate credit form or forms to your return.

1. **Defense Contracting Credits.** Your unused defense contracting credit carryover may be carried forward as a credit against subsequent taxable years' tax liability through tax year 2011. See Form 302 for details.

2. **Enterprise Zone Credit.** You may qualify for this credit if your business in an Arizona enterprise zone had net increases in qualified employment positions. Use Form 304 to figure this credit.

3. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

4. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

5. **Recycling Equipment Credit.** The recycling equipment credit allowable to individuals has been repealed. You may not take this credit for taxable years beginning January 1, 2003 or later. However, the repeal did not affect any credit carryover that accrued prior to the repeal. Use Form 307 to figure any allowable credit carryover.

6. **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.

7. **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 to figure this credit.

8. **Credit for Solar Energy Devices.** You may qualify for this credit if you installed a solar energy device in your residence located in Arizona. Use Form 310 to figure this credit.

9. **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.

10. **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.

11. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you install solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you construct. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

12. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

13. **Credit for Contributions to Charities that Provide Assistance to the Working Poor.** You may qualify for this credit if you made contributions to certain charities that provide help to the working poor. Use Form 321 to figure this credit.

14. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you made contributions or paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

15. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

16. **Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incur 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.

17. **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.

18. **Credit for Healthy Forest Enterprises.** You may qualify for this credit if you had net increases in qualified employment positions as a healthy forest enterprise. Use Form 332 to figure this credit.

19. **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.

20. **Motion Picture Credits.** A credit is available to motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to figure this credit.

21. **Credit for Solar Energy Devices - Commercial or Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

22. **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.

23. **Credit for Water Conservation Systems.** You may qualify for this credit if you installed a qualifying water conservation system in your residence located in Arizona. Use Form 339 to figure this credit.

24. **Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

Compute your credit on the appropriate form. Then, if required, complete Form 301 and enter the amount from Form 301, line 59. The credits on line 30 cannot reduce your tax below zero. These credits are not refundable credits.

Attach Arizona Form 301 along with any supporting documents to your return.

Line 31 - Credit Type

If you entered an amount on line 30, write the form number of each credit claimed.

If you are claiming:	Write form number:
1. Defense Contracting Credits	302
2. Enterprise Zone Credit	304
3. Environmental Technology Facility Credit	305
4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Increased Research Activities - Individuals	308
7. Credit for Taxes Paid to Another State or Country	309
8. Credit for Solar Energy Devices	310
9. Agricultural Water Conservation System Credit	312
10. Pollution Control Credit	315
11. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
12. Credit for Employment of TANF Recipients	320
13. Credit for Contributions to Charities That Provide Assistance to the Working Poor	321
14. Credit for Contributions Made or Fees Paid to Public Schools	322
15. Credit for Contributions to Private School Tuition Organizations	323
16. Agricultural Pollution Control Equipment Credit	325
17. Credit for Donation of School Site	331
18. Credit for Healthy Forest Enterprises	332
19. Credit for Employing National Guard Members	333
20. Motion Picture Credits	334
21. Credit for Solar Energy Devices - Commercial or Industrial Applications	336
22. Credit for Investment in Qualified Small Businesses	338
23. Credit for Water Conservation Systems	339
24. Credit for Donations to the Military Family Relief Fund	340

Line 32 - Clean Elections Fund Tax Credit

NOTE: *An Amount entered on Form 140PY, page 1, line 27 does not qualify for the credit. Do not include that amount here. For the purpose of this credit, that amount is not a donation.*

If you made a donation to the Citizens Clean Elections Fund, you may take a credit for that gift.

For 2010, you may claim a credit for:

- Donations made directly to the fund during 2010.
- A donation made to the fund on your 2009 income tax return that you filed in 2010.

You may not claim a credit on the 2010 return for a donation made to the fund with your 2010 return that you file in 2011. You may claim a credit for that donation on your 2011 return.

Complete the following worksheet to figure your credit.

Worksheet for Calculating the 2010 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2010.	
2. Enter the amount donated to the fund with your 2009 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140PY, page 1, line 28.	
5. Enter the amount from Form 140PY, page 1, line 29.	
6. Enter the amount from Form 140PY, page 1, line 30.	
7. Add line 5 and line 6. Enter the total	
8. Subtract line 7 from line 4.	
9. Multiply line 8 by 20% (.20).	
10. Enter $640 if single, head of household, or married filing separately. Enter $1,280 if married filing joint.	
11. Enter the larger of line 9 or line 10.	
12. Enter the smaller of line 3, line 8, or line 11 here and also on Form 140PY, page 1, line 32.	

NOTE: *This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.*

Line 33 - Balance of Tax

Subtract lines 29, 30 and 32 from line 28. If the sum of lines 29, 30 and 32 is more than line 28, enter zero.

Totaling Payments

Line 34 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld as shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Attach the Form(s) W-2 and 1099 after the last page of your return. Do not include income taxes withheld by any other state.

Line 35 - Arizona Estimated Tax Payments for 2010 and Amount Applied From 2009 Return

Use this line if you did one of the following:

1. Made estimated income tax payments to Arizona for 2010.
2. Applied any of your refund from your 2009 Arizona return to 2010 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2010 taxes.

NOTE: *If you made joint Arizona estimated payments for 2010, but are filing separate 2010 Arizona income tax returns, see Arizona Department of Revenue Income Tax Ruling ITR 02-3.*

Line 36 - 2010 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.aztaxes.gov.

Line 37 - Increased Excise Tax Credit

You may take this credit if you meet all of the following:

1. You meet the income threshold for your filing status.
2. You are not claimed as a dependent by any other taxpayer.
3. You were not sentenced for at least 60 days of 2010 to a county, state or federal prison.

If you are married filing a joint return, or a head of household, you may take this credit if the amount on Form 140PY, page 1, line 14, is $25,000 or less. If you are single or married filing a separate return, you may take this credit if the amount on Form 140PY, page 1, line 14, is $12,500 or less.

To figure your credit, complete the following worksheet.

Credit for Increased Excise Taxes Worksheet		
	Check one	
	Yes	No
If you checked filing status 4 or 5, is the amount on Form 140PY, page 1, line 14, $25,000 or less?		
If you checked filing status 6 or 7, is the amount on Form 140PY, page 1, line 14, $12,500 or less?		
If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the rest of this worksheet.		
1. Enter the number of dependents you entered on Form 140PY, page 1, box 10, excluding persons listed on Page 2, line A3a. Also exclude any dependent that is not an Arizona resident.		

Credit for Increased Excised Tax Worksheet Continued		
2. Number of personal exemptions. If you checked filing status 4, enter the number 2 here. If you checked filing status 5, 6, or 7, enter the number 1 here.		
3. Add lines 1 and 2. Enter the result.		
4. Multiply the amount on line 3 by $25. Enter the result.		
5. Maximum credit.	$ 100	00
6. Enter the smaller of line 4 or line 5 here and also on Form 140PY, page 1, line 37.		

Note: *The credit cannot exceed $100 per household. Do not claim this credit if someone else in your household has already claimed $100 of the credit. If someone else in your household has claimed less than $100, you may claim the credit as long as all credit claims filed from your household do not exceed $100.*

Line 38 - Other Refundable Credits

Enter the total of refundable credits you are claiming from Form 308-I, *Credit for Increased Research Activities - Individuals*, or Form 342, *Credit for Renewable Energy Industry.*

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 attach the credit claim form (308-I or 342) to your return when you file.

Credit for Increased Research Activities - Individuals (Form 308-I)

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.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part IV, line 23, here.

Renewable Energy Industry Credit (Form 342)

You may qualify for the refundable renewable energy industry credit if you expanded or located a qualified renewable energy operation in Arizona. For more information about this credit, see Arizona Form 342.

If you are claiming the renewable energy industry credit, from Form 342, enter the amount from Form 342, Part IV, line 12, here.

NOTE: *If you are claiming a refundable credit from both Form 308-I and Form 342, add the amount from Form 308-I, Part IV, line 23 to the amount from Form 342, Part IV, line 12 and enter the total on Form 140PY, page 1, line 38.*

Line 39 - Total Payments and Refundable Credits

Add lines 34 through 38. Enter the total.

Also, do the following if you computed your 2010 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 39.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

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

Figuring Your Overpayment or Tax Due

Line 40 - Tax Due

If line 33 is more than line 39, you have tax due. Subtract line 39 from line 33. Skip lines 41, 42, and 43.

Line 41 - Overpayment

If line 39 is more than line 33, subtract line 33 from line 39. Complete lines 42 and 43.

Line 42 - Amount of Line 41 to Apply to 2011 Tax

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

NOTE: *If you apply any of the amount shown on line 41 to 2011, you cannot use that amount to pay any tax that is later found to be due for 2010. You also may not claim a refund for that amount until you file your 2011 return.*

Line 43 - Balance of Overpayment

Subtract line 42 from line 41 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 44 - Aid to Education Fund

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money in this fund to school districts.

CAUTION: *If you make a contribution to the Aid to Education Fund,* ***you must contribute your entire refund****. You may not give more than or less than your entire refund.*

Line 45 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

Line 46 - Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. You may also send in additional money with your return. If you send in additional money with your return, include that amount on line 60. Enter the amount you want to donate on line 46.

If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

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

Line 47 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 48 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 49 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Line 50 - National Guard Relief Fund

You may give some or all of your refund to the National Guard Relief fund. You may also give more than your entire refund.

Gifts go to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

Line 51 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills and conserving energy.

Line 52 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 53 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

Line 54 - Political Gift

Gifts go to one of the following political parties:

- Democratic
- Green
- Libertarian
- Republican

You may give some or all of your refund to a political party. You may also give more than your entire refund.

Line 55 - Political Party

Check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 54.

Line 56 - Estimated Payment Penalty and MSA Withdrawal Penalty

Estimated Payment Penalty

NOTE: *Do not complete Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140PY, page 1, line 34, is more than the amount on Form 140PY, page 1, line 33. If the amount on Form 140PY, page 1, line 34, is more than the amount on Form 140PY, page 1, line 33, skip line 56, unless you must report an MSA penalty.*

You must have made Arizona estimated income tax payments during 2010 if:		
Your filing status is:	AND Your Arizona gross income for 2009 was greater than:	AND Your Arizona gross income for 2010 exceeded:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2010 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 2011. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check box 2 on line 57 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and attach Form 221, *Underpayment of Estimated Tax by Individuals,* to determine if any penalty is due. Enter the total penalty from Form 221.

MSA Withdrawal Penalty

You must pay a withdrawal penalty if you made an MSA withdrawal during 2010 and all of the following apply.

1. You used the amount withdrawn for purposes other than to pay for qualified medical expenses.
2. You made the withdrawal on a day other than the last business day of the year.
3. The withdrawal is not subject to the federal withdrawal penalty.

The penalty is equal to 10% of the withdrawal. The withdrawal penalty is not subject to abatement. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

The following withdrawals are not subject to the penalty.

1. Any withdrawal subject to the federal withdrawal penalty.
2. Withdrawals made from your MSA on the last business day of the tax year.
3. Any withdrawal made by an account holder who is at least age 59 1/2 when he or she makes the withdrawal.

NOTE: *The following are not withdrawals. Do not enter a penalty for any of the following.*

- *Amounts from the MSA used to pay qualified medical expenses*
- *A qualified return of excess contributions*
- *A qualified rollover*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary*

For more information, see the department's MSA brochure, Pub 542.

Line 57 -

Box 1 - Check box 1 if any of the following applies to you.

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50 percent of the total of all of your required installments.

Box 2 - If you are an individual who for federal purposes reports as a farmer or fisherman, check box 2.

Box 3 - If you completed and attached Form 221, check box 3.

Box 4 - If you included an MSA penalty on line 56, check box 4.

Figuring Your Refund or Tax Due

Line 59 - Refund

Subtract line 58 from line 43. Enter your refund on line 59 and skip line 60.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the 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, 1600 W Monroe, Phoenix AZ 85007. 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 59 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 59A if the direct deposit will ultimately be placed in a foreign account. If you check box 59A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

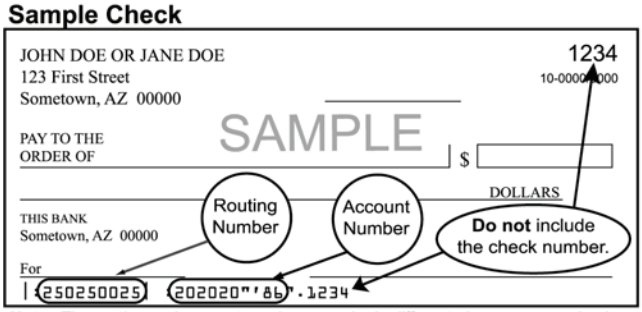
The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

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

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 following sample check, the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

Line 60 - Amount Owed

Add lines 40 and 58. Enter the amount you owe on line 60. If you are making voluntary donations on lines 45 through 54 in excess of your overpayment, enter the difference on line 60. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *Attach your check to the front of your return in the upper left hand corner where indicated. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 Discover, MasterCard, Visa, or American Express credit card. Go to www.aztaxes.gov click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 60 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our web site at www.azdor.gov.

If you cannot pay the full amount shown on line 60, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2011. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

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 is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

Instructions Before Mailing

- Make sure your SSN is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 2 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home.
- If claiming exemptions for qualifying parents or ancestors, write the number of qualifying parents or ancestors claimed on the **front** of the return. On page 2 of the return, also write each parent's or ancestor's name, relationship, SSN, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign if filing jointly.
- Write your SSN on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

The Department of Revenue may charge you $25 for a check returned unpaid by your financial institution.

- Attach **all** required documents. Place these documents to the back of your return. Use just one staple to attach your documents where shown on page 1 of the return. Please do not use tape. Documents you must attach include those items listed in numbers 1 through 5 below.

1. Attach *Form(s) W-2* after the last page of your return. Also attach Form(s) 1099-R after the last page of your return if you had Arizona tax withheld from your pension or annuity.
2. Attach Arizona Form 301, applicable credit forms, and your own schedules after page 2 of your return. If itemizing, attach these forms after your Arizona Schedule A and your federal Schedule A.
3. If you are claiming a credit for taxes paid to another state or country, attach copies of the other state's or country's filed return.
4. If you have tax exempt interest income, be sure to attach a schedule listing the payors and the amount received from each payor.
5. If you itemize, be sure to attach Arizona Schedule A(PY), or A(PYN), and a copy of the federal Schedule A. Attach the Arizona Schedule A(PY) or A(PYN) and the federal Schedule A directly after page 2 of your return. Attach other forms and schedules behind the Schedules A.

- Do not send correspondence with your return.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To mail your return, use the envelope that came in your booklet.

To avoid delays, please use separate envelopes for each return.

Where Should I Mail My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the yellow address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the white address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Make sure you put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

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%. 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.

Where's My Refund?

If you e-filed, you can expect your refund within 2 weeks of the date you filed. If you filed a paper return, you can expect your refund within 12 weeks of the date you filed. You can check on your refund by visiting www.azdor.gov and clicking on "Where's my refund?" If you have not received your refund within the noted time frames, you may call one of the numbers listed on the back cover. Before you call, be sure to have a copy of your 2010 tax return on hand. You will need to know your SSN, your filing status and your 5-digit zip code.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

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ARIZONA SCHEDULE
A(PY)

Itemized Deductions
For Part-Year Residents

2010

Attach to your return.

Your Name as shown on Form 140PY	Your Social Security Number
Spouse's Name as shown on Form 140PY	Spouse's Social Security Number

Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity

1	Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			**1**	00
2	Taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			**2**	00
3	Interest expense: *See instructions*			**3**	00
4	Gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			**4**	00

Casualty and Theft Losses

5	Casualty loss(es) allowable on federal Form 1040, Schedule A, after applying the 10% federal adjusted gross income limitation and the $100 per loss floor	**5**	00		
6	Casualty loss(es) allowable on federal Form 4684 before applying the 10% federal adjusted gross income limitation and the $100 per loss floor	**6**	00		
7	Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona nonresident	**7**	00		
8	*Divide* line 7 by line 6, and *enter the percentage*	**8**	%		
9	*Multiply* line 5 by the percentage on line 8			**9**	00

Job Expenses and Other Miscellaneous Expenses

10	Miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation	**10**	00		
11	Amount on line 10 that you incurred and paid while an Arizona resident plus the amount on line 10 from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident	**11**	00		
12	*Divide* line 11 by line 10, and *enter the percentage*	**12**	%		
13	Miscellaneous deductions subject to the 2% federal adjusted gross income limit allowable on federal Form 1040, Schedule A, after applying the limitation	**13**	00		
14	*Multiply* line 13 by the percentage on line 12	**14**	00		
15	Other miscellaneous expenses allowable on federal Form 1040, Schedule A, not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident	**15**	00		
	Skip lines 16 through 20 if not deducting gambling losses.				
16	Wagering losses included on line 15	**16**	00		
17	Total gambling winnings included in your Arizona gross income	**17**	00		
18	Arizona lottery subtraction from Form 140PY, page 2, line D32	**18**	00		
19	Maximum allowable gambling loss deduction: *Subtract* line 18 from line 17	**19**	00		
20	If line 19 is less than line 16, *subtract* line 19 from line 16; otherwise *enter "zero"*	**20**	00		
21	If you completed lines 16 through 20, *subtract* line 20 from line 15. If you skipped lines 16 through 20, *enter amount on line 15* here	**21**	00		
22	*Add* lines 14 and 21			**22**	00

Total Itemized Deductions

23	Arizona itemized deduction: *Add* lines 1, 2, 3, 4, 9, and 22. E*nter the result here and on* Form 140PY, page 1, line 20	**23**	00

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2010 Form 140PY Schedule A(PY) Itemized Deductions

For Part-Year Residents Only

Before you complete Arizona Form 140PY, Schedule A(PY), you must complete a federal Form 1040, Schedule A.

You may itemize your deductions on your Arizona return even if you do not on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code.

A part-year resident who has no Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following.

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.

For more information, see Arizona Department of Revenue Individual Income Tax Ruling ITR 94-10.

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the Internal Revenue Code. The itemized deductions allowed on your Arizona return can differ if any of the following apply.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
4. You are claiming a credit for any amount allowed as a charitable contribution.

Complete the Arizona Form 140PY, Schedule A(PY), as instructed below.

Medical and Dental Expenses

Line 1 -

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

Do not include any medical and dental expenses paid from your individual medical savings account.

Taxes

Line 2 -

Enter the amount of taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

Interest Expense

Line 3 -

Enter the amount of interest expense allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2010 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

Gifts to Charity

Line 4 -

Enter the amount of gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed a credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

You may include a cash gift that you made to help Haiti earthquake victims after January 11, 2010, but before March 1, 2010, if both of the following apply:

- You made the gift while you were an Arizona resident.
- You did not deduct that gift as an itemized deduction on your 2009 Arizona income tax return.

Casualty and Theft Losses

Line 5 -

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10% federal adjusted gross income limitation and the $100 per loss floor.

Line 6 -

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10% federal adjusted gross income limitation and the $100 per loss floor.

Line 7 -

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the percentage.

Line 9 -

Multiply the amount on line 5 by the percent on line 8. Enter the result.

Job Expenses and Other Miscellaneous Expenses

Line 10 -

Enter the amount of miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

Lines 11 through 14 -

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PY).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

Line 15 -

Enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident. Also enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Lines 16 through 20 -

Skip lines 16 through 20 if not deducting gambling losses.

Line 16 -

Enter the amount of wagering losses included on line 15, Form 140PY, Schedule A(PY).

Line 17 -

Enter the total gambling winnings included in your Arizona gross income.

Line 18 -

Enter the Arizona lottery subtraction from Form 140PY, page 2, line D32.

Line 19 -

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

Line 20 -

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

Line 21 -

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 here.

Line 22 -

Add lines 14 and 21. This is your Arizona miscellaneous deduction.

Arizona Itemized Deduction

Line 23 -

Add lines 1, 2, 3, 4, 9 and 22. Enter the result here and on Form 140PY, page 1, line 20.

ARIZONA SCHEDULE
A(PYN)

Itemized Deductions
For Part-Year Residents
Who also had Arizona source income during the period of the year while a nonresident.

2010

Attach to your return.

Your Name as shown on Form 140PY	Your Social Security Number
Spouse's Name as shown on Form 140PY	Spouse's Social Security Number

Part I: Itemized Deductions for the Period of the Year While an Arizona Resident Plus Arizona Source Itemized Deductions for the Period While a Nonresident

Medical and Dental Expenses • Taxes • Interest Expense • Gifts to Charity

1	Medical and dental expenses incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			1	00
2	Taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			2	00
3	Interest expense: *See instructions*			3	00
4	Gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident plus the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident			4	00

Casualty and Theft Losses

5	Casualty loss(es) allowable on federal Form 1040, Schedule A, after applying the 10% federal adjusted gross income limitation and the $100 per loss floor	5	00		
6	Casualty loss(es) allowable on federal Form 4684 before applying the 10% federal adjusted gross income limitation and the $100 per loss floor	6	00		
7	Amount of loss on line 6 incurred while you were an Arizona resident plus the amount of loss from Arizona sources on line 6 that you incurred during the part of the year while an Arizona nonresident	7	00		
8	*Divide* line 7 by line 6, and *enter the percentage*	8	%		
9	*Multiply* line 5 by the percentage on line 8			9	00

Job Expenses and Other Miscellaneous Expenses

10	Miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation	10	00		
11	Amount on line 10 that you incurred and paid while an Arizona resident plus the amount on line 10 from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident	11	00		
12	*Divide* line 11 by line 10, and *enter the percentage*	12	%		
13	Miscellaneous deductions subject to the 2% federal adjusted gross income limit allowable on federal Form 1040, Schedule A, after applying the limitation.	13	00		
14	*Multiply* line 13 by the percentage on line 12	14	00		
15	Other miscellaneous expenses allowable on federal Form 1040, Schedule A, not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident plus the amount of such expenses from Arizona sources that you incurred and paid during the part of the year while an Arizona nonresident	15	00		
	Skip lines 16 through 20 if not deducting gambling losses.				
16	Wagering losses included on line 15	16	00		
17	Total gambling winnings included in your Arizona gross income	17	00		
18	Arizona lottery subtraction from Form 140PY, page 2, line D32	18	00		
19	Maximum allowable gambling loss deduction: *Subtract* line 18 from line 17	19	00		
20	If line 19 is less than line 16, *subtract* line 19 from line 16; otherwise *enter "zero"*	20	00		
21	If you completed lines 16 through 20, *subtract* line 20 from line 15. If you skipped lines 16 through 20, *enter amount on line 15 here*	21	00		
22	*Add* lines 14 and 21			22	00
23	**Subtotal of Itemized Deductions:** *Add* lines 1, 2, 3, 4, 9, and 22. *Enter the result here*			23	00

Your Name (as shown on page 1)	Your Social Security No.

Part II: Portion of Itemized Deductions Allowable for the Part of the Year While a Nonresident

Adjustment to Medical and Dental Expenses

24	Medical and dental expenses	**24**		00			
25	Amount of MSA distributions used to pay qualified medical expenses included on line 24	**25**		00			
26	Medical expenses allowed to be taken as a federal itemized deduction	**26**		00			
27	*Add* lines 25 and 26, and *enter the result*	**27**		00			
28	If line 24 is the same as or more than line 27, *subtract* line 27 from line 24. Otherwise, *go to line 29*				**28**		00
29	If line 27 is more than line 24, *subtract* line 24 from line 27				**29**		00

Adjustment to Interest Deduction

30	If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), *enter the amount of mortgage interest you paid for 2010 that is equal to the amount of your 2010 federal credit*				**30**		00

Adjustment to Gambling Losses

31	Wagering losses allowed as a federal itemized deduction	**31**		00			
32	Total gambling winnings included in your federal adjusted gross income	**32**		00			
33	Arizona lottery subtraction from Form 140PY, page 2, line D32	**33**		00			
34	Maximum allowable gambling loss deduction: *Subtract* line 33 from line 32	**34**		00			
35	If line 34 is less than line 31, *subtract* line 34 from line 31; otherwise *enter "zero"*				**35**		00

Adjustment to Charitable Contributions

36	Amount of charitable contributions for which you are taking a credit under Arizona law				**36**		00
37	Haiti earthquake contributions made after January 11, 2010 and before March 1, 2010. *See the instructions before you enter any amount here*				**37**		00

Adjusted Itemized Deductions

38	*Add* the amounts on lines 28, 30 and 37	**38**		00			
39	*Add* lines 29, 35 and 36	**39**		00			
40	Total itemized deductions allowed to be taken on federal return	**40**		00			
41	*Enter the amount from line 38 above*	**41**		00			
42	*Add* the amount on lines 40 and 41	**42**		00			
43	*Enter the amount from line 39 above*	**43**		00			
44	*Subtract* line 43 from line 42	**44**		00			
45	*Enter the amount on line 23 here*	**45**		00			
46	*Subtract* line 45 from line 44	**46**		00			
47	Arizona percentage from line 4 of the worksheet on page 2 of the Schedule A(PYN) instructions	**47**		%			
48	*Multiply* the percentage on line 47 by the amount on line 46	**48**		00			
49	*Add* lines 45 and 48. *Enter the result* here and on Form 140PY, page 1, line 20				**49**		00

2010 Form 140PY Schedule A(PYN) Itemized Deductions

For part-year residents who also had Arizona source income during the part of the year while an Arizona nonresident.

Completing Schedule A(PYN) Itemized Deductions

Before you complete Arizona Form 140PY, Schedule A(PYN), you must complete a federal Form 1040, Schedule A.

You may itemize your deductions on your Arizona return even if you do not on your federal return. For the most part, you can deduct those items that are allowable itemized deductions under the Internal Revenue Code.

A part-year resident who also has Arizona source income during the part of the year while an Arizona nonresident can deduct all of the following.

1. Those expenses incurred and paid during the part of the year while an Arizona resident.
2. Arizona source itemized deductions incurred and paid during the part of the year while a nonresident.
3. A portion of all other itemized deductions paid during the part of the year while a nonresident.

For more information, see Arizona Individual Income Tax Ruling ITR 94-10.

In some cases, the itemized deductions allowed on your Arizona return are not the same as those allowable under the Internal Revenue Code. The itemized deductions allowed on your Arizona return can differ if any of the following apply.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
4. You are claiming a credit for any amount allowed as a charitable contribution.

Complete the Arizona Form 140PY, Schedule A(PYN), as instructed below.

PART I

Line 1 - Medical and Dental Expenses

Enter the amount of medical and dental expenses incurred and paid while an Arizona resident. Also enter the amount of such expenses from Arizona sources that you incurred and paid during the part of the year that you were a nonresident.

The medical and dental expenses that you can deduct on your Arizona return are the same expenses that you can deduct on your federal return.

Be sure you reduce these expenses by any payments received from insurance or other sources. Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income.

Do not include any medical and dental expenses paid from your individual medical savings account.

Line 2 - Taxes

Enter the amount of taxes allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such taxes from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Do not include any state taxes paid to other states for prior years if you were not an Arizona resident for that prior year.

Line 3 - Interest Expense

Enter the amount of interest expense allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such interest from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2010 that you could not deduct for federal purposes. Include that portion of such interest that you incurred and paid during the part of the year while an Arizona resident.

Do not enter any interest expense that you incurred to purchase or carry U.S. obligations, the income from which is exempt from Arizona income tax.

Line 4 - Gifts to Charity

Enter the amount of gifts to charity allowable on federal Form 1040, Schedule A, that you incurred and paid while an Arizona resident. Also enter the amount of such gifts from Arizona sources that you incurred and paid during the part of the year while a nonresident.

If you claimed a credit for any charitable contribution, do not include any contribution for which you claimed a tax credit.

You may include a cash gift that you made to help Haiti earthquake victims after January 11, 2010, but before March 1, 2010, if both of the following apply:

- You made the gift while you were an Arizona resident.
- You did not deduct that gift as an itemized deduction on your 2009 Arizona income tax return.

Line 5 - Casualty and Theft Losses

Enter the casualty loss(es) allowable on federal Form 1040, Schedule A, **after** applying the 10% federal adjusted gross income limitation and the $100 per loss floor.

Line 6 -

Enter the casualty loss(es) allowable on federal Form 4684 **before** applying the 10% federal adjusted gross income limitation and the $100 per loss floor.

Line 7 -

Enter the amount of casualty loss shown on line 6 that you incurred and paid while an Arizona resident. Also enter the amount of casualty loss shown on line 6 from Arizona sources that you incurred during the part of the year while a nonresident.

Line 8 -

Divide the amount on line 7 by the amount on line 6. Enter the percentage.

Line 9 -

Multiply the amount on line 5 by the percentage on line 8. Enter the result.

Line 10 - Job Expenses and Other Miscellaneous Expenses

Enter the amount of miscellaneous expenses subject to the 2% federal adjusted gross income limitation allowable on federal Form 1040, Schedule A, before applying the limitation.

Lines 11 through 14 -

Complete lines 11 through 14 as instructed on Form 140PY, Schedule A(PYN).

Do not include on line 11 any amount that is allocable to income excluded from your Arizona taxable income. Such amounts would include employee business expenses attributable to income excluded from your Arizona taxable income.

Line 15 -

Enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation that you incurred and paid while an Arizona resident. Also enter the amount of other allowable miscellaneous expenses not subject to the 2% federal adjusted gross income limitation from Arizona sources that you incurred and paid during the part of the year while a nonresident.

Lines 16 through 20 -

Skip lines 16 through 20 if not deducting gambling losses.

Line 16 -

Enter the amount of wagering losses included on line 15, Form 140PY Schedule A(PYN).

Line 17 -

Enter the total gambling winnings included in your Arizona gross income.

Line 18 -

Enter the Arizona lottery subtraction from Form 140PY, page 2, line D32.

Line 19 -

Maximum allowable gambling loss deduction. Subtract the amount on line 18 from the amount on line 17.

Line 20 -

If the amount on line 19 is less than the amount on line 16, subtract line 19 from line 16. Otherwise, enter zero (0).

Line 21 -

If you completed lines 16 through 20, subtract line 20 from line 15. If you skipped lines 16 through 20, enter the amount from line 15 here.

Line 22 -

Add lines 14 and 21.

Line 23 -

Add lines 1, 2, 3, 4, 9 and 22. Enter the result here.

PART II

Line 24 -

Enter the **total** of your medical and dental expenses after you reduce these expenses by any payments received from insurance or other sources. Do not reduce the amount on line 24 by amounts paid from an MSA. Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless your employer included the amount paid in Box 1 of your Form(s) W-2. If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income. The medical and dental expenses for Arizona purposes are the same as for federal purposes.

Line 25 -

Enter any amount of medical and dental expenses included on line 24 that were paid from your MSA.

Lines 26 through 29 -

Complete lines 26 through 29 as instructed on Schedule A(PYN).

Lines 30 through 35 -

Complete lines 30 through 35 as instructed on Schedule A(PYN).

Line 36 -

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit. If you are claiming a credit on your 2010 return for a contribution made during 2011 (see Arizona Form 323), you must make this adjustment on your 2011 return, even though you are claiming the credit on your 2010 return.

Line 37 -

If you made a cash gift to help Haiti earthquake victims after January 11, 2010, but before March 1, 2010, you may have to enter an amount here. For federal purposes, you were allowed to treat that gift as if you made it in 2009 rather than 2010. In this case, you would have deducted that gift as a charitable deduction on your 2009 federal income tax return and not your 2010 return.

For Arizona purposes, you should not have deducted that gift on your 2009 return. That gift should be deducted on your 2010 Arizona income tax return. If you included that amount as a deduction on your 2009 federal income tax return, you should have reduced your 2009 Arizona charitable deduction by that amount. If you reduced your 2009 Arizona charitable contribution by the amount of that gift, enter that amount here.

Lines 38 through 46 -

Complete lines 38 through 46 as instructed on Schedule A(PYN).

Line 47 -

Complete the worksheet below to determine what percentage to enter on line 47.

Worksheet	
1. Arizona source income a. _____ b. _____ c. _____ d.	Amount a._____ b._____ c._____ d.
2. Add the amounts in line 1a through line 1d.	2.
3. Enter the amount from Form 140PY, page 2, line B18.	3.
4. Divide the amount on line 2 by the amount on line 3. Enter the percent here and on Form 140PY, Schedule A (PYN), Line 47.	4.

Lines 48 and 49 -

Complete lines 48 and 49 as instructed on Form 140PY, Schedule A (PYN).

ARIZONA FORM
140NR

Nonresident Personal Income Tax Return

OR FISCAL YEAR BEGINNING M M D D Y Y Y Y AND ENDING M M D D Y Y Y Y 66

FOR CALENDAR YEAR **2010**

82F ☐ ◀ **Check box 82F if filing under extension**

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	You must enter your SSN(s). Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route Apt. No. 2	Daytime Phone (*with area code*)	Home Phone (*with area code*) 94
City, Town or Post Office 3 / State / Zip Code		

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

Filing Status

4 ☐ Married filing joint return

5 ☐ Head of household ..... ▶ NAME OF QUALIFYING CHILD OR DEPENDENT

6 ☐ Married filing separate return. *Enter spouse's name and Social Security No. above.*

7 ☐ Single

Exemptions

↓ ***Enter the number claimed. Do not put a check mark.*** 88

8 ☐ Age 65 or over (you and/or spouse)

9 ☐ Blind (you and/or spouse)

10 ☐ Dependents. *From page 2, line A2 – **Do not include self or spouse**.* 81 80

11-13 **Residency Status *(check one):*** 11☐ Nonresident 12☐ Nonresident Active Military 13☐ Composite Return

Attach required documents in upper left corner after page 2 of the return. Include any payment, federal and Arizona Schedules A.

14	Federal adjusted gross income (from your federal return)	14	00
15	Arizona income *(from page 2, line B16)*	15	00
16	Additions to income *(from page 2, line C21)*	16	00
17	*Add* lines 15 and 16	17	00
18	Subtractions from income *(from page 2, line D32): Enter the number from line D30a* 18 1	18	00
19	Arizona adjusted gross income: *Subtract* line 18 from line 17	19	00
20	**Deductions: *Check box and enter amount.*** *See instructions, page 13* 20I☐ **ITEMIZED** 20S☐ **STANDARD**	20	00
21	Personal exemptions. *See pages 13 and 14 of the instructions*	21	00
22	Arizona taxable income: *Subtract* lines 20 and 21 from line 19	22	00
23	Compute the tax using Tax Table X or Y	23	00
24	Tax from recapture of credits *from Arizona Form 301, Part II, line 31*	24	00
25	Subtotal of tax: *Add* lines 23 and 24	25	00
26 - 27	Clean Elections Fund Tax Reduction: *See instructions, page 14* 261☐ **YOURSELF** 262☐ **SPOUSE**	27	00
28	Reduced tax: *Subtract* line 27 from line 25	28	00
29	Credits from Arizona Form 301, Part II, line 59, or Forms 321, 322 and 323 if Form 301 is not required	29	00
30	Credit type: *Enter form number* of each credit claimed 30 3 3 3 3		
31	Clean Elections Fund Tax Credit. *From worksheet on page 16 of the instructions*	31	00
32	Balance of tax: *Subtract* lines 29 and 31 from line 28. If the sum of lines 29 and 31 is more than line 28, *enter zero*	32	00
33	Arizona income tax withheld during 2010	33	00
34	Arizona estimated tax payments for 2010	34	00
35	2010 Arizona extension payment (Form 204)	35	00
36	Other refundable credits: *Check the box(es) and enter the amount(s)* 361☐ Form 308-I 362☐ Form 342	36	00
37	Total payments/refundable credits: *Add* lines 33 through 36	37	00
38	**TAX DUE:** If line 32 is larger than line 37, *subtract* line 37 from line 32, and *enter amount of tax due. Skip lines 39, 40 and 41*	38	00
39	**OVERPAYMENT:** If line 37 is larger than line 32, *subtract* line 32 from line 37, and *enter amount of overpayment*	39	00
40	Amount of line 39 to be applied to 2011 estimated tax	40	00
41	Balance of overpayment: *Subtract* line 40 from line 39	41	00

42 - 52 Voluntary Gifts to

				Aid to Education (***entire* refund only**)	42	00	Arizona Wildlife	43	00
Citizens Clean Elections	44	00		Child Abuse Prevention	45	00	Domestic Violence Shelter	46	00
I Didn't Pay Enough Fund	47	00		National Guard Relief Fund	48	00	Neighbors Helping Neighbors	49	00
Special Olympics	50	00		Veterans' Donations Fund	51	00	Political Gift	52	00

53	*Check only one* if making a political gift 531☐ Democratic 532☐ Green 533☐ Libertarian 534☐ Republican		
54	Estimated payment penalty and MSA withdrawal penalty	54	00
55	*Check applicable boxes*..... 551☐ Annualized/Other 552☐ Farmer or Fisherman 553☐ Form 221 attached 554☐ MSA Penalty		
56	Total of lines 42 through 52 and 54	56	00
57	**REFUND:** *Subtract* line 56 from line 41. If less than zero, *enter amount owed on line 58*	57	00
	Direct Deposit of Refund: *Check box 57A* if your deposit will be ultimately placed in a **foreign account**; *see instructions*. 57A☐ ROUTING NUMBER 98 ACCOUNT NUMBER C Checking or S Savings		
58	**AMOUNT OWED:** *Add* lines 38 and 56. *Make check payable to Arizona Department of Revenue;* ***include SSN* on payment**	58	00
	☐ **Payment enclosed.** *Check the box and attach your payment to the upper left corner of this page.*		

Your Name (as shown on page 1)	Your Social Security No.

PART A: Dependents - do not list yourself or spouse

A1 *List children and other dependents.* If more space is needed, attach a separate sheet.

FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010

A2 *Enter total number of persons listed in A1* here and on the front of this form, box 10 ..... TOTAL **A2**

A3 a Enter the names of the dependents listed above who do not qualify as your dependent on your federal return:

b Enter dependents listed above who were not claimed on your federal return due to education credits:

PART B: Arizona Percent of Total Income

		2010 FEDERAL Amount from Federal Return	2010 ARIZONA Source Amount Only
B4	*Check box B4* if married and you are the spouse of an active duty military member who qualifies for relief under the Military Spouses Residency Relief Act ..... **B4** ☐		
B5	Wages, salaries, tips, etc.	B5 00	00
B6	Interest	B6 00	00
B7	Dividends	B7 00	00
B8	Arizona income tax refunds	B8 00	00
B9	Business income (or loss) *from federal Schedule C*	B9 00	00
B10	Gains (or losses) *from federal Schedule D*	B10 00	00
B11	Rents, royalties, partnerships, estates, trusts, small business corporations *from federal Schedule E*	B11 00	00
B12	Other income reported on your federal return	B12 00	00
B13	**Total income:** *Add* lines B5 through B12	B13 00	00
B14	Other federal adjustments. *Attach your own schedule*	B14 00	00
B15	Federal adjusted gross income. *Subtract* line B14 from line B13 in the FEDERAL column	B15 00	
B16	Arizona income: *Subtract* line B14 from line B13 in the ARIZONA column. *Enter here and on the front of this form on line 15*		B16 00
B17	Arizona percentage: *Divide* line B16 by line B15, and *enter the result (not over 100%)*		B17 %

PART C: Additions to Income

C18	I.R.C. §179 expense in excess of allowable amount	C18 00
C19	Total depreciation included in Arizona gross income	C19 00
C20	Other additions to income. *See instructions and attach your own schedule*	C20 00
C21	Total: *Add lines C18 through C20. Enter here and on the front of this form on line 16*	C21 00

PART D: Subtractions from Income

D22	Exemption: Age 65 or over. *Multiply* the number in box 8, page 1, by $2,100	D22 00	
D23	Exemption: Blind. *Multiply* the number in box 9, page 1, by $1,500	D23 00	
D24	Exemption: Dependents. *Multiply* the number in box 10, page 1, by $2,300	D24 00	
D25	Total exemptions: *Add* lines D22 through D24	D25 00	
D26	*Multiply line D25 by the percentage on line B17, and enter the result*		D26 00
D27	Interest on U.S. obligations such as U.S. savings bonds and treasury bills included in the ARIZONA column		D27 00
D28	Arizona state lottery winnings included on line B12 in the ARIZONA column (up to $5,000 only)		D28 00
D29	Agricultural crops contributed to Arizona charitable organizations		D29 00
D30	Construction of an energy efficient residence. *See page 10 of the instructions. Enter number then amount* **D30a**		D30 00
D31	Other subtractions from income. *See instructions and attach your own schedule*		D31 00
D32	Total: *Add lines D26 through D31. Enter here and on the front of this form, line 18*		D32 00

Part E: Last Name(s) Used in Prior Years – *if different from name(s) used in current year*

E33

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

Special Notice for 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that you may have to file an amended return for 2009. Look at items 1 through 5 below. See if any of those items apply to you. If any of those items apply to you, this will affect your 2009 return. If you have already filed your 2009 return, you must file an amended return to properly report those items. If you were a full year resident during 2009 and you filed Form 140, 140A or 140EZ, you may use Form 140X-NC to correct your 2009 return. If you file Form 140X-NC and pay the entire tax due by October 17, 2011, we will not charge you any penalty or interest on that tax.

The following is the list of items that affect your 2009 return.

1. You received unemployment income during 2009. You excluded up to $2,400 of that income on your 2009 federal return.
2. You claimed an itemized deduction for both the sales tax on a new motor vehicle and state income taxes on your 2009 federal return.
3. You made a cash gift during 2010 to aid Haiti earthquake victims. You claimed an itemized deduction for that gift on your 2009 federal return.
4. You elected to exclude discharge of indebtedness (DOI) income from the reacquisition of a business debt instrument on your 2009 federal return.
5. You excluded original issue discount (OID) on a debt instrument described in number 4 above from income on your 2009 federal return.

If any of items 1 through 5 above apply to you, you must correct your 2009 Arizona return.

To get Form 140X-NC or for more news on this topic, visit our web site at www.azdor.gov.

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** For free *e-file* requirements, check out our web site at www.azdor.gov.

Are You Subject to Tax in Arizona?

You are subject to Arizona income tax on all income derived from Arizona sources. If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 2010, you are subject to Arizona tax. Income from Arizona sources includes wages, rental income, business income, the sale of Arizona real estate, interest and dividends having a taxable or business situs in this state, or any other income from an Arizona source.

Do You Have to File?

Arizona Filing Requirements **These rules apply to all Arizona taxpayers.**		
You must file if you are:	**and** your Arizona adjusted gross income is at least:	**or** your gross income is at least:
• Single	$ 5,500	$15,000
• Married filing jointly	$11,000	$15,000
• Married filing separately	$ 5,500	$15,000
• Head of household	$ 5,500	$15,000
If you are a nonresident, you must report income derived from Arizona sources.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then you should exclude income Arizona law does not tax.		
You can find your Arizona adjusted gross income on line 19 of Arizona Form 140NR.		

NOTE: *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

Do You Have to File if You are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned **all** of your income on that reservation.

The department has issued a ruling on the Arizona tax treatment of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are the Spouse of an American Indian and You are Not an Enrolled Indian?

You must file if you meet the Arizona filing requirements. The department has issued a ruling on the tax treatment of spouses of American Indians. This ruling is ITR 96-4. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Do You Have to File if You are in the Military?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an active duty member of the United States armed forces.
- Your only income for the taxable year is pay received for active duty military service.
- There was no Arizona tax withheld from your active duty military pay.

If Arizona tax was withheld from your active duty military pay, you must file an Arizona income tax return to claim any refund you may be due from that withholding.

You must also file an Arizona income tax return if you have any other income besides pay received for active duty military service.

If you are an Arizona resident and you have to file an Arizona return, you should file using Form 140. If you were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where stationed, until you establish a new domicile. As an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay, but using Form 140, you may subtract all pay received for active duty military service, to the extent it is included in your federal adjusted gross income.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military.*

If You Included Your Child's Unearned Income on Your Federal Return, Does Your Child Have to File an Arizona Return?

No. In this case, the child should not file an Arizona return. The parent must include that same income in his or her Arizona taxable income.

Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. The department has issued a procedure on determining residency status. This procedure is ITP 92-1. To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

If you are a full year resident, you must file Form 140, Form 140A, or Form 140EZ.

Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return.*

You are a part-year resident if you did either of the following during 2010.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return.*

What if a Taxpayer Died?

If a taxpayer died before filing a return for 2010, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 2010 and you did not remarry in 2010, or if your spouse died in 2011 before filing a return for 2010, you may file a joint return. If your spouse died in 2010, the joint return should show your spouse's 2010 income before death, and your income for all of 2010. If your spouse died in 2011, before filing the 2010 return, the joint return should show all of your income and all of your spouse's income for 2010. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

Are any Other Returns Required?

You may also have to file a fiduciary income tax return. For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

What are the Filing Dates and Penalties?

When Should You File?

You have extra time to file and pay for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that your 2010 calendar year tax return is due no later than midnight, April 18, 2011. File your return as soon as you can after January 1, but no later than April 18, 2011.

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 year.

What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

NOTE: *An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.*

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 18. See Form 204 for details. You do not have to attach a copy of the extension to your return when you file, but make sure that you check box **82F** 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.
2. You may use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do

not have to attach a copy of your federal extension to your return, but make sure that you check box **82F** on page 1 of the return.

When Should You File if You are a Nonresident Alien?

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011. See Form 204 for extension filing details.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

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 year.

What if You File or Pay Late?

If you file or pay late, we will charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your 2010 calendar year return by April 18, 2011, 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, we will charge you a late filing penalty. This penalty is 4½% 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% 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%.

Extension Underpayment Penalty

If you file your return under an extension, you must pay 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% 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 section 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 return once you have filed, you should file Form 140X, *Individual Amended Return*. You should file your amended return after your original return has processed. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

Do You Need to Make Estimated Payments in 2011?

You must make Arizona estimated income tax payments during 2011 if:		
Your filing status is:	**AND** Your Arizona gross income for 2010 was greater than:	**AND** Your Arizona gross income for 2011 exceeds:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you met the income threshold for 2010, you must make estimated payments during 2011 unless you are sure you will not meet the threshold for 2011.

As a nonresident, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources. Your Arizona gross income is on line 15 of the 2010 Arizona Form 140NR.

See the worksheet for Form 140ES to figure how much your payments should be.

What if You Make Your Estimated Payments Late?

We will charge you a penalty if you fail to make any required payments. We will charge you a penalty if you make any of your required payments late.

For details, see Arizona Form 221.

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.

Line-by-Line Instructions

Tips for Preparing Your Return:

- Make sure that you write your SSN on your return.
- Complete your return using black ink.
- 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.
- When asked to provide your own schedule, attach a separate sheet with your name and SSN at the top. Attach your own schedules to your return. Attach these schedules behind page 2 of your return and behind your Schedules A if itemizing.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you include a daytime number.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and SSN

Lines 1, 2, and 3 -

NOTE: *Make sure that you write your SSN on the appropriate line.*

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided.

If you are filing a joint return, enter your SSNs in the same order as your 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. Then enter your spouse's name and SSN on second line 1.

If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

NOTE: *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

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.

ID Numbers for Paid Preparers

If you pay someone else 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 SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper ID numbers may also be subject to a penalty.

Determining Your Filing Status

The filing status that you use on your Arizona return may be different from that used on your federal return.

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140NR.

Line 4 Box - Married Filing a Joint Return

If you are married and filing a joint return, check box 4.

You may file a joint return if you were married as of December 31, 2010. It does not matter whether or not you were living with your spouse. You may file a joint return, even if you and your spouse filed separate federal returns.

You may file a joint return if your spouse died during 2010 and you did not remarry in 2010. See page 2 of these instructions for details.

If you are married to an Arizona full year resident, you may file a joint return using the 140NR. The department has issued a ruling on filing a joint return with your full-year resident spouse. This ruling is ITR 95-2. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

Line 5 Box - Head of Household

If you are filing as a head of household, check box 5.

You may file as head of household on your Arizona return, only if one of the following applies.

- You qualify to file as head of household on your federal return.
- You qualify to file as a qualifying widow or widower on your federal return.

Line 6 Box - Married Filing Separately

If you are filing a separate return, check box 6 and enter your spouse's name and SSN on the second line 1.

If you were married as of December 31, 2010, you may choose to file a separate return. You may file a separate return, even if you and your spouse filed a joint federal return.

Arizona is a community property state. If you file a separate return, you must figure how much income to report using community property laws. If one spouse is a resident and the other spouse is not, special rules apply when filing a separate return. The department has issued a ruling on how to report income in this case. This ruling is ITR 93-20. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.

NOTE: *In some cases you may treat community income as separate income. The department has issued a ruling on when you may treat community income as separate income. This ruling is ITR 93-22. To see this ruling, visit our web site at www.azdor.gov and click on legal research and then click on rulings.*

Line 7 Box - Single

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, and 10. Do not put a checkmark. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you do not complete Part A on page 2.

Line 8 Box - Age 65 or Over

Write "1" in box 8 if you or your spouse were 65 or older in 2010. Write "2" in box 8 if both you and your spouse were 65 or older in 2010.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or partially blind. Write "2" in box 9 if both you and your spouse are totally or partially blind.

If you or your spouse were partially blind as of December 31, 2010, you must get a statement certified by your eye doctor or registered optometrist that:

1. You cannot see better than 20/200 in your better eye with glasses or contact lenses or
2. Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to that effect instead.

You must keep the statement for your records.

Line 10 Box - Dependents

You must complete Part A on page 2 of your return before you can total your dependent exemptions.

You may claim only the following as a dependent.

- A person that qualifies as your dependent on your federal return.

NOTE: *If you do not claim a dependent exemption for a student on your federal return in order to allow the student to claim a federal education credit on the student's federal return, you may still claim the exemption on your Arizona return. For more information, see Arizona Individual Income Tax Ruling ITR 05-02.*

- A person who is age 65 or over (related to you or not) that does not qualify as your dependent on your federal return, but one of the following applies.

1. In 2010, you paid more than one-fourth of the cost of keeping this person in an Arizona nursing care institution, an Arizona residential care institution, or an Arizona assisted living facility. Your cost must be more than $800.
2. In 2010, you paid more than $800 for either Arizona home health care or other medical costs for the person.

- A stillborn child if the following apply:

1. The stillbirth occurred in Arizona during 2010.
2. You received a certificate of birth resulting in stillbirth from the Arizona Department of Health Services.
3. The child would have otherwise been a member of your household.

Completing Line(s) A1

Enter the following on line(s) A1.

1. The dependent's name. If you are claiming an exemption for a stillborn child and the child was not named, enter "stillborn child" in place of a name.
2. The dependent's SSN. If you are claiming an exemption for a stillborn child enter the certificate number from the certificate of birth resulting in stillbirth.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2010. If you are claiming an exemption for a stillborn child, enter the date of birth resulting in the stillbirth.

You may lose the exemption if you do not furnish this information.

Line A2 - Total Dependents

Enter the total number of persons listed on line(s) A1. Enter the same number on the front of the return in box 10.

Lines A3a and A3b - Persons You did Not Take as Dependents on Your Federal Return

On line A3a, enter the following.

1. The names of any dependents age 65 or over listed on line(s) A1 that you cannot take as a dependent on your federal return.
2. The name of any stillborn child listed on line(s) A1, if the stillborn child was named. If the stillborn child was not named, enter "stillborn child" on line A3a. Also enter the date of birth resulting in the stillbirth.

On line A3b, enter the name of any student listed on line(s) A1, that you did not claim as an exemption on your federal return in order to allow that student to claim a federal education credit on the student's federal return.

Reporting Your Residency Status

Check the appropriate box (11 through 13). Check only one box.

Line 11 Box - Nonresident

Check box 11 if you were not an Arizona resident during 2010 and were not on active military duty in Arizona.

Line 12 Box - Nonresident Active Military

Check box 12 if you were a nonresident on active duty military assignment in Arizona in 2010.

Line 13 Box - Composite Return

Check box 13 if this is a composite return being filed by one of the following.

1. A partnership filing on behalf of its nonresident partners.
2. An S corporation filing on behalf of its nonresident shareholders.

For information on filing an Arizona nonresident composite income tax return, see Arizona Department of Revenue Income Tax Ruling *ITR 97-1*.

Determining Arizona Income

Now complete Parts B, C, and D on page 2 of the return.

Use Part B to determine what portion of your total income is taxable by Arizona.

NOTE: *If you are unable to determine the proper line to use, please call one of the numbers listed on the back cover.*

FEDERAL Column

Enter the actual amounts shown on your 2010 federal income tax return in the FEDERAL column. Complete lines B4 through B15. Line B15 should equal the federal adjusted gross income shown on your 2010 federal return Form 1040, Form 1040A, or Form 1040EZ.

ARIZONA Column

Enter that portion of your federal income received from Arizona sources in the ARIZONA column. Such income includes wages earned in Arizona, Arizona rental and business income, and gains on the sale of Arizona property.

NOTE: *If you are filing a joint return with your full year resident spouse, you must enter your Arizona source income in the ARIZONA column and your spouse must enter all income from all sources in the ARIZONA column. For details, see Arizona Department of Revenue Income Tax Ruling ITR 95-2.*

The Tax Reform Act of 1986 limits the amount of losses that you may deduct from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

As a nonresident, your Arizona gross income may include some of these losses. You may consider only those passive losses that arose from Arizona sources. Your 2010 Arizona gross income can include only Arizona source losses you used on your 2010 federal return.

Line B4 - Spouse of Active Duty Military Member

Check Box B4 if married and you are the spouse of an active duty military member and you qualify for relief under the Military Spouses Residency Relief Act. For information about who qualifies for relief, see the department's brochure titled "Spouses of Active Duty Military Members."

Lines B5 through B14 -

The following line-by-line instructions apply to the ARIZONA column.

Line B5 - Wages, Salaries, Tips, etc.

Enter all amounts received for services performed in Arizona.

NOTE Active Duty Military Members: *Do not include active duty military pay unless the active duty military member is an Arizona resident filing a joint return with his or her Arizona nonresident spouse on Form 140NR. If you are an Arizona resident active duty military member including military pay on line B5 in the "ARIZONA" column, also include that amount in the amount entered as an other subtraction from income on Form 140NR, page 2, line D31.*

NOTE: Spouses of Active Duty Military Members: *If you are the spouse of an active duty military and you qualify for relief under the Military Spouses Residency Relief Act, do not enter any wages, salaries or tips you earned during the taxable year for services performed in Arizona.*

Line B6 - Interest

If you have an Arizona business, enter only interest (including U.S. Government interest) you earned on accounts pledged as collateral. Also enter your distributive share of interest from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do not include any other interest income even if it was earned in Arizona banks.

Line B7 - Dividends

If you have an Arizona business, enter only those dividends earned on stocks pledged as collateral, including dividends from small business corporations. Also enter your distributive share of dividend income from a partnership doing business in Arizona or an S corporation doing business in Arizona. Do **not** include any other dividend income.

Line B8 - Arizona Income Tax Refunds

Enter the amount of Arizona income tax refunds received in 2010 that you included in your federal adjusted gross income.

Line B9 - Business Income or (Loss)

Enter income or (loss) from Arizona businesses.

Line B10 - Gains or (Losses)

Enter gains or (losses) on sales of Arizona property.

Line B11 - Rents, etc.

Enter rent or royalty income earned on Arizona properties. Enter income from Form 141AZ Schedule K-1(NR), line 2, from estates or trusts. Also enter income or (loss) from Schedule(s) K-1(NR) from Arizona partnerships (Form 165), or small business corporations (Form 120S).

Line B12 - Other Income Reported on Your Federal Return

Enter other income from sources within Arizona. Do not include pension income or social security taxed by the federal government.

Net Operating Losses

Arizona does not have specific provisions for calculating the net operating loss of an individual. Generally, the amount of Arizona source net operating loss deduction included in your

federal adjusted gross income is the amount allowable for Arizona purposes. However, there are instances when the amount allowable for Arizona purposes may be different.

As an Arizona nonresident, you may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless the loss is a net operating loss for federal purposes. You can include the loss deduction in your Arizona gross income only to the extent included in your federal adjusted gross income. You cannot deduct any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. Additionally, you cannot include any amount of that net operating loss that has already been deducted for Arizona purposes.

Enter the amount of net operating loss deduction included in your federal adjusted gross income that was derived from Arizona sources. Do not include any amount of the loss that has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback in cases where you did not make an election under I.R.C. § 172(b)(1)(h), see Arizona Department of Revenue Income Tax Procedure *ITP 99-1.* To see this procedure, visit our web site at www.azdor.gov and click on legal research and then click on procedures.

If you made an election under I.R.C. § 172(b)(1)(h), see the instructions for "Other Subtractions to Income."

Line B13 - Total Income

Add lines B5 through B12 and enter the total.

Line B14 - Other Federal Adjustments

Include on line B14 any other federal adjustments included in your federal adjusted gross income that are attributable to the Arizona source income reported on your 2010 Arizona nonresident return.

Line B16 - Arizona Income

Complete line B16 as instructed on the form.

Line B17 - Arizona Percentage

Divide line B16 by line B15 and enter the result. **(Do not enter more than 100 percent.)** This is the Arizona percentage of your total income.

Example:		
Arizona Gross Income from line B16	Federal Adjusted Gross Income from line B15	Arizona percentage
$ 7,500	$ 30,000	$7,500/30,000 = 25%

Determining Additions to Income

Line C18 - I.R.C. § 179 Expense in Excess of Allowable Amount

Enter the amount of I.R.C. § 179 expense included in your Arizona gross income that exceeds $25,000. If you make an entry here, also see the instructions for line D31, "Other Subtractions From Income".

Line C19 - Total Depreciation Included in Arizona Gross Income

Enter the amount of depreciation deducted on the federal return that is included in Arizona gross income. If you make an entry here, also see the instructions for line D31, "Other Subtractions from Income".

Line C20 - Other Additions to Income

Use line C20 if any of the special circumstances below apply. Attach your own schedule to the back of your return, explaining any amounts entered on line C20.

A. Fiduciary Adjustment

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 5 of Form 141AZ, Schedule K-1(NR), shows your share of the fiduciary adjustment from the estate or trust.

Depending on your situation, you may either add (line C20) or subtract (line D31) this amount.

If the amount reported on line 5 of your Arizona Form 141AZ, Schedule K-1(NR), is a positive number, enter that amount as an addition on line C20.

If the amount on line 5 of your Arizona Form 141AZ, Schedule K-1(NR), is a negative number, enter that amount as a subtraction from income on line D31.

B. Agricultural Water Conservation System Credit

If you take this credit (Form 312), you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

C. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. However, under the operation of former Arizona law (1989 and prior), you could deduct certain items in greater amounts for Arizona purposes than federal purposes. Investment interest and passive activity losses were such items. In some cases, you could have deducted such amounts in their entirety on the Arizona return. For federal purposes, the deduction for these items was limited, with the unused portions being carried forward and deducted in future years. Your Arizona return may include these previously deducted items because of the difference between the federal and former Arizona treatment. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

D. Claim of Right Adjustment for Amounts Repaid in 2010

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

1. During 2010, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 2010 was more than $3,000.
4. You took a deduction for the amount repaid on your 2010 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

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 2010 you were required to repay income 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 2010 Arizona taxable income.
5. The amount of the loss carryover included in your Arizona gross 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 Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

F. Addition to S Corporation Income Due to Credits Claimed

Shareholders of an S corporation who claim a credit passed through from an S corporation 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 enter an amount on this line when claiming any of the following credits.

- Agricultural water conservation system credit
- Environmental technology facility credit
- Pollution control credit
- Credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets
- Credit for employment of TANF recipients
- Agricultural pollution control equipment credit
- Motion picture credits

G. Solar Hot Water Heater Plumbing Stub Out and Electric Vehicle Recharge Outlet Expenses

If you take a credit for installing solar hot water heater plumbing stub outs or electric vehicle recharge outlets in a dwelling you constructed, you cannot deduct any expenses for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

H. Wage Expense for Employers of TANF Recipients

If you take a credit for employing TANF recipients, you cannot deduct any wage expense for which you claim the credit. If you take this credit, enter the amount of such expenses that you deducted on your federal return.

I. Motion Picture Expenses

If you take a motion picture credit on Form 334, you cannot deduct any expenses related to the production, the infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing Arizona gross income for which you claimed a credit.

J. Early Withdrawal of Arizona, County, City, or School Retirement System Contributions

If you meet all the following, you must enter an amount here.

1. You left your job with the State of Arizona or an Arizona county, city, or school district for reasons other than retirement.
2. When you left, you took out the contributions you had made to the retirement system while employed.
3. You deducted these contributions on your Arizona income tax returns that you filed in prior years.
4. You did not include these contributions in your federal adjusted gross income this year.

If you meet all these tests, you must report as income those contributions previously deducted on your prior year Arizona tax returns.

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 93-7.

K. Medical Savings Account (MSA) Distributions

For information on Arizona's MSA provisions, see the department's MSA brochure, Pub 542.

You must add amounts received from an MSA here if any of the following apply.

1 - You Withdrew Funds From Your MSA for Other than Qualified Expenses

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

1. You have an MSA that qualifies as an MSA under Arizona law.
2. If you are an employee, your high deductible health coverage is provided by your Arizona employer. If you are self employed, your high deductible health coverage is provided by your Arizona business.
3. You withdrew money from your MSA during 2010.
4. You did not use the amount withdrawn to pay qualified medical expenses.
5. You did not have to include the withdrawal as income on your federal income tax return.

Enter the amount withdrawn.

2 - Deceased Account Holder Where the Named Beneficiary is Not the Decedent's Surviving Spouse

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

1. The account holder died during the year.
2. The account holder's MSA qualified as an MSA under Arizona law.
3. If the account holder was an employee, the account holder's high deductible health coverage was provided by his or her Arizona employer. If the account holder was self employed, the account holder's high deductible health coverage was provided by his or her Arizona business.
4. You are the named beneficiary of the decedent's MSA.

5. You are not the decedent's surviving spouse.
6. You did not have to include the value of the MSA as income on your federal income tax return.

In this case, the MSA ceased to be an MSA. Enter the fair market value of the MSA as of the date of death, less the amount of MSA funds used within one year of the date of death, to pay the decedent's qualified medical expenses. If the MSA has not paid all of the decedent's medical expenses by the time you file this return, reduce the fair market value by only those expenses the MSA paid. If the MSA pays additional expenses for the decedent after you file, you may file an amended return to further reduce the fair market value of the MSA.

3 - Decedent's Final Return and no Named MSA Beneficiary

Make an entry here if all of the following apply.

1. The account holder died during the year.
2. The account holder's MSA qualified as an MSA under Arizona law.
3. If the account holder was an employee, the account holder's high deductible health coverage was provided by his or her Arizona employer. If the account holder was self employed, the account holder's high deductible health coverage was provided by his or her Arizona business.
4. There is no named MSA beneficiary.
5. This is the decedent's final return.
6. The value of the MSA did not have to be included on the decedent's final federal income tax return.

In this case, the MSA ceases to be an MSA. Enter the fair market value of the MSA as of the date of death. This rule applies in all cases in which there is no named beneficiary, even if the surviving spouse ultimately obtains the right to the MSA assets.

NOTE: *The following are not withdrawals. Do not enter any of the following:*

- *Amounts from the MSA used to pay qualified medical expenses*
- *A qualified return of excess contributions*
- *A qualified rollover*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary*

For more information about the above items, see the department's MSA brochure, Pub 542.

L. Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses

If you claim a credit for an investment in a qualified small business on Arizona Form 338, 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 2010 taxable year, enter the amount by which the adjusted basis computed under the internal revenue code with respect to that property exceeds the adjusted basis of the property computed under Arizona Revised Statutes section 43-1074.02.

M. 2010 Discharge of Indebtedness (DOI) Income

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of Arizona source DOI income under I.R.C. § 108(i), you must make an entry here. On line C20, enter the amount of Arizona source DOI income that you deferred and excluded from the computation of your 2010 federal adjusted gross income under I.R.C. § 108(i). Even though you must include that Arizona source DOI income on your 2010 Arizona return, Arizona will not tax that income again in the future years when you include that Arizona source income in your federal adjusted gross income, and likewise your Arizona gross income. If you make an entry here, also see the instructions for "Other Subtractions from Income" even though this subtraction will not apply until the year in which you include the income in your Arizona gross income.

N. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "M" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer had to deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income was includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income. For Arizona purposes, you had to report the Arizona source DOI income from a debt reacquisition in the year in which you reacquired the debt, and you were allowed to subtract any OID related to that DOI income in the year the OID accrued. (See the instructions for "Other Subtractions from Income.") If your Arizona gross income includes a deduction for any accrued OID that you have already subtracted for Arizona purposes, you must make an addition to Arizona income for the amount of deferred OID deducted on your federal return that you included in your Arizona gross income. Generally, this addition will not apply until taxable year 2014 through 2018. However, if you were required to accelerate reporting of the

Arizona source DOI income for federal purposes and were allowed to deduct accrued OID attributable to that income on an Arizona return filed for a year prior to 2014, this addition may apply to an earlier year. On line C20, enter the amount of any previously deferred OID that you deducted in computing your 2010 Arizona gross income, to the extent that the amount was previously subtracted from Arizona gross income.

O. Other Adjustments

Other special adjustments may be necessary. You may need to make an addition for depreciation or amortization. You may also need to make an addition if you claimed certain tax credits. Call one of the numbers listed on the back cover if any of the following apply.

- You are a previously certified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- 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 claimed the environmental technology facility credit.
- You claimed the pollution control credit.
- You claimed the recycling equipment credit.
- You claimed the agricultural pollution control equipment 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.

Line C21 - Total Additions

Add lines C18 through C20. Enter the total on line C21 and on the front of your return, line 16.

Determining 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 the back cover.

NOTE: *You may not subtract any amount which is allocable to income excluded from your Arizona income.*

Line D22 - Exemption: Age 65 or Over

Multiply the number in box 8 on the front of your return by $2,100 and enter the result.

Line D23 - Exemption: Blind

Multiply the number in box 9 on the front of your return by $1,500 and enter the result.

Line D24 - Exemption: Dependents

Multiply the number in box 10 on the front of your return by $2,300 and enter the result.

Line D25 - Total

Add lines D22 through D24 and enter the total.

Line D26 - Prorated Exemptions

Multiply the amount on line D25 by your Arizona percentage from line B17 and enter the result.

NOTE Active Duty Military Personnel Only: *If you were on active duty in Arizona during 2010, but you were a resident of another state, you must prorate these exemptions.*

Line D27 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on line B6 in the ARIZONA column. U.S. Government obligations include obligations such as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

Line D28 - Arizona Lottery Winnings

You may subtract up to $5,000 of winnings received in 2010 for Arizona lottery prizes. Only subtract those Arizona lottery winnings that you included on line B12 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

Line D29 - Agricultural Crops Given to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop gifts made during 2010 to one or more charitable organizations. To take this subtraction, you must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. You must make your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

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

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

Line D30 - 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 D30a, then enter the amount of the subtraction on line D30. Also enter the number from line D30a on Form 140NR, page 1, line 181.

Line D31 - Other Subtractions

Use line D31 if any of the following special circumstances apply. Attach your own schedule to the back of the return, explaining any amounts entered here.

A. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation. You can subtract only those amounts that you included on line B5, ARIZONA column. The federal government must recognize these tribes.

For more information, see Arizona Department of Revenue Income Tax Ruling *ITR 96-4*.

B. 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 of the costs incurred for converting an existing fireplace to a qualified wood stove, qualified wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, do not include taxes, interest, or other finance charges.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquefied petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

C. 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 2010 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 2010 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross 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 Arizona gross income.

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

D. Deposits Made Into Your MSA

If you have an MSA, you may be able to subtract deposits made into that MSA. Make an entry here if all of the following apply.

1. You have an MSA that qualifies as an MSA under Arizona law, but not federal law.
2. If you are an employee, your high deductible health coverage is provided by your Arizona employer. If you are self employed, your high deductible health coverage is provided by your Arizona business.
3. Either you or your employer made deposits into that MSA during the tax year.
4. You had to include the deposits in income on your federal income tax return.

You can subtract these deposits only to the extent included in your Arizona gross income. Enter these contributions here.

E. Employer Contributions Made to Employee MSAs

If you are an employer, you may subtract the amount contributed to your employees' MSAs 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. Enter these contributions here.

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 2010, enter the portion of wages or salaries attributable to Arizona source income that you paid or incurred during the taxable year that is equal to the amount of those federal tax credits you received.

G. Recalculated Arizona Depreciation

Enter the total amount of depreciation attributable to assets used in your Arizona business allowable pursuant to I.R.C. § 167(a) for the taxable year calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

H. Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

With respect to property used in an Arizona business 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 with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter the amount of depreciation that has been allowed pursuant to I.R.C. § 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.) You may make this adjustment for only property that was used in your Arizona business.

I. Fiduciary Adjustment

If the amount on Form 141AZ, Schedule K-1(NR), line 5, is a negative number, enter that amount as a subtraction from income on line D31.

J. Adjustment for I.R.C. § 179 Expense Not Allowed

Enter 20% of the amount entered on line C18 for excess I.R.C. § 179 expense. This same amount can be subtracted in each of

the following four taxable years also, effectively amortizing the difference in treatment over five years. If you made an addition for I.R.C. § 179 expense on your 2006, 2007, 2008 and/or 2009 return(s), also enter 20% of the amount added for 2006, 2007, 2008 and/or 2009.

K. Net Operating Loss Adjustment.

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 I.R.C. § 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.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct an Arizona source net operating loss as if the loss was computed under I.R.C. § 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 I.R.C. § 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 2010 federal income tax return, if the election described in I.R.C. § 172(b)(1)(h) had not been made in the year of the loss. Then figure how much of the carry forward computed under that method was derived from Arizona source losses. The amount you may take as a subtraction is the difference between the amount of Arizona source net operating loss carryover allowable as a deduction for federal purposes under the as if calculation and the amount of the Arizona source net operating loss deduction actually taken for federal purposes that you included in your Arizona gross income. On line D31, enter the amount of allowable Arizona source loss carry forward deduction that exceeds the actual amount of Arizona source net operating loss carry forward deduction that was deducted in arriving at Arizona gross income.

NOTE: *As an Arizona nonresident, you may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless the as if calculation results in an Arizona source net operating loss deduction for federal purposes. You can only take this subtraction if the as if federal net operating loss deduction for 2010 includes Arizona source losses that have not been absorbed by non-Arizona income in any intervening years. You cannot subtract any amount of that net operating loss that has been absorbed by non-Arizona income in any intervening years. You also cannot take a subtraction for any amount that has already been deducted for Arizona purposes.*

L. Previously Deferred Discharge of Indebtedness (DOI) Income Adjustment

Generally, when a loan is settled for less than the amount owed, DOI income is realized by the debtor and usually must be included in the debtor's gross income. The amount of DOI income is generally equal to the amount of loan forgiveness. DOI income also occurs when a debtor repurchases his or her own debt at a discount (a price lower than the adjusted basis issue price of the debt instrument). In debt repurchase transactions, the amount of DOI income is generally equal to the difference between the adjusted issue price and the price paid for the debt instrument.

For federal purposes, a taxpayer may have made a special election for taxable years 2009 or 2010 to include DOI income in connection with the reacquisition of a business debt instrument, ratably over a 5 year period. A taxpayer that made this election will generally include this income in federal adjusted gross income beginning with the 2014 taxable year. A taxpayer would have made the federal election under I.R.C. § 108(i) as added by the American Recovery and Reinvestment Act of 2009.

Arizona did not adopt the special federal DOI income deferral provisions for the 2009 or 2010 taxable year. For Arizona purposes, if you made the federal election to defer the inclusion of Arizona source DOI income under I.R.C. § 108(i), you were required to add the amount of that deferred DOI income to Arizona income for the year for which you made the election. (See the instructions for "Other Additions to Income.") If you made the required addition to Arizona income on the Arizona return filed for the year in which you reacquired the debt instrument (2009 or 2010), Arizona will not tax that Arizona source DOI income twice. In the year in which you include that deferred Arizona source DOI income in your federal adjusted gross income, and likewise your Arizona gross income, you may take a subtraction for the amount included for that year. Usually this subtraction will apply to taxable years 2014 through 2018. However, if you had to accelerate the deferral for federal purposes, this subtraction may apply to a taxable year prior to 2014. On line D31, enter the amount of previously deferred Arizona source DOI Arizona that you included in your Arizona gross income for the current taxable year to the extent that the amount was previously added to your Arizona income.

M. Original Issue Discount (OID) on Reacquisition of Debt Instrument

For federal purposes, when a taxpayer made the special election to defer DOI income under I.R.C. § 108(i) (see letter "L" above), the taxpayer was not allowed to take a deduction with respect to the portion of any OID that accrued with respect to that DOI income, during the income deferral period. In this case, the taxpayer must deduct the aggregate amount of the OID deductions disallowed ratably over a 5 year period, beginning with the period in which the income is includible in federal adjusted gross income.

Arizona did not adopt the federal provisions requiring a taxpayer to defer the OID deduction in cases where the taxpayer federally deferred the DOI income under I.R.C. § 108(i). For Arizona purposes, you were required to add the amount of deferred Arizona source DOI income to Arizona gross income on the return filed for the year in which you reacquired the debt instrument. Since Arizona is taxing the federally deferred Arizona source income for 2009 or 2010 on your 2009 or 2010 Arizona return, you may subtract the amount of OID that accrued during the taxable year with respect to that Arizona source DOI income. On line D31, enter the amount of any OID related to that Arizona source income that was deferred and not allowed to be deducted in computing your federal adjusted gross income for 2010 under I.R.C. § 108(i).

N. Other Adjustments

Other special adjustments may be necessary. Call one of the numbers listed on the back cover if any of the following apply.

- You are a previously certified defense contractor that elected to amortize under Arizona Revised Statutes section 43-1024.
- You sold or disposed of property that was held for the production of income subject to Arizona tax 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 D32 - Total Subtractions

Add lines D26 through D31. Enter the total here and on the front of your return on line 18.

Line E33 - Last Name(s) Used in Prior Years

Use line E33 if the last name that you are using on this return is not the same as the last name you used on Arizona returns filed for the last 4 years. On line E33, enter any other last name(s) that you used when filing your Arizona return during the last 4 years.

Totaling Your Income

Line 14 - Federal Adjusted Gross Income

You must complete your federal return before completing your Arizona return. You must complete a 2010 federal return to determine your federal adjusted gross income even if not filing a federal return.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Enter your federal adjusted gross income from page 2, line B15.

Line 15 - Arizona Income

Enter your Arizona income from page 2, line B16, of your return.

Line 16 - Additions to Income

Enter the amount from page 2, line C21, of your return.

Line 18 - Subtractions From Income

Enter the amount from page 2, line D32, of your return.

Figuring Your Arizona Tax

Line 20 - Itemized or Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deduction.

e-file When you ***e-File***, the software completes the math for you.

Your Standard Deduction

Tax Tip: *You must now prorate the standard deduction.*

Nonresident individuals, who claim the standard deduction, must now prorate the deduction by the percentage which the taxpayer's Arizona gross income is of the taxpayer's federal adjusted gross income. This will in effect prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona and allow only that portion of the deduction allocable to income taxable to Arizona.

If you take the standard deduction, check box **20**S.

Standard Deduction Chart

If your filing status is:	Your standard deduction prior to prorating is:
• Single	$4,677
• Married filing separately	$4,677
• Married filing jointly	$9,354
• Head of household	$9,354

Standard Deduction Worksheet

1. Amount from standard deduction chart. Enter the amount shown for your filing status.	$
2. Enter your Arizona percentage from Form 140NR, page 2, line B17.	%
3. Multiply line 1 by the percent on line 2. Enter the result here and on Form 140NR, page 1, line 20. Also check box **20S** if you are taking the standard deduction.	$

Your Itemized Deduction

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return. The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code. As an Arizona nonresident, you must prorate these deductions by the percentage which your Arizona gross income is of your federal adjusted gross income.

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A. Then complete the Arizona Form 140NR, Schedule A(NR). If you itemize deductions, check box **20**I.

NOTE: *If you itemize, you must attach a copy of your federal Schedule A and your Arizona Schedule A(NR) to your Arizona return.*

Line 21 - Personal Exemptions

Your personal exemption depends on your filing status. See Personal Exemption Chart. Then complete the Personal Exemption Worksheet.

Personal Exemption Chart

If you checked filing status:	Personal Exemption before proration:
• Single (Box 7)	$2,100
• Married filing joint return (Box 4) and claiming no dependents (Box 10)	$4,200
• Married filing joint return (Box 4) and claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$6,300
• Head of household and you are **not** married (Box 5)	$4,200
• Head of household and you **are** a married person who qualifies to file as head of household (Box 5)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with neither spouse claiming any dependents (Box 10)	$2,100 Or Complete Form 202 *Personal Exemption Allocation Election*.
• Married filing separately (Box 6) with one spouse claiming at least one dependent (Box 10 excluding persons listed on Page 2, line A3a)	$3,150 Or Complete Form 202 *Personal Exemption Allocation Election*.

NOTE For Active Duty Military Personnel Only: *If you were on active duty in Arizona during 2010, but were a resident of another state, do not prorate your personal exemption. You are allowed a 100 percent deduction for the personal exemption (to include spouse).*

Personal Exemption Worksheet	
4. Amount from personal exemption chart. If you were an active duty military member during 2010, skip lines 2 and 3 and enter this amount on Form 140NR, page 1, line 21. All other taxpayers complete lines 2 and 3.	$
5. Enter your Arizona percentage from Form 140NR, page 2, line B17.	%
6. Multiply line 1 by the percent on line 2. Enter the result here and on Form 140NR, page 1, line 21.	$

A married couple who does not claim any dependents may take one personal exemption of $4,200 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire $4,200 exemption, or the spouses may divide the $4,200 (prior to prorating) between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $2,100 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only $2,100 (one-half of the total $4,200).

A married couple who claims at least one dependent may take one personal exemption of $6,300 (prior to prorating). If the husband and wife file separate returns, either spouse may (prior to prorating) take the entire $6,300 exemption, or the spouses may divide the $6,300 between them. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150 (prior to prorating). If you and your spouse do not complete Form 202, you may (prior to prorating) take an exemption of only $3,150 (one-half of the total $6,300).

If you are a married person who qualifies to file as a head of household, you may take the entire $6,300 (prior to prorating) personal exemption or you may divide the exemption with your spouse. You and your spouse must complete Form 202 if either you or your spouse claim a personal exemption of more than $3,150 (prior to prorating). If you and your spouse do not complete Form 202 you may (prior to prorating) take an exemption of only $3,150 (one-half of the total $6,300).

The spouse who claims more than one-half of the total personal exemption (prior to prorating) must attach the original Form 202 to his or her return. The spouse who claims less than one-half of the total personal exemption (prior to prorating) must attach a copy of the completed Form 202 to his or her return.

Line 22 - Taxable Income

Subtract lines 20 and 21 from line 19 and enter the result. Use this amount to calculate your tax using Tax Table X or Y.

Line 23 - Tax Amount

Enter the tax from Tax Table X or Y.

Line 24 - Tax from Recapture of Credits from Arizona Form 301

Enter the amount of tax due from recapture of credits from Form 301, Part II, line 31.

Line 25 - Subtotal of Tax

Add lines 23 and 24.

Lines 26 and 27 - Clean Elections Fund Tax Reduction

You may designate $5 of your tax go to the Clean Elections Fund and may also reduce your tax by up to $5. If you are married filing a joint return, both you and your spouse may make this designation and also reduce your tax by up to $10.

Single Taxpayers, Heads of Household, and Married Taxpayers Filing a Joint Return With Only One Spouse Making a Designation

To make this designation, Check box **261** marked yourself.

If you checked box **261** and the amount on Form 140NR, page 1, line 25 is $10 or more, enter $5 on line 27. If the amount on line 25 is less than $10, complete the following worksheet.

Married Taxpayers Filing a Joint Return With Both Spouses Making a Designation

If both spouses want to make this designation, one spouse should check box **261**, and the other spouse should check box **262**.

If you checked both box **261** and box **262** and the amount on Form 140NR, page 1, line 25 is $20 or more, enter $10 on line 27. If the amount on line 25 is less than $20, complete the worksheet below.

Clean Elections Fund Tax Reduction Worksheet	
1. Enter the amount of tax from Form 140NR, page 1, line 25.	
2. If you checked box **261**, enter $5. If a joint return and your spouse also checked box **262**, enter $10.	
3. Balance of tax eligible for tax reduction. Subtract line 2 from line 1. If less than zero, enter zero "0".	
4. If you checked box **261**, enter $5. If a joint return and your spouse also checked box **262**, enter $10.	
5. Tax reduction. Enter the lesser of line 3 or line 4. Also enter this amount on Form 140NR, page 1, line 27.	

NOTE: *Amounts designated to the Clean Elections Fund here do not qualify for the credit on line 31.*

Line 28 - Reduced Tax

Subtract line 27 from line 25. Enter the result.

Line 29 - Nonrefundable Credits from Arizona Form 301 or Forms 321, 322, and 323 if Form 301 is not Required

Complete line 29 if you can take any of the following credits. Also make sure that you attach the Arizona Form 301 if you are required to complete Form 301 and the appropriate credit form or forms to your return.

1. **Defense Contracting Credits.** Your unused defense contracting credit carryover may be carried forward as a credit against subsequent taxable years' tax liability through tax year 2011. See Form 302 for details.

2. **Enterprise Zone Credit.** You may qualify for this credit if your business in an Arizona enterprise zone had net increases in qualified employment positions. Use Form 304 to figure this credit.

3. **Environmental Technology Facility Credit.** You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

4. **Military Reuse Zone Credit.** You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

5. **Recycling Equipment Credit.** The recycling equipment credit allowable to individuals has been repealed. You may not take this credit for taxable years beginning January 1, 2003 or later. However, the repeal did not affect any credit carryover that accrued prior to the repeal. Use Form 307 to figure any allowable credit carryover.

6. **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.

7. **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 to figure this credit.

8. **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.

9. **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.

10. **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** You may qualify for this credit if you install solar hot water heater plumbing stub outs or electric vehicle recharge outlets in houses or dwelling units you construct. The taxpayer that constructed the dwelling may also transfer the credit to a purchaser. Use Form 319 to figure this credit.

11. **Credit for Employment of TANF Recipients.** You may qualify for this credit if you employed TANF recipients during the taxable year. Use Form 320 to figure this credit.

12. **Credit for Contributions to Charities that Provide Assistance to the Working Poor.** You may qualify for this credit if you made contributions to certain charities that provide help to the working poor. Use Form 321 to figure this credit.

13. **Credit for Contributions Made or Fees Paid to Public Schools.** You may qualify for this credit if you paid certain fees to public schools in Arizona. Use Form 322 to figure this credit.

14. **Credit for Contributions to Private School Tuition Organizations.** You may qualify for this credit if you made contributions to a school tuition organization that provides scholarships or grants to qualified schools. Use Form 323 to figure this credit.

15. **Agricultural Pollution Control Equipment Credit.** You may qualify for this credit if you are involved in commercial agriculture and incur expenses to purchase tangible personal property that is primarily used in your trade or business in Arizona to control or prevent pollution. Use Form 325 to figure this credit.

16. **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.

17. **Credit for Healthy Forest Enterprises.** You may qualify for this credit if you had net increases in qualified employment positions as a healthy forest enterprise. Use Form 332 to figure this credit.

18. **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.

19. **Motion Picture Credits.** A credit is available to motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to figure this credit.

20. **Credit for Solar Energy Devices - Commercial or Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or other nonresidential applications in Arizona. Use Form 336 to figure this credit.

21. **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.

22. **Credit for Donations to the Military Family Relief Fund.** You may qualify for this credit if you made a cash contribution to the Arizona Military Family Relief Fund during the taxable year. Use Form 340 to figure this credit.

Compute your credit on the appropriate form. Then complete Form 301 and enter the amount from Form 301, Part II, line 59. The credits on line 29 cannot reduce your tax below zero. These credits are not refundable credits.

Attach Arizona Form 301 along with any supporting documents to your return.

Line 30 - Credit Type

If you entered an amount on line 29, write the form number of each credit claimed.

If you are claiming:	**Write form number:**
1. Defense Contracting Credits	302
2. Enterprise Zone Credit	304
3. Environmental Technology Facility Credit	305
4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Increased Research Activities - Individuals	308
7. Credit for Taxes Paid to Another State or Country	309
8. Agricultural Water Conservation System Credit	312
9. Pollution Control Credit	315
10. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
11. Credit for Employment of TANF Recipients	320
12. Credit for Contributions to Charities That Provide Assistance to the Working Poor	321
13. Credit for Contributions Made or Fees Paid to Public Schools	322

14. Credit for Contributions to Private School Tuition Organizations	323
15. Agricultural Pollution Control Equipment Credit	325
16. Credit for Donation of School Site	331
17. Credit for Healthy Forest Enterprises	332
18. Credit for Employing National Guard Members	333
19. Motion Picture Credits	334
20. Credit for Solar Energy Devices - Commercial or Industrial Applications	336
21. Credit for Investment in Qualified Small Businesses	338
22. Credit for Donations to the Military Family Relief Fund	340

Line 31 - Clean Elections Fund Tax Credit

NOTE: *An amount entered on Form 140NR, page 1, line 27 does not qualify for the credit. Do not include that amount here. For the purpose of this credit, that amount is not a donation.*

If you made a donation to the Citizens Clean Elections Fund, you may take a credit for that gift.

For 2010, you may claim a credit for:

- Donations made directly to the fund during 2010.
- A donation made to the fund on your 2009 income tax return that you filed in 2010.

You may not claim a credit on the 2010 return for a donation made to the fund on your 2010 return. If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

Complete the following worksheet to figure your credit.

Worksheet for Calculating the 2010 Clean Elections Fund Tax Credit	
1. Enter the amount donated directly to the fund during 2010.	
2. Enter the amount donated to the fund with your 2009 tax form.	
3. Add line 1 and line 2. Enter the total.	
4. Enter the amount from Form 140NR, page 1, line 28.	
5. Enter the amount from Form 140NR, page 1, line 29.	
6. Subtract line 5 from line 4.	
7. Multiply line 6 by 20% (.20).	
8. Enter $640 if single, head of household, or married filing separately. Enter $1,280 if married filing joint.	
9. Enter the larger of line 7 or line 8.	
10. Enter the smaller of line 3, line 6, or line 9 here and also on Form 140NR, page 1, line 31.	
NOTE: *This credit will only reduce your tax and cannot be refunded. You may not carry forward any amount of unused credit.*	

Line 32 - Balance of Tax

Subtract lines 29 and 31 from line 28. If the sum of lines 29 and 31 is more than line 28, enter zero on line 32.

Totaling Payments

Line 33 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Do not include income taxes withheld by any other state. Attach the Form(s) W-2 after the last page of your return.

Line 34 - Arizona Estimated Tax Payments for 2010 and Amount Applied from 2009 Return

Use this line if you did one of the following:

1. Made estimated income tax payments to Arizona for 2010.
2. Applied any of your refund from your 2009 Arizona return to 2010 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 2010 taxes.

NOTE: *If you made joint Arizona estimated payments for 2010, but are filing separate 2010 Arizona income tax returns, see Arizona Department of Revenue Income Tax Ruling ITR 02-3.*

Line 35 - 2010 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your extension request, or the electronic extension payment you made using www.aztaxes.gov.

Line 36 - Other Refundable Credits

Enter the total of refundable credits you are claiming from Form 308-I, *Credit for Increased Research Activities - Individuals*, or Form 342, *Credit for Renewable Energy Industry.*

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 attach the credit claim form (308-I or 342) to your return when you file.

Credit for Increased Research Activities - Individuals (Form 308-I)

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.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part IV, line 23, here.

Renewable Energy Industry Credit (Form 342)

You may qualify for the refundable renewable energy industry credit if you expanded or located a qualified renewable energy operation in Arizona. For more information about this credit, see Arizona Form 342.

If you are claiming the renewable energy industry credit, from Form 342, enter the amount from Form 342, Part IV, line 12, here.

NOTE: *If you are claiming a refundable credit from both Form 308-I and Form 342, add the amount from Form 308-I, part IV, line 23 to the amount from Form 342, Part IV, line 12 and enter the total on Form 140NR, page 1, line 36.*

Line 37 - Total Payments

Add lines 33 through 36. Enter the total.

Also, do the following if you computed your 2010 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 37.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

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

Figuring Your Overpayment or Tax Due

Line 38 - Tax Due

If line 32 is more than line 37, you have tax due. Subtract line 37 from line 32. Skip lines 39, 40 and 41.

Line 39 - Overpayment

If line 37 is more than line 32, subtract line 32 from line 37. Complete lines 40 and 41.

Line 40 - Amount of Line 39 to Apply to 2011 Tax

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

NOTE: *If you apply any of the amount shown on line 39 to 2011, you cannot use that amount to pay any tax that is later found to be due for 2010. You also may not claim a refund for that amount until you file your 2011 return.*

Line 41 - Balance of Overpayment

Subtract line 40 from line 39 to determine your overpayment balance before voluntary gifts and any estimated payment penalty.

Making Voluntary Gifts

You can make voluntary gifts to each of the funds shown below. A gift will reduce your refund or increase the amount due with your return.

NOTE: *If you make a gift, you cannot change the amount of that gift later on an amended return.*

Line 42 - Aid for Education Fund

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money in this fund to school districts.

CAUTION: *If you make a contribution to the Aid to Education Fund,* ***you must contribute your entire refund****. You may not give more than or less than your entire refund.*

Line 43 - Arizona Wildlife Fund

You may give some or all of your refund to the Arizona Wildlife Fund. You may also give more than your entire refund.

Your gift to the Arizona Wildlife Fund helps protect wildlife in the state. Many species like bald eagles, Apache trout and black-footed ferrets benefit from your gifts to this fund. Gifts are also used to improve areas for watching wildlife statewide.

Line 44 - Citizens Clean Elections Fund

You may give some or all of your refund to the Citizens Clean Elections Fund. You may also send in additional money with your return. If you send in additional money with your return, include that amount on line 58. Enter the amount you want to donate on line 44.

If you make a donation to the fund with your 2010 return, that you file in 2011, you may claim a credit for that donation on your 2011 return.

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

Line 45 - Child Abuse Prevention Fund

You may give some or all of your refund to the Arizona Child Abuse Prevention Fund. You may also give more than your entire refund.

Gifts go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 46 - Domestic Violence Shelter Fund

You may give some or all of your refund to the Domestic Violence Shelter Fund. You may also give more than your entire refund.

Gifts go to the Domestic Violence Shelter Fund. This fund provides financial aid to shelters for victims of domestic violence.

Line 47 - I Didn't Pay Enough Fund

You may give some or all of your refund to the I Didn't Pay Enough Fund. You may also give more than your entire refund.

Gifts that you make to the I Didn't Pay Enough Fund will aid the state by going to the Arizona general fund.

Line 48 - National Guard Relief Fund

You may give some or all of your refund to the National Guard Relief fund. You may also give more than your entire refund.

Gifts go to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

Line 49 - Neighbors Helping Neighbors Fund

You may give some or all of your refund to the Neighbors Helping Neighbors Fund. You may also give more than your entire refund.

Gifts go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills and conserving energy.

Line 50 - Special Olympics Fund

You may give some or all of your refund to the Special Olympics Fund. You may also give more than your entire refund.

Gifts go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 51 - Veterans' Donations Fund

You may give some or all of your refund to the Veterans' Donations Fund. You may also give more than your entire refund.

Gifts go to the Veterans' Donations Fund, which may be used for veterans in Arizona.

Line 52 - Political Gift

Gifts go to one of the following political parties:

- Democratic
- Green
- Libertarian
- Republican

You may give some or all of your refund to a political party. You may also give more than your entire refund.

Line 53 - Political Party

Check the box for the political party to which you wish to give. Select only one party. If you do not select a political party, the department will return the amount on line 52.

Line 54 - Estimated Payment Penalty and MSA Withdrawal Penalty

Estimated Payment Penalty

NOTE: *Do not complete Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140NR, page 1, line 33, is more than the amount on Form 140NR, page 1, line 32. If the amount on Form 140NR, page 1, line 33, is more than the amount on Form 140NR, page 1, line 32, skip line 54, unless you must report an MSA penalty.*

You must have made Arizona estimated income tax payments during 2010 if:		
Your filing status is:	**AND** Your Arizona gross income for 2009 was greater than:	**AND** Your Arizona gross income for 2010 exceeded:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 2010 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 2011. You pay in full the amount stated on your return as owed.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as owed.

If the above applies, check box 2 on line 55 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty on any estimated tax payment that is late or underpaid.

Complete and attach Form 221, *Underpayment of Estimated Tax by Individuals*, to determine if any penalty is due. Enter the total penalty from Form 221.

MSA Withdrawal Penalty

You must pay a withdrawal penalty if you made an MSA withdrawal during 2010 and all of the following apply.

1. You have an MSA that qualifies as an MSA under Arizona law.
2. You used the amount withdrawn for purposes other than to pay for qualified medical expenses.
3. You made the withdrawal on a day other than the last business day of the year.
4. The withdrawal is not subject to the federal withdrawal penalty.

The penalty is equal to 10% of the withdrawal. The withdrawal penalty is not subject to abatement. You must remit this penalty with your income tax return filed for the year in which you made the withdrawal.

Multiply the amount of your withdrawal subject to penalty by 10%. Enter the result.

The following withdrawals are not subject to the penalty.

1. Any withdrawal subject to the federal withdrawal penalty.
2. Withdrawals made from your MSA on the last business day of the tax year.
3. Any withdrawal made by an account holder who is at least age 59 1/2 when he or she makes the withdrawal.

NOTE: *The following are not withdrawals. Do not enter a penalty for any of the following:*

- *Amounts from the MSA used to pay qualified medical expenses*
- *A qualified return of excess contributions*
- *A qualified rollover*
- *The fair market value of an MSA received by a surviving spouse who was the deceased account holder's named beneficiary*

For more information about the above items, see the department's MSA brochure, Pub 542.

Line 55 -

Box 1 - Check box 1 if any of the following applies to you.

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50 percent of the total of all of your required installments.

Box 2 - If you are an individual who for federal purposes reports as a farmer or fisherman, check box 2.

Box 3 - If you completed and attached Form 221, check box 3.

Box 4 - If you included an MSA penalty on line 54, check box 4.

Figuring Your Refund or Tax Due

Line 57 - Refund

Subtract line 56 from line 41. Enter your refund on line 57 and skip line 58.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the 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, 1600 W Monroe, Phoenix AZ 85007. 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 57 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 57A if the direct deposit will ultimately be placed in a foreign account. If you check box 57A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You will get your refund fast – even faster if you e-file!
- Payment is more secure since there is no check to get lost.
- It is more convenient. No trip to the bank to deposit your check.
- 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

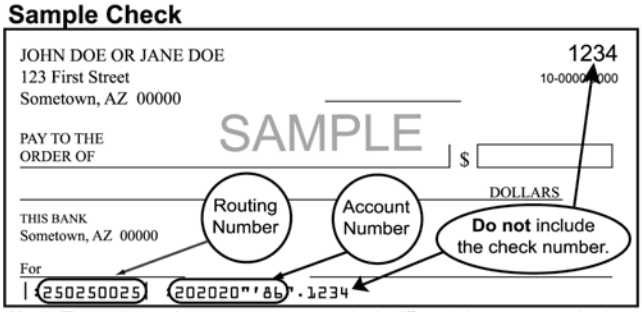
The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check below, the routing number is 250250025.

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

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 that follows, the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: The routing and account numbers may be in different places on your check.

Line 58 - Amount Owed

Add lines 38 and 56. Enter the amount you owe on line 58. If you are making voluntary donations on lines 43 through 52 in excess of your overpayment, enter the difference on line 58. You may pay only with a check, electronic check, money order, or credit card.

Check or money order

NOTE: *Attach your check to the front of your return in the upper left hand corner where indicated. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 Discover, MasterCard, Visa, or American Express credit card. Go to www.aztaxes.gov click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 58 when you file, you may ask to make monthly installment payments. To make this request, complete Arizona Form 140-IA and mail the completed form to the address on the Form 140-IA. **Do not mail Form 140-IA with your income tax return.** You may obtain Arizona Form 140-IA from our web site at www.azdor.gov.

If you cannot pay the full amount shown on line 58, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 18, 2011. To limit the interest and penalty charges, pay as much of the tax as possible when you file.

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 is not considered a valid return unless you sign it. The department cannot send a refund check without proper signatures on the return.

Instructions Before Mailing

- Make sure your SSN is on your return.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- 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. If you received your return in the mail, use the preprinted label. **If the label is not correct, do not use it.**
- If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. On page 2 of the return, also write each dependent's name, relationship, SSN, and the number of months that he or she lived in your home.
- Check the **boxes** to make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box 82F on page 1 of the return.
- Sign your return and have your spouse sign if filing jointly.
- Write your SSN on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

The Department of Revenue may charge you $25 for a check returned unpaid by your financial institution.

- Attach **all** required documents. Place these documents to the back of your return. Use just one staple to attach your documents where shown on page 1 of the return. Please do not use tape. Documents you must attach include those items listed in numbers 1 through 4 below.

1. Attach *Form(s) W-2* after the last page of your return.
2. Attach Arizona Form 301, applicable credit forms, and your own schedules after page 2 of your return. If itemizing, attach these forms after your Arizona Schedule A and your federal Schedule A.
3. If claiming a credit for taxes paid to another state or country, attach a copy of the other state's or country's filed return.
4. If you itemize, be sure to attach Arizona Schedule A(NR) and a copy of the federal Schedule A. Attach the Arizona Schedule A(NR) and the federal Schedule A directly after page 2 of your return. Attach other forms and schedules behind the Schedules A.

- Do not send correspondence with your return.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file the original and not a copy.

To mail your return, use the envelope that came in your booklet.

To avoid delays, please use separate envelopes for each return.

Where Should I File My Return?

If you are expecting a refund, or owe no tax, or owe tax but are not sending a payment, use the yellow address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this return, use the white address label attached to the envelope. If the envelope or label is missing, send the return to: Arizona Department of Revenue, PO Box 52016, Phoenix AZ 85072-2016.

Make sure you put enough postage on the envelope.

The U.S. Post Office must postmark your return or extension request by midnight April 18. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.* You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

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%. 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.

Where's My Refund

If you e-filed, you can expect your refund within 2 weeks of the date you filed. If you filed a paper return, you can expect your refund within 12 weeks of the date you filed. You can check on your refund by visiting www.azdor.gov and clicking on "Where's my refund?" If you have not received your refund within the noted time frames, you may call one of the numbers listed on the back cover. Before you call, be sure to have a copy of your 2010 tax return on hand. You will need to know your SSN, your filing status and your 5-digit zip code.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

ARIZONA SCHEDULE
A(NR)

Itemized Deductions
For Nonresidents

2010

Attach to your return.

Your Name as shown on Form 140NR	Your Social Security Number
Spouse's Name as shown on Form 140NR	Spouse's Social Security Number

Adjustment to Medical and Dental Expenses

1	Medical and dental expenses	**1**	00			
2	Amount of medical savings account (MSA) distributions used to pay qualified medical expenses included on line 1	**2**	00			
3	Medical expenses allowed to be taken as a federal itemized deduction	**3**	00			
4	*Add* line 2 and line 3, and *enter the result*	**4**	00			
5	If line 1 is the same as or more than line 4, *subtract* line 4 from line 1; otherwise, *go to line 6*			**5**		00
6	If line 4 is more than line 1, *subtract* line 1 from line 4			**6**		00

Adjustment to Interest Deduction

7	If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), *enter the amount of mortgage interest you paid for 2010 that is equal to the amount of your 2010 federal credit*			**7**		00

Adjustment to Gambling Losses

8	Wagering losses allowed as a federal itemized deduction	**8**	00			
9	Total gambling winnings included in your federal adjusted gross income	**9**	00			
10	Arizona lottery subtraction from Form 140NR, page 2, line D28	**10**	00			
11	Maximum allowable gambling loss deduction: *Subtract* line 10 from line 9	**11**	00			
12	If line 11 is less than line 8, *subtract* line 11 from line 8; otherwise *enter "zero"*			**12**		00

Adjustment to Charitable Contributions

13	Amount of charitable contributions for which you are taking a credit under Arizona law			**13**		00
14	Haiti earthquake contributions made after January 11, 2010 and before March 1, 2010. *See the instructions before you enter any amount here*			**14**		00

Itemized Deductions

15	*Add* the amounts on lines 5, 7 and 14	**15**	00			
16	*Add* the amounts on lines 6, 12 and 13	**16**	00			
17	Total federal itemized deductions allowed to be taken on federal return	**17**	00			
18	*Enter the amount* from line 15 above	**18**	00			
19	*Add* lines 17 and 18	**19**	00			
20	*Enter the amount* from line 16 above	**20**	00			
21	Adjusted itemized deductions: *Subtract* line 20 from line 19	**21**	00			
22	*Enter your Arizona percentage* from Form 140NR, page 2, line B17	**22**	%			
23	Arizona itemized deductions: *Multiply* line 21 by the percentage on line 22. *Enter the result* here and on Form 140NR, page 1, line 20			**23**		00

NOTE: You must attach a copy of federal Form 1040, Schedule A to your return if you itemize your deductions.

2010 Form 140NR Schedule A(NR) Itemized Deductions

For Nonresidents Only

Before you complete this form, you must complete a federal Form 1040, Schedule A.

You must attach the federal Form 1040, Schedule A, to this form.

The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code. As an Arizona nonresident, you must prorate these deductions by the percentage which your Arizona gross income is to your federal adjusted gross income.

In some cases, the amount allowed for medical and dental expenses, mortgage interest, gambling losses, and charitable contributions may be different for Arizona purposes than for federal purposes. You must complete lines 1 through 14 if any of the following apply.

1. You are deducting medical and dental expenses.
2. You are claiming a federal credit (from federal Form 8396) for interest paid on mortgage credit certificates.
3. You are deducting gambling losses while claiming a subtraction for Arizona lottery winnings.
4. You are claiming a credit for a charitable contribution for which you are also taking a credit under Arizona law.
5. You made a cash gift during 2010 to aid Haiti earthquake victims and you deducted that gift on your 2009 return.

If any of the above items apply, complete lines 1 through 14 as instructed below.

Medical and Dental Expenses

Skip lines 1 through 6 if you are not deducting medical and dental expenses.

Line 1 -

Enter the total of your medical and dental expenses after you reduce these expenses by any payments received from insurance or other sources. Do not reduce the amount you enter on line 1 by amounts paid from an MSA. Do not include insurance premiums you paid through an employer-sponsored health insurance plan (cafeteria plan) unless your employer included the premiums in Box 1 of your Form W-2. Also do not include any other medical and dental expenses paid by the plan unless the amount paid is included in Box 1 of your Form(s) W-2. If self-employed, do not include any amount paid for health insurance that you deducted in computing your federal adjusted gross income. The medical and dental expenses for Arizona purposes are the same as for federal purposes.

Line 2 -

Enter any amount of medical and dental expenses included on line 1 that were paid from your MSA.

Complete lines 3 through 6 as instructed on Schedule A(NR).

Interest Paid on Mortgage Credit Certificates

Skip line 7 if you are not claiming a federal credit for interest paid on mortgage credit certificates.

If you received a federal credit for interest paid on mortgage credit certificates (from federal Form 8396), you may deduct some of the mortgage interest you paid for 2010 that you could not deduct for federal purposes.

Gambling Losses

Skip lines 8 through 12 if you are not deducting gambling losses.

You can deduct wagering losses only to the extent of wagering gains. If you take a subtraction for Arizona lottery winnings, you may have to adjust your deduction for gambling losses.

Complete lines 8 through 12 as instructed on Schedule A(NR).

Gifts to Charity

Line 13

Skip line 13 if you are not taking a credit for any of your charitable contributions.

You cannot claim both a deduction and a credit for the same charitable contributions. Enter the amount of charitable contributions for which you are taking a credit. If you are claiming a credit on your 2010 return for a contribution made during 2011 (see Arizona Form 323), you must make this adjustment on your 2011 return, even though you are claiming the credit on your 2010 return.

Line 14

If you made a cash gift to help Haiti earthquake victims after January 11, 2010, but before March 1, 2010, you may have to enter an amount here. For federal purposes, you were allowed to treat that gift as if you made it in 2009 rather than 2010. In this case, you would have deducted that gift as a charitable deduction on your 2009 federal income tax return and not your 2010 return.

For Arizona purposes, you should not have deducted that gift on your 2009 return. That gift should be deducted on your 2010 Arizona income tax return. If you included that amount as a deduction on your 2009 federal income tax return, you should have reduced your 2009 Arizona charitable deduction by that amount. If you reduced your 2009 Arizona charitable contribution by the amount of that gift, enter that amount here.

Adjusted Itemized Deductions

Complete lines 15 through 23 as instructed on Schedule A(NR).

ONE STAPLE. NO TAPE.

ARIZONA FORM
140ES

Individual Estimated Income Tax Payment

FOR CALENDAR YEAR **2011**

This estimated payment is for tax year ending December 31, 2011, or for tax year ending: M M D D 2 0 Y Y

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).**	Your Social Security No.
If a joint return, Your Spouse's First Name and Initial 1	Last Name		Spouse's Social Security No.
Current Home Address - number and street, rural route 2 / Apt. No.	Daytime Phone *(with area code)* ( )		Home Phone *(with area code)* 94 ( )
City, Town or Post Office 3 / State	Zip Code		

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

DO NOT USE THIS FORM TO MAKE DELINQUENT INCOME TAX PAYMENTS. USE ONLY FOR ESTIMATED PAYMENTS.

1 *Check box 1* if you are a first time Arizona income tax return filer ..... **1** ☐

2 The enclosed amount is payment for quarter number ..... ☐

3 **Payment:** *You must round your estimated payment to a whole dollar (no cents). Enter* the amount of **payment enclosed** ..... $ _____ 00

IMPORTANT

To ensure proper application of this payment, be sure that you:

- ✓ Complete this form in its entirety.
- ✓ Make your check payable to Arizona Department of Revenue.
- ✓ Write your SSN on your payment.
- ✓ Attach your payment to the upper left corner of this page.
- ✓ *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. Payments for calendar year filers are due April 18, 2011; June 15, 2011; September 15, 2011; and January 17, 2012.

ADOR 10575 (10)
Previous ADOR 91-5382

Worksheet for Computing Estimated Payments for Individuals

For use with Arizona Form 140ES

Step 1: Estimated Arizona Taxable Income

1 Use the estimated tax worksheet attached to IRS Form 1040ES and *enter here the amount shown as income on your federal worksheet*				**1**		00

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 and enter in the spaces provided:*

2 Non-Arizona municipal interest	**2**		00			
3 Ordinary income portion of lump-sum distributions (excluded on your federal return)	**3**		00			
4 Other additions to income	**4**		00			
5 Total additions to income: *Add* lines 2 through 4				**5**		00
6 *Add* line 1 and line 5				**6**		00

Step 3: Subtractions

Below are common items not subject to tax in Arizona but taxable under the Internal Revenue Code. *Estimate amounts and enter in the spaces provided:*

7 Amounts received as annuities from certain federal, Arizona state, or local government retirement and disability funds (up to $2,500) that are subject to federal tax	**7**		00			
8 Interest income on obligations of the United States (e.g. U.S. savings bonds, treasury bills, etc.)	**8**		00			
9 Arizona state lottery winnings (up to $5,000) included as income on federal return	**9**		00			
10 U.S. Social Security benefits or Railroad Retirement Act benefits included as income on federal return	**10**		00			
11 Other exempt income	**11**		00			
12 Total subtractions: *Add* lines 7 through 11				**12**		00
13 *Subtract* line 12 from line 6				**13**		00

Step 4: Deductions and Exemptions

14 If you plan to itemize deductions, *enter the estimated total of your deductions.* If you do not plan to itemize deductions, *see the instructions for the allowable 2010 standard deduction*	**14**		00			
15 Exemptions: *Enter your allowable 2010 exemption amounts*	**15**		00			
16 Total deductions and exemptions: *Add* line 14 and line 15				**16**		00
17 *Subtract* line 16 from line 13				**17**		00

Step 5: Estimated Arizona Income Tax

18 Using Tax Table X or Y, use the amount on line 17 to calculate your Arizona estimated tax liability. *Enter your estimated tax liability here*				**18**		00
19 *Enter 90% (.90) of line 18*	**19**		00			
20 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	**20**		00			
21 If you entered an amount on line 20, *enter the smaller of* line 19 or line 20. Otherwise, *enter the amount from line 19*				**21**		00
22 Total Arizona income tax expected to be withheld (include all employment and pensions)				**22**		00
23 *Subtract* line 22 from line 21, and base estimated payments on this amount				**23**		00
24 If the first payment you are required to make is due April 18, 2011, *enter 1/4 of line 24 (minus any 2010 overpayment that you are applying to this installment) here and on your 140ES*				**24**		00

2011 Individual Estimated Tax Payment Instructions

Arizona Form 140ES

Phone Numbers

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
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.azdor.gov

Who Should Use Form 140ES

All of the following should use Form 140ES:

- An individual making a voluntary or mandatory estimated payment.
- A partnership making a voluntary estimated payment on behalf of its nonresident individual partners participating in the filing of a composite return.
- An S corporation making a voluntary estimated payment on behalf of its nonresident individual shareholders participating in the filing of a composite return.

General Information

- Please type or print your name, SSN, and current address. If you are married making a joint estimated payment, enter your SSNs in the same order as your first names and in the same order as they will be shown on your joint Arizona income tax return.
- If you are a partnership or S corporation using Form 140ES to make a voluntary estimated income tax payment for its nonresident partners or shareholders participating in the filing of a composite income tax return, enter the partnership's or S corporation's EIN in the area designated for an individual's SSN.
- Complete Form 140ES using black ink.
- Once you make an estimated payment, you must file a tax return for that year in order to claim the estimated payment.
- You must round each estimated payment to whole dollars (no cents).
- Use Tax Table X or Y (in the 2010 tax instruction booklet) to help estimate this year's tax liability. Figure this tax on your total annual income.

The department will charge you a penalty if you fail to make any required estimated payment. Use Form 221, *Underpayment of Estimated Tax by Individuals*, to figure the amount of this penalty. The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment.

Required Payments

Arizona requires certain individuals to make estimated income tax payments.

You must make Arizona estimated income tax payments during 2011 if:		
Your filing status is:	**AND** Your Arizona gross income for 2010 was greater than:	**AND** Your Arizona gross income for 2011 exceeds:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

If you met the income threshold for 2010, you must make estimated payments during 2011 unless you are sure you will not meet the threshold for 2011.

What is Arizona Gross Income for the Purpose of Estimated Income Tax Payments?

If you are a **full year resident**, your Arizona gross income is your federal adjusted gross income.

If you are a **part-year resident**, your Arizona gross income is that part of your federal adjusted gross income that you must report to Arizona.

If you are a **nonresident**, your Arizona gross income is that part of your federal adjusted gross income derived from Arizona sources.

How Much Should My Estimated Payments Total?

If you have to make estimated payments, your payments, when added to your Arizona withholding, must total either 90% of the tax due for 2011, or 100% of the tax due for 2010.

You can use your 2010 tax to figure the amount of payments that you must make during 2011 only if you were required to file and did file a 2010 Arizona income tax return.

When Should I Make My Estimated Payments?

For the most part, you must make your payments in four equal installments. The due dates for these installments for a calendar year taxpayer are as follows.

Installment	Due Date
First	April 18, 2011
Second	June 15, 2011
Third	September 15, 2011
Fourth	January 17, 2012

The dates above apply to a 2011 calendar year individual. For fiscal years, the payments are due on or before the 15th day of the fourth, sixth and ninth months of the current fiscal year, and the first month of the next fiscal year.

If 1 through 3 below apply, you do not have to make your payments in four equal installments.

1. **File and pay by January 31, 2012.** If you file your Arizona return by January 31, 2012, and pay in full the amount stated on the return as payable, you do not have to make the **fourth** estimated tax payment. Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.

2. **Farmer or fisherman**. If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a calendar year filer is January 17, 2012. The due date for a fiscal year filer is the 15th day of the first month after the end of a fiscal year. There is no requirement to make this payment if you file your Arizona return on or before March 1, 2012, and pay in full the amount stated on the return as payable. Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.

3. **Nonresident alien.** If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments. The due dates for these installments are June 15, 2011, September 15, 2011, and January 17, 2012. The first installment must equal 50% of your total required payments.

Voluntary Payments

An individual who does not have to make Arizona estimated income tax payments may choose to make them. Taxpayers who make such an election may choose one of the following methods to make their payments.

Method 1: If you file federal estimated tax, you can file an Arizona Estimated Tax Payment Form 140ES at the same time. The amount that you remit with Form 140ES should be 10%, 15%, or 20% of the amount that you paid on the federal **Form 1040-ES.**

Method 2: You may file installments using Arizona Estimated Tax Payment Form 140ES. If you are a calendar year taxpayer, pay four installments by the following dates.

Installment	Due Date
First	April 18, 2011
Second	June 15, 2011
Third	September 15, 2011
Fourth	January 17, 2012

If you are a fiscal year filer, use the due dates established for federal filing.

The sum of the amounts remitted should equal your estimated end-of-tax-year liability.

Method 3: You may file an Arizona Estimated Tax Payment Form 140ES with a single, lump-sum payment before January 17, 2012. The payment should reflect your estimated end-of-tax-year liability.

Record of Estimated Payments		
Payment #	**Date Made**	**Amount**
Amount of 2010 overpayment applied to 2011 estimated tax		
1		
2		
3		
4		
	Total:	

Sending Your Payment

Individuals may make estimated payments by check, electronic check, money order, or credit card. Partnerships or S corporations making estimated payments on behalf of nonresidents participating in the filing of a composite return must make those payments by check or money order.

Check or money order

Fill in the amount of your payment on Form 140ES. Round your payment to the nearest dollar. Your payment is the amount you figured using the worksheet for computing estimated payments.

Make your check payable to Arizona Department of Revenue and mail your check along with Form 140ES to:

Arizona Department of Revenue
PO Box 29085
Phoenix, AZ 85038-9085.

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

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.*

You can pay your 2011 estimated tax with an electronic payment from your checking or savings account. 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. 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: *If you are paying by electronic check, **do not** use Form 140ES. We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.*

Credit card payment

You can pay your 2011 estimated tax through a third-party service provider using your Visa, MasterCard, Discover, or American Express credit card. Go to www.aztaxes.gov, click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider will charge you a convenience fee based on the amount of your tax payment. If you accept the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

NOTE: *If you are paying by credit card, **do not** use Form 140ES. We will apply your estimated tax payment to your account. You must claim the estimated payment on your original return when you file.*

ONE STAPLE. NO TAPE.

ARIZONA FORM
140ET

Credit for Increased Excise Taxes

FOR CALENDAR YEAR **2010**

95 ☐ ◀ **Check box 95 if amended for year 2010**

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).**	Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name		Spouse's Social Security No.
Current Home Address - number and street, rural route 2 / Apt. No.	Daytime Phone (*with area code*)		Home Phone (*with area code*) 94
City, Town or Post Office 3 / State / Zip Code			

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
88
81 80

Filing Status: *(check the appropriate box)*

4 ☐ Married filing joint return
5 ☐ Head of household ..... ▶ NAME OF QUALIFYING CHILD OR DEPENDENT
6 ☐ Married filing separate return. *Enter spouse's name and Social Security No. above.*
7 ☐ Single

Who Can Use Form 140ET?

File Form 140ET only if you meet the following:

(a) You are not required to file an income tax return and you do not qualify for the property tax credit on Form 140PTC.
(b) You were an Arizona resident during 2010.
(c) You are not claimed as a dependent by any other taxpayer.
(d) You were not sentenced for at least 60 days of 2010 to a county, state, or federal prison.
(e) Your federal adjusted gross income is:
- $25,000 or less if you are married filing a joint return;
- $12,500 or less if single;
- $25,000 or less if you are filing as head of household;
- $12,500 or less if married filing a separate return.

(f) If you meet **ALL** of items (a) through (e), you may claim this credit. Complete Form 140ET to figure your credit.
(g) Do not file Form 140ET if you are filing an income tax return using Form 140, Form 140A, Form 140EZ or Form 140PY. You may claim this credit on those forms by completing the worksheet in the instructions for those forms.
(h) Do not file Form 140ET if you are filing Form 140PTC. You may claim this credit on Form 140PTC.

8 I have read the above information, and I certify that I qualify to claim this credit on this form ..... **8** ☐ **YES** ☐ **NO**

9 *List dependents (see instructions).* If married filing a joint claim, you may list up to 2 dependents; all others may list up to 3.

	FIRST NAME	LAST NAME	SOCIAL SECURITY NUMBER
9A1			
9A2			
9A3			

10 Total number of dependents entered on lines 9A1 through 9A3 ..... **10**
11 If you checked box 4, *enter the number "2"* here. If you checked box 5, 6, or 7, *enter the number "1"* here. **11**
12 *Add* the amount on line 10 and line 11. *Enter the total* **12**
13 *Multiply* the amount on line 12 by $25. *Enter the result* **13** 00
14 *Enter the smaller of* line 13 or $100.00 ..... **14** 00

Direct Deposit of Refund: ***Check box 14A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions* ..... **14A** ☐

98 ROUTING NUMBER ACCOUNT NUMBER C ☐ Checking or S ☐ Savings

If this is your first claim for 2010, STOP HERE, AND GO TO THE SIGNATURE BOX BELOW.
If this is an amended claim, *complete lines 15 through 17, and check the box at the top of the form.*

AMENDED

15 *Enter the amount* from line 5 of the worksheet on page 3 of the instructions **15** 00
16 Additional refund: If line 14 is larger than line 15, *subtract* line 15 from line 14 ..... **16** 00
17 Amount to pay: If line 14 is less than line 15, *subtract* line 14 from line 15. *Make check made payable* to Arizona Department of Revenue; ***include SSN on payment***. Attach payment to upper left corner of page..... **17** 00

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN PAID PREPARER'S ADDRESS ( ) PAID PREPARER'S PHONE NO.

ADOR 10532 (10)
Previous ADOR 91-5323

Mail this claim to: **Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.**

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2010 Credit for Increased Excise Taxes

Arizona Form 140ET

Phone Numbers

If you need help, please call one of these numbers.

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
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.azdor.gov**

Who Can Use Form 140ET?

NOTE: *Do not file Form 140ET if you are filing an income tax return using Form 140, Form 140A, Form 140EZ, or Form 140PY. You may claim this credit on those forms by completing the worksheet in the instructions for those forms.*

File Form 140ET only if you meet the following.

1. You are not required to file an income tax return and you do not qualify for the property tax credit on Form 140PTC.
2. You were an Arizona resident during 2010.
3. You are not claimed as a dependent by any other taxpayer.
4. You were not sentenced for at least 60 days of 2010 to a county, state or federal prison.
5. Your federal adjusted gross income is:
   - $25,000 or less if you are married filing a joint return;
   - $25,000 or less if you are filing as head of household;
   - $12,500 or less if single;
   - $12,500 or less if married filing separately.

Your federal adjusted gross income is income that you must report on your federal income tax return less adjustments to income allowed on the federal income tax return. If you are not sure if your federal adjusted gross income meets the limit, you may want to complete a federal income tax return.

If you meet **all** of 1 through 5 above, you may claim a credit for increased excise taxes paid. Complete Form 140ET to figure your credit.

NOTE: *The credit cannot exceed $100 per household. Do not file form 140ET if someone else in your household has already claimed $100 of the credit. If someone else in your household has filed Form 140ET claiming less than $100, you may file Form 140ET. The total of all credit claims filed from your household cannot be more than $100.*

How do I Know if I Must File an Income Tax Return?

You must file an Arizona income tax return if:

- Your gross income is $15,000 or more. Figure your gross income the same as you would figure your gross income for federal income tax purposes.
- Your Arizona adjusted gross income is $11,000 or more if married filing a joint return.
- Your Arizona adjusted gross income is $5,500 or more if single, head of household, or married filing a separate return.

Your Arizona adjusted gross income is your federal adjusted gross income modified by additions and subtractions allowed under Arizona law. If you are not sure if your Arizona adjusted gross income meets this limit, you may want to complete an Arizona income tax return.

How do I Know if I Qualify for the Property Tax Credit?

You may take the property tax credit using Form 140PTC if you meet **all** the following.

- You were either 65 or older in 2010 or receiving SSI Title 16 income from the Social Security Administration.
- You were an Arizona resident for the full year in 2010.
- You paid property tax on your Arizona home in 2010. You paid rent on taxable property for the entire year or you did a combination of both.
- If you lived alone, your income from all sources was under $3,751. If you lived with others, the household income was under $5,501.

Do not file Form 140ET if you are filing Form 140PTC. You may claim this credit on Form 140PTC.

When Should You File?

You should file this form by April 18, 2011. You may request an extension using Form 204.

How to File Form 140ET

Complete Form 140ET and mail the completed Form 140ET to:

Arizona Department of Revenue
P.O. Box 52138
Phoenix AZ 85072-2138

What if a Claimant Died?

If a claimant died before filing a claim for 2010, the taxpayer's spouse or personal representative may file and sign a Form 140ET for that person.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

You must also complete **Form 131**, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of Form 140ET.

How do I Amend a Claim?

For 2010, if you need to make changes to your claim once you have filed, you should file a corrected Form 140ET. Be sure to check box 95 at the top of the return.

Line-by-Line Instructions

Taxpayer Identification Number

Make sure that every return, statement, or document that you file with the department has your SSN. Make sure your SSN is clear and correct. You may be subject to a penalty if you fail to include your SSN. It may take longer to process your claim if your SSN is missing, incorrect, or unclear.

ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an ID number where asked. A paid preparer may use any of the following.

- his or her SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

Line 1 -

Type or print your name in black ink. Include your first name, middle initial, and last name. Enter your SSN in the space provided. If a joint claim, also enter your spouse's name and SSN.

Line 2 -

Print or type your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

Line 3 -

Print or type the name of your city, town, or post office. Also include your state and zip code.

Filing Status Lines 4 through 7 -

Use this section to determine your filing status. Check the correct box (4 through 7) on the front of Form 140ET.

Line 4 - Married Filing a Joint Claim

You may file a joint claim if you were married as of December 31, 2010. You may also file a joint claim if your spouse died in 2010 and you did not remarry in 2010.

Line 5 - Head of Household

You may use the head of household status, only if one of the following applies.

- You qualify to file as head of household for federal income tax purposes.
- You qualify to file as a qualifying widow or widower for federal income tax purposes.

For federal income tax purposes, you may be able to file as head of household if you meet all of the following requirements.

1. You are unmarried or considered unmarried on the last day of the year.
2. You paid more than half the cost of keeping up a home for the year.
3. A qualifying person must live with you in the home for more than half the year (except for temporary absences, such as school).

To find out more about being a head of household or a qualifying widow or widower, see federal publication 501.

Line 6 - Married Filing Separately

You may use this filing status if married as of December 31, 2010, and you elect to file a separate claim.

If you are filing a separate claim, check the box on line 6 and enter your spouse's name and SSN on the second box 1.

Line 7 - Single

File a single claim if you were single on December 31, 2010. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 2010, and you did not remarry in 2010, and you do not qualify to file as a qualifying widow or widower with dependent children for federal income tax purposes.

Line 8 -

Read the information under the heading "Who Can Use Form 140ET?" and answer the question on line 8.

Line 9 - Dependents

You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is an Arizona nonresident. List only those people that qualify as your dependent for federal income tax purposes. Except do not list any dependent that is not an Arizona resident.

On lines 9A1 through 9A3, enter each dependent's name and SSN.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following 5 tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a family member all year.
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return. But the person can file a joint federal return if the return is filed only as a claim for refund and no tax liability would exist for either spouse if they had filed separate returns.
3. **Citizen or Resident Test.** The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.
4. **Income Test.** The person's gross income must be less than $3,650.
5. **Support Test.** You must have provided over half of the person's total support in 2010.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following 4 tests:

1. **Relationship test.** The child must be your child (including an adopted child, stepchild, or eligible foster child), brother, sister, stepbrother, stepsister, or a descendent of one of these relatives.
2. **Residency test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home.
3. **Age test**. The child must be under age 19 at the end of the year, or under age 24 at the end of 2010 if a student, or any age if permanently and totally disabled.
4. **Support test.** The child cannot have provided over half of his or her own support during the year.

To learn more about who may be a dependent, see federal publication 501.

Lines 10 through 14 -

Complete lines 10 through 14 as instructed on the form.

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 14 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 14A if the direct deposit will ultimately be placed in a foreign account. If you check box 14A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

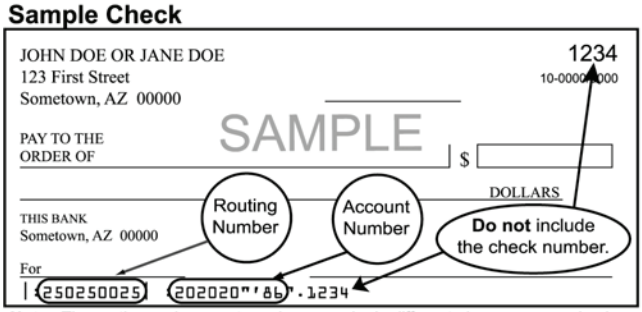
The routing number must be 9 digits. The first 2 digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the following sample check, the routing number is 250250025.

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

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 below, the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

Instructions for Amending

Use this form to correct your credit if Form 140ET is the only form that you have filed.

If amending, check box 95 on the top of Form 140ET.

Use the following lines to correct an already filed 2010 Form 140ET.

Line 15 -

Use the following worksheet to figure the amount to enter on this line.

1. Enter the total credit you received from your original 2010 Form 140ET.	1.
2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2010 140ET claims.	2.
3. Add lines 1 and 2. Enter the total.	3.
4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2010 140ET claims.	4.
5. Subtract line 4 from line 3. Enter the result here and on Form 140ET, line 15.	5.

Line 16 -

If line 14 is larger than line 15, subtract line 15 from line 14. Enter the result.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

Line 17 -

If line 14 is less than line 15, subtract line 14 from line 15. Enter the result.

This is the amount of the credit that you must repay to the state.

Make checks payable to: Arizona Department of Revenue. Write your SSN on the check. Attach your check to the front of Form 140ET in the upper left hand corner.

Before Filing

Check to make sure that your math is correct.

Sign your claim in the space provided on the bottom of the form.

Mail your claim to the address listed on page 1 of these instructions.

If amending a claim for a year before 2010, call one of the numbers listed on page 1 of these instructions.

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ARIZONA FORM
140PTC

Property Tax Refund (Credit) Claim

You must file this form, or Form 204, by April 18, 2011.

FOR CALENDAR YEAR **2010**

82F ☐ **Check box 82F if filing under extension**

95 ☐ **Check box 95 if amended for year 2010**

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	**You must enter your SSN(s).** Your Social Security No.
If a joint claim, Spouse's First Name and Initial 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route 2 — Apt. No.	Daytime Phone (*with area code*)	Home Phone (*with area code*) 94
City, Town or Post Office 3 — State — Zip Code	Your Date of Birth 79 MM DD YYYY	

REVENUE USE ONLY. DO NOT MARK IN THIS AREA. 88 81 80

Qualifications for Credit *(Check the boxes that apply):*

		Rent	Own
4 On December 31, 2010, were you renting or did you own? If you own a mobile home but rent the space, *check* "Rent"	4	☐	☐
		Yes	**No**
5 Were you an Arizona resident for all of 2010? If "No", **STOP**. You do not qualify	5	☐	☐
6 Did you pay property taxes on your home, pay rent, or pay a combination of both in 2010? *See instructions* for qualifications. If "No", **STOP**. You do not qualify	6	☐	☐
7 Is this the only Property Tax Refund being claimed in your household? If "No", **STOP**. You do not qualify	7	☐	☐
8 Were you age 65 or older in 2010? *Enter your birth date* in box 79 above	8	☐	☐
9 Did you receive Title 16, SSI payments in 2010? **If "Yes", *attach proof*.** If you answered "No" to both 8 and 9, **STOP**. You do not qualify.	9	☐	☐

Income

10 TOTAL HOUSEHOLD INCOME: *Enter the amount* from page 2, Part I, line J, column 4	10		00

Credit

11 a If you lived alone, *enter the amount of credit* from page 2, Part I, Schedule I, *and check the box* **11a** ☐ Schedule I			
b If you lived with your spouse or one or more other persons, *enter the amount of credit* from page 2, Part I, Schedule II, *and check the box* **11b** ☐ Schedule II	11		00
12 If you owned your property, *enter property taxes actually paid during 2010*. ***Attach proof* of property taxes paid during 2010**	12		00
13 If you rented, *enter property taxes paid by your landlord* on your portion of rents. *Attach* Form 201	13		00
14 Total property taxes paid in 2010. *Add* lines 12 and 13	14		00
15 Amount of Property Tax Credit: *Enter the smaller of* line 11 or line 14	15		00

16 If you have been claimed as a dependent on anyone else's tax return, *complete the following*:

Name Of Taxpayer Who Claimed You	Social Security No.
Address:	

If you are not claimed as a dependent on anyone else's tax return, *turn the form over and complete Part II*.
If someone else claims you as a dependent, *skip lines 17 and 18, and complete line 19.*

17 Credit for increased excise taxes **from Form 140PTC, page 2, Part II, line 6**	17		00
18 *Enter the number* from page 2, Part II, line 2, here **18**			
19 Total Credit: *Add* lines 15 and 17, and *enter the total. See page 5 of the instructions* if you have to file Arizona Form 140 or Form 140A	19		00

Direct Deposit of Refund: ***Check box 19A*** if your deposit will be ultimately placed in a **foreign account**; *see instructions* **19A** ☐

98 ROUTING NUMBER ACCOUNT NUMBER C ☐ Checking or S ☐ Savings

If this is your first claim for 2010, STOP HERE AND GO TO THE SIGNATURE BOX ON PAGE 2. If this is an amended claim, complete lines 20 through 22, and *check the box at the top of the form.*

AMENDED

20 *Enter the amount* from line 5 of the worksheet on page 6 of the instructions	20		00
21 Additional refund: If line 19 is larger than line 20, *subtract* line 20 from line 19	21		00
22 Amount to pay: If line 19 is less than line 20, *subtract* line 19 from line 20. *Make check payable to* Arizona Department of Revenue; ***include SSN on payment***; *attach payment to upper left corner of page*	22		00

Continued on page 2 ➔

ADOR 10567 (10) [Previous ADOR 91-5373]

Your Name (as shown on page 1)	Your Social Security No.

Part I Schedule of Household Income

		(1) YOU	(2) YOUR SPOUSE	(3) OTHER PERSONS	(4) TOTAL (1+2+3)
A Salaries, wages, tips, etc., received in 2010	**A**				
B Dividend and interest income received in 2010	**B**				
C Business and farm income	**C**				
D Gain or loss from sale or exchange of property	**D**				
E Pension and annuity income. Include Arizona state and local retirement benefits, civil service, and military retirement. Do not include social security or railroad retirement benefits	**E**				
F Rent and royalty income	**F**				
G Partnership, estate, and trust income	**G**				
H Alimony	**H**				
I Other Income: *Specify source on separate sheet*	**I**				
J Total household income: *Add* lines A through I in column 4. *Enter here and on the front of this form, line 10*	**J**				

Use the amount on line J, column 4, to compute your credit from the proper schedule below.

2010 Schedule I *If you live alone, use this Schedule.*				2010 Schedule II *If you live with your spouse or another person, use this Schedule.*			
Household Income	Tax Credit	Household Income	Tax Credit	Household Income	Tax Credit	Household Income	Tax Credit
$ 0 - 1,750	$502	$ 2,751 - 2,850	$256	$ 0 - 2,500	$502	$ 4,001 - 4,150	$256
1,751 - 1,850	479	2,851 - 2,950	234	2,501 - 2,650	479	4,151 - 4,300	234
1,851 - 1,950	457	2,951 - 3,050	212	2,651 - 2,800	457	4,301 - 4,450	212
1,951 - 2,050	435	3,051 - 3,150	189	2,801 - 2,950	435	4,451 - 4,600	189
2,051 - 2,150	412	3,151 - 3,250	167	2,951 - 3,100	412	4,601 - 4,750	167
2,151 - 2,250	390	3,251 - 3,350	145	3,101 - 3,250	390	4,751 - 4,900	145
2,251 - 2,350	368	3,351 - 3,450	123	3,251 - 3,400	368	4,901 - 5,050	123
2,351 - 2,450	345	3,451 - 3,550	100	3,401 - 3,550	345	5,051 - 5,200	100
2,451 - 2,550	323	3,551 - 3,650	78	3,551 - 3,700	323	5,201 - 5,350	78
2,551 - 2,650	301	3,651 - 3,750	56	3,701 - 3,850	301	5,351 - 5,500	56
2,651 - 2,750	279	3,751 and up	0	3,851 - 4,000	279	5,501 and up	0

Enter the amount of credit on the front of this form, line 11.

Part II Credit for Increased Excise Taxes

Do not complete Part II if you completed line 16 on page 1 of Form 140PTC. Do not complete Part II if you were sentenced for at least 60 days of 2010 to a county, state, or federal prison.

1 *List* dependents. *See page 5 of the instructions.*

	FIRST AND LAST NAME	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2010
1a				
1b				
1c				

2 *Enter total number of dependents* listed on lines 1a through 1c	**2**		
3 If you are married filing a joint claim, *enter the number "2"* here. Otherwise, *enter the number "1"*	**3**		
4 *Add* the amount on line 2 and line 3, and *enter the total*	**4**		
5 *Multiply* the amount on line 4 by $25, and *enter the result*	**5**		00
6 *Enter the smaller of* line 5 or $100. *Also, enter this amount* on Form 140PTC, page 1, line 17.	**6**		00

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

132 ***Mail to* Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138**

2010 Property Tax Refund (Credit) Claim

Arizona Form 140PTC

NOTICE: *If you are age 70 or over and meet certain tests, you may be able to defer the payment of your property taxes on your home. You should contact your county assessor for details. If you defer your property taxes, you cannot claim the property tax credit for those taxes.*

Purpose of Form

Use Form 140PTC to file an original claim for the property tax credit. If you are claiming the property tax credit, you may also use Form 140PTC to claim a credit for increased excise taxes.

Also use Form 140PTC to amend a 2010 Form 140PTC. If amending, check box 95 on the top of the form.

Who Can Use Form 140PTC?

File Form 140PTC only if you meet the following.

1. You were a resident of Arizona for the whole year. (From January 1, 2010, to December 31, 2010.)
2. You were either 65 or older by December 31, 2010, or you received SSI Title 16 payments during 2010. (You must meet only one of these requirements.)
3. Your total household income was less than $3,751 if you lived alone. If others lived with you, your total household income was less than $5,501.
4. You paid property taxes or rent on your main home in Arizona during 2010. You may also have paid both property taxes and rent for the whole year of 2010. If you only paid rent during 2010, you must have rented for the whole year. You also meet this requirement if one of the following applies.

- You were a resident of a nursing home in Arizona. The nursing home was subject to and paid property taxes. You used your social security or other personal funds to pay the nursing home.
- You were a shareholder of a cooperative corporation in Arizona. The unit that you lived in was your main home during 2010.
- You were a member of a condominium association in Arizona. Your unit was your main home during 2010.

If you meet **all** of 1 through 4 above, you may claim a refund of Arizona property taxes. Complete Form 140PTC to figure your credit.

When Should You File?

You have extra time to file for 2010 because April 15, 2011 is a legal holiday in Washington DC. This means that you have until April 18, 2011 to file this claim. File your claim as soon as you can after January 1, but no later than April 18, 2011. You must file this form by April 18, 2011. **We will disallow your credit if you do not file on time.**

What if You Cannot File on Time?

You may ask for an extension if you know you will not be able to file on time. We can grant an extension for up to six (6) months.

To apply for an extension, file Arizona Form 204. You must file Form 204 by April 18. See Form 204 for details. If you are filing Form 140PTC under an extension, make sure that you check box **82F** on page 1 of the return.

We cannot allow your credit if the U.S. Post Office does not postmark your request by April 18, 2011. You may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filed" rule.

How to File Form 140PTC

If you must file an Arizona tax return (Form 140 or Form 140A), attach the completed Form 140PTC to your return.

If you do not have to file an Arizona income tax return, complete only the Form 140PTC. Mail Form 140PTC to:

Arizona Department of Revenue
P O Box 52138
Phoenix AZ 85072-2138.

What You Must Attach When You File

When you file a PTC claim, you must attach certain documents to your claim. Attach all required documents after page 2 of Form 140PTC, using only one staple where shown. If you do not attach the required documents to your PTC claim, the department will disallow your claim. To find out what you must attach, look at the following list. Find the heading(s) that applies to you.

Title 16 Supplemental Security Income (SSI) Recipient

When you file your PTC claim, **you must attach** a statement from the Social Security Administration.

Attach this statement to the back of your claim. This statement must show all of the following.

1. Your name and address.
2. Your SSN.
3. The payments you received or are due to receive are Title 16 SSI payments.
4. The period for which you received or are due to receive Title 16 SSI payments.
5. The date the Social Security Administration issued the statement.

Homeowner

When you file your PTC claim, **you must attach** a copy of a statement showing your property taxes that you **paid in 2010**. Attach this statement to the back of your claim. This statement may be one of the following.

1. A copy of your property tax statement from your mortgage company.
2. A copy of your paid receipt from your county treasurer.
3. Your property tax bill with copies of both the fronts and backs of your canceled checks that were cashed in 2010.

Renter

When you file your PTC claim, **you must attach** a completed Form 201. Attach this statement to the back of your claim. You must get Form 201 from your landlord. You must fill out lines 13 through 15 unless they already contain the correct information. Your landlord must complete and sign the Form 201. The Arizona Form 201 provides your proof of property taxes paid from your rent.

If you own a mobile home but rent the space, complete the Form 140PTC as a renter. Attach a completed Form 201 **and** a statement showing your property taxes you paid in 2010. See the "homeowner" instructions to find out what kind of property tax statement you should attach.

Nursing Home Resident

When you file your PTC claim, **you must attach** a completed Form 201. Attach the Form 201 to the back of your claim.

You must get Form 201 from your nursing home administrator. Your nursing home administrator must complete and sign the Form 201. The nursing home will let you know how much of the amount paid to the nursing home is allocable to rent.

Shareholder of a Cooperative Corporation

When you file your PTC claim, **you must attach** a statement that shows your share of the assessed property taxes. Attach this statement to the back of your claim. You must get this statement from the cooperative corporation. You must also attach one of the following.

1. A copy of a statement from the mortgage company showing the corporation's total property tax.
2. A copy of the corporation's tax bill stamped "paid."

Member of a Condominium Association

When you file your PTC claim, **you must attach** a statement that shows your share of the assessed property taxes. Attach this statement to the back of your claim. You must get this statement from the condominium association. You must also attach one of the following.

1. A copy of a statement from the mortgage company showing the association's total property tax.
2. A copy of the association's tax bill stamped "paid."

Line-by-Line Instructions

Taxpayer Identification Number

Make sure that every return, statement, or document that you file with the department has your SSN. Make sure your SSN is clear and correct. You may be subject to a penalty if you fail to include your SSN. It may take longer to process your claim if your SSN is missing, incorrect, or unclear.

ID Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an ID number where asked.

A paid preparer may use any of the following.

- his or her SSN
- his or her PTIN
- the federal employer identification number for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

Line 1 -

Type or print your name in black ink. Include your first name, middle initial and last name. Enter your SSN in the space provided.

What if a Claimant Died?

If a claimant died before filing a return for 2010, the taxpayer's spouse or personal representative may file and sign a Form 140PTC for that person.

Enter the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

How do I Claim a Refund for a Deceased Claimant?

If you are claiming a refund, you must complete **Form 131**, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the PTC claim.

Line 2 -

Print or type your current address. Include your house or building number and street or rural route. Include your apartment number if you live in an apartment. Include your mobile home lot number if you live in a mobile home.

Make sure you include your home phone number. Include a daytime phone number if your daytime number is not the same as your home number.

Enter your date of birth in the space provided.

Line 3 -

Print or type the name of your city, town, or post office. Also include your state and zip code.

Line 4 -

Check the box marked "Own" if one of the following applies.

1. You owned your home on December 31, 2010. You paid property tax during 2010.
2. You were a member of a condominium association.
3. You were a shareholder of a cooperative corporation.

Check the box marked "Rent" if one of the following applies.

1. You were renting a home.
2. You were renting an apartment.
3. You were renting a mobile home lot.
4. You were a nursing home resident.

Line 5 -

Check "Yes" if you were a resident of Arizona for the whole year. (From January 1, 2010, to December 31, 2010.) To qualify for the property tax credit, you must have lived in Arizona for the whole year.

Line 6 -

Check "Yes" if one of the following applies.

1. You **paid** property taxes on your main home in Arizona during 2010.
2. You **paid** rent on your main home in Arizona for all of 2010.
3. You **paid** both rent and property taxes on your main home in Arizona for all of 2010.
4. You were a resident of a nursing home in Arizona. That nursing home was subject to and paid property taxes. You used your social security or other personal funds to pay the nursing home.
5. You were a shareholder of a cooperative corporation in Arizona. The unit that you lived in was your main home during 2010.
6. You were a member of a condominium association in Arizona. Your unit was your main home during 2010.

Line 7 -

Check "Yes" if this is the only PTC being claimed in your household.

NOTE: *Arizona law allows only one 140PTC claimant per household per year. If someone else in your household has already filed a 140PTC claim for 2010, do not file this claim. If you have already filed a claim for 2010, do not file another Form 140PTC for 2010, unless you are amending your original claim for 2010.*

To qualify for the tax credit, your answers to questions 5 through 7 must be "Yes."

Line 8 -

Check "Yes" if you were 65 or older on December 31, 2010. (You must enter your date of birth in the space provided on line 3.)

Line 9 -

Check "Yes" if you received Title 16 SSI payments in 2010.

NOTE: *This is not your normal social security disability. This is for people with limited incomes who are either blind, disabled, or over age 65.*

To qualify for the tax credit you must have answered "yes" to either question 8 or 9.

Income

Turn the form over and complete the "Schedule of Household Income" under Part I.

In the proper column list all income, except as noted below. You must list all income that you, your spouse, and any other member of your household received or earned in 2010. Anyone who lives in the same dwelling unit as you is a member of your household. Enter the total for each line in column 4.

You must figure the income for each household member. Household income is the total of each household member's income. Enter your income in column 1. If your spouse lived with you, enter your spouse's income in column 2. If you lived with another person, enter that person's income in column 3. If you lived with more than one other person, fill out a separate schedule for each other person.

Do not include income from the following:

- Social security benefits
- Railroad Retirement benefits
- Workers' Compensation "Loss of Time" insurance payments
- Arizona unemployment insurance payments
- Veteran's disability pensions
- Welfare payments, surplus food, or other relief provided by a governmental agency
- Gifts from non-governmental sources
- Form 140PTC refunds received last year

Line A -

Enter the salaries, wages, tips, etc., received by each member of the household in 2010.

Line B -

Enter all dividend and interest income. Enter all amounts received by each member of the household in 2010. You must include interest income that Arizona does not tax. Interest income that you must enter here includes:

- Interest income from federal obligations
- Interest income from Arizona municipalities

Line C -

Enter all of the business and farm income. Enter all business and farm income for each member of the household.

Line D -

For each member of the household combine gains and losses from the sale or exchange of property. If the result is a gain, enter the gain. If the result is a loss, enter only up to a maximum of $1,500.

Line E -

Enter the income that each member of the household received from pensions and annuities in 2010. You should **not** include income from the following:

- Social security benefits
- Railroad Retirement benefits
- Veteran's disability pensions

You must include income from **all** other pensions and annuities. Pension income that you must enter here includes:

- All retirement payments from the federal government, except those listed above
- All retirement payments from the State of Arizona
- All retirement payments from any local government (including police and school districts)
- Any IRA distributions

Line F -

Enter all rent and royalty income received by each member of the household in 2010.

Line G -

Enter all partnership, estate, or trust income received by each member of the household in 2010.

Line H -

Enter all alimony received by each member of the household in 2010.

Line I -

Enter any other income that each member of the household received in 2010. Attach a schedule listing the source of the income for all amounts listed. Some examples of income you should enter here are:

- Strike benefits exempt from tax; and
- Unemployment insurance payments from states other than Arizona.

Line J -

Enter the total of column 4, lines A through I, on line J, column 4, and on the front page, line 10.

To find out more about household income and adjusted gross income for this credit, see the department's tax ruling ITR 92-4.

Now return to the front of the form.

Line 11a -

If you lived alone, place an "X" in the box marked "Schedule I". Look at Schedule I under Part I on the back of the form. Under “Household Income”, find the amount you entered on line 10.

Find the amount shown next to your “Household Income” in the “Tax Credit” column. Enter that amount on line 11.

Line 11b -

If you lived with your spouse or one or more other persons, place an "X" in the box marked "Schedule II". Look at Schedule II under Part I on the back of the form. Under “Household Income”, find the amount you entered on line 10.

Find the amount shown next to your “Household Income” in the “Tax Credit” column. Enter that amount on line 11.

Line 12 - Complete if You Own Your Home

If you owned your home, enter the total amount of property taxes that you **actually** paid in 2010.

If you pay your property taxes in two payments, use only those amounts actually paid in 2010. The following example will show you how to figure these amounts.

Example:

Facts: John owns his own home. Every year, John pays his property taxes in two payments. John makes the first payment in October. John makes the second payment in March. To figure how much property tax John paid in 2010, John must look at taxes paid for both 2009 and 2010.	
John's 2009 property taxes were	$600
John paid 1/2 of his 2009 property taxes on October 1, 2009	$300
John paid the other 1/2 of his 2009 property taxes on March 1, 2010	$300
John's 2010 property taxes were	$700
John paid 1/2 of the 2010 taxes on October 1, 2010	$350
John paid the other 1/2 of his 2010 property taxes on March 1, 2011	$350
During 2010, John paid property taxes for both 2009 and 2010. John paid 2009 taxes of $300 on March 1, 2010. John also paid 2010 taxes of $350 on October 1, 2010. John would enter $650 on line 12. This is the amount John actually paid in 2010.	

Line 13 - Complete if You Rented During 2010

If you rented during 2010, enter the amount from Form 201, Part III, Line 15.

Line 14 -

Add lines 12 and 13.

Line 15 - Property Tax Credit

Enter the smaller of line 11 or line 14.

Line 16 -

Complete line 16 if someone else claimed you as a dependent on his or her tax return. Enter the name, address, and SSN of the person who claimed you as a dependent.

NOTE: *If you complete line 16, do not complete lines 1 through 6 on Page 2, Part II.*

Line 17 -

If you are **not** claimed as a dependent on anyone else’s tax return, turn the form over and complete Part II. If you are claimed as a dependent on someone else’s tax return, enter zero “0” here.

Page 2, Part II, Credit for Increased Excise Taxes

Lines 1 through 6 -

NOTE: *The credit on Part II, line 6 cannot exceed $100 per household. Do not claim this credit if someone else in your household has already claimed $100 of the credit. If someone else in your household has claimed less than $100, you may claim the credit, if eligible, as long as all credit claims filed from your household do not exceed $100.*

NOTE: *If you were sentenced for at least 60 days of 2010 to a county, state or federal prison, you are not eligible to claim the credit for increased excise taxes for 2010. In this case, do not complete Part II.*

Part II, Line 1 -

List your dependents. You may claim this credit for dependents that are residents of Arizona. You cannot claim this credit for a dependent that is an Arizona nonresident. List only those people that qualify as your dependent for federal income tax purposes. Except do not list any dependent that is not an Arizona resident.

Enter the following on line(s) 1a through 1c.

1. The dependent's name.
2. The dependent's SSN.
3. The dependent's relationship to you.
4. The number of months the dependent lived in your home during 2010.

For federal income tax purposes, a dependent is either a qualifying child or a qualifying relative.

To claim a **qualifying relative** as a dependent for federal purposes, you must meet the following 5 tests:

1. **Relationship Test.** The person must be either your relative or have lived in your home as a family member all year.
2. **Joint Return Test.** If the person is married, he or she cannot file a joint federal return unless the return is filed only as a claim for refund and no tax liability would exist for either spouse if they had filed separate returns.
3. **Citizen or Resident Test.** The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.
4. **Income Test.** The person's gross income must be less than $3,650.
5. **Support Test.** You must have provided over half of the person's total support in 2010.

To claim a **qualifying child** as a dependent for federal purposes, you must meet the following 4 tests:

1. **Relationship test.** The child must be your child (including an adopted child, stepchild, or eligible foster child), brother, sister, stepbrother, stepsister, or a descendent of one of these relatives.
2. **Residency test.** The child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home.
3. **Age test**. The child must be under age 19 at the end of the year, or under age 24 at the end of 2010 if a student, or any age if permanently and totally disabled.
4. **Support test.** The child cannot have provided over half of his or her own support during the year.

To learn more about who may be a dependent, see federal publication 501.

Complete Part II, lines 2 through 6 as instructed on the form. Make sure you enter the amount on Part II, line 6 on Form 140PTC, page 1, line 17.

Line 18 -

Enter the number from page 2, Part II, line 2 here.

Line 19 -

Add the amount on line 15 and line 17. Enter the total. This is your total credit. If you have to file an Arizona Form 140 enter the amount from Form 140PTC, page 1, line 15 on Form 140, page 1, line 35 and enter the amount from Form 140PTC, page 1, line 17 on Form 140, page 1, line 34. If you have to file an Arizona Form 140A enter the amount from Form 140PTC, page 1, line 15 on Form 140A, page 1, line 33 and enter the amount from Form 140PTC, page 1, line 17 on Form 140A, page 1, line 32.

Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 19 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 19A if the direct deposit will ultimately be placed in a foreign account. If you check box 19A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will send you a check instead.*

Why Use Direct Deposit?

- You get your refund fast!
- Payment is more secure, there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less 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. If the direct deposit is rejected, a check will be sent instead.*

Routing Number

The routing number must be 9 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 following sample check, the routing number is 250250025.

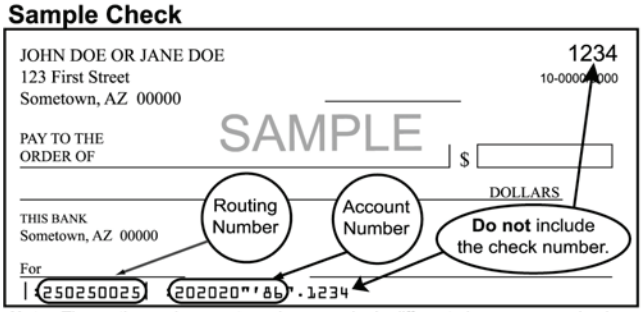
Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter here.

Account Number

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 below, the account number is 20202086. Be sure **not** to include the check number.

Sample Check



Note: *The routing and account numbers may be in different places on your check.*

Lines 20 through 22 -

Skip lines 20, 21, and 22 if this is your original claim. Complete lines 20, 21 and 22 only if you are amending a 2010 140PTC claim.

Instructions for Amending

Use this form to correct your credit if Form 140PTC is the only form that you have filed. If you filed Form 140 or Form 140A with your 140PTC claim, do not use this form to correct your credit. Instead use Form 140X.

Use the following lines to correct an already filed 2010 Form 140PTC.

Line 20 -

Use the following worksheet to figure the amount to enter on this line.

1. Enter the total credit you received from your original 2010 Form 140PTC.	1.
2. If this is not your first amended claim, enter any additional credit received from previously filed amended 2010 140PTC claims.	2.
3. Add lines 1 and 2. Enter the total.	3.
4. If this is not your first amended claim, enter any amount of credit you repaid with previously filed amended 2010 140PTC claims.	4.
5. Subtract line 4 from line 3. Enter the result here and on Form 140PTC, line 20.	5.

Line 21 -

If line 19 is larger than line 20, subtract line 20 from line 19. Enter the result.

This is the amount of additional credit you will receive as a refund if you owe no other taxes.

Line 22 -

If line 19 is less than line 20, subtract line 19 from line 20. Enter the result.

This is the amount of the credit that you must repay to the state.

Make your check payable to: Arizona Department of Revenue. Write your SSN on the check. Attach your check to the front of Form 140PTC in the upper left hand corner.

Before Filing

Check to make sure that your math is correct.

Make sure you have attached all required documents. Sign your claim in the space provided on the bottom of the form.

Mail your claim to the address listed on page 1 of these instructions.

If amending a claim for a year before 2010, call the department at one of the phone numbers listed on the quick and easy access to tax help.

ARIZONA FORM
140X

Individual Amended Income Tax Return

For Calendar Year: ☐ 2010 ☐ 2009 ☐ 2008 ☐ 2007 ☐ 2006 ☐ Other: Y Y Y Y OR Fiscal Year End (MONTH YEAR) M M Y Y 66

ONE STAPLE. NO TAPE.

Your First Name and Initial 1	Last Name	Your Social Security No.
Spouse's First Name and Initial *(if box 4 or 6 checked)* 1	Last Name	Spouse's Social Security No.
Current Home Address - number and street, rural route Apt. No. 2	Daytime Phone *(with area code)*	Home Phone *(with area code)* 94
City, Town or Post Office 3 / State / Zip Code		

You must enter your SSN(s).

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

88

81 80

Filing Status

Check box to indicate both filing and residency status:

		ORIGINAL RETURN	THIS RETURN
4 Married filing joint return	4	☐	☐
5 Head of household ▸ NAME OF QUALIFYING CHILD OR DEPENDENT	5	☐	☐
6 Married filing separate return: *Enter spouse's name and Social Security No. above*	6	☐	☐
7 Single	7	☐	☐

Residency

8 Resident	8	☐	☐
9 Nonresident	9	☐	☐
10 Part-year resident	10	☐	☐
11 Part-year resident active military	11	☐	☐
12 Nonresident active military	12	☐	☐

Exemptions

13 Age 65 or over: *Enter the number claimed*	13		
14 Blind: *Enter the number claimed*	14		
15 Dependents: *Enter the number claimed*	15		
16 Qualifying parents or ancestors	16		

Original Form Filed: *(Check only one)* 97

1 Form 140	1	
2 Form 140A	2	
3 Form 140EZ	3	
4 Form 140NR	4	
5 Form 140PY	5	

If 140NR or 140PY, *enter corrected percentage of Arizona residency* 86 . %

IMPORTANT: *You must enter an amount* in columns (a), (b), and (c) for lines 17 and/or 18, lines 19 through 25, lines 27, 31, 32, 35, and lines 37 through 40.

	ORIGINAL AMOUNT REPORTED (a)	AMOUNT TO ADD OR SUBTRACT (b)		CORRECTED AMOUNT (c)
17 Federal adjusted gross income	00	00	17	00
18 Form 140NR and 140PY filers only: *Enter Arizona gross income*	00	00	18	00
19 Additions to income	00	00	19	00
20 Subtotal: Form 140, 140A, 140EZ filers: *Add* line 17 and line 19. Form 140NR or 140PY filers: *Add* lines 18 and 19	00	00	20	00
21 Subtractions from income	00	00	21	00
22 Arizona adjusted gross income: *Subtract* line 21 from line 20	00	00	22	00
23 Deductions 23I ☐ ITEMIZED 23S ☐ STANDARD	00	00	23	00
24 Personal exemptions	00	00	24	00
25 Arizona taxable income: *Subtract* lines 23 and 24 from line 22	00	00	25	00
26 Tax from tax table: ☐ Table X or Y (140, 140NR or 140PY) ☐ Optional Table (140, 140A or 140EZ)			26	00
27 Tax from recapture of credits from Arizona Form 301, Part II	00	00	27	00
28 Subtotal of tax: *Add* lines 26 and 27, column (c)			28	00
29 Clean Elections Fund Tax Reduction claimed on original return	00		29	00
30 Reduced tax: *Subtract* line 29 from line 28, column (c)			30	00
31 Family income tax credit	00	00	31	00
32 Credits from Arizona Form 301 or Forms 310, 321, 322 or 323	00	00	32	00
33 Credit type: *Enter form number of each credit claimed* 33 3 3 3 3				
34 *Subtract* lines 31 and 32 from line 30			34	00
35 Clean Elections Fund Tax Credit. *See instructions*	00	00	35	00
36 Balance of tax: *Subtract* line 35 from line 34. If line 35 is more than line 34, enter "zero"			36	00
37 Payments (withholding, estimated, or extension)	00	00	37	00
38 Increased Excise Tax Credit	00	00	38	00
39 Property Tax Credit	00	00	39	00
40 Other refundable credits (2010 returns only) 40A1 ☐ 308-I 40A2 ☐ 342	00	00	40	00
41 Payment with original return *plus all payments after it was filed*			41	00
42 Total payments and refundable credits: *Add* lines 37 through 41, column (c)			42	00
43 Overpayment from original return or as later adjusted. *See instructions*			43	00
44 Balance of credits: *Subtract* line 43 from line 42			44	00
45 **REFUND/CREDIT DUE:** If line 36 is less than line 44, *subtract* line 36 from line 44, and *enter amount of refund/credit*			45	00
46 Amount of line 45 to be applied to 2011 estimated tax. If zero, *enter "0"*			46	00
47 **AMOUNT OWED:** If line 36 is more than line 44, *subtract* line 44 from line 36, and *enter the amount owed.* ☐ **Payment enclosed.**			47	00
48 *Check box 48* if this amended return is the result of a net operating loss, and *enter the year the loss was incurred* 48 ☐ 2 0 Y Y				

Attach required documents in upper left corner after page 2 of the return. Include any payment, federal and Arizona Schedules A.

ADOR 10573 (10)
Previous ADOR 91-5380

Be sure to write your SSN on payment and attach to upper left corner of this page.

REVENUE USE ONLY 82 99

Your Name (as shown on page 1)	Your Social Security No.

PART I: Dependent Exemptions - do not list yourself or spouse as dependents

List children and other dependents. If more space is needed, attach a separate sheet.

FIRST AND LAST NAME:	SOCIAL SECURITY NO.			RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME DURING THE TAXABLE YEAR

Enter the names of the dependents listed above who do not qualify as your dependent on your federal return:

Enter dependents listed above who were not claimed on your federal return due to education credits:

PART II: Qualifying Parents and Ancestors of Your Parents Exemptions (Arizona residents only)

List below qualifying parents and ancestors of your parents for which you are claiming an exemption. If more space is needed, attach a separate sheet. Do not list the same person here that you listed in Part I, above, as a dependent. For information on who is a qualifying parent or ancestor of your parents, see the instructions for the original return that you filed.

FIRST AND LAST NAME:	SOCIAL SECURITY NO.			RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME DURING THE TAXABLE YEAR

PART III: Income, Deductions, and Credits

List the line reference from page 1 for which you are reporting a change then give the reason for each change. Attach any supporting documents required. If the change(s) pertain(s) to an IRS audit, please attach a copy of the agent's report. If you filed an amended federal return with the IRS (Form 1040X), please attach a copy and all supporting schedules.

Part IV: Name and Address on Original Return

If your name and address is the same on this amended return as it was on your original return, *write "same" on the line below*.

Name	Number and Street, R.R. Apt. No.	City, Town or Post Office State Zip Code

PLEASE SIGN HERE

I have read this return and any attachments with it. Under penalties of perjury, I declare that 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 TIN | PAID PREPARER'S ADDRESS | ( ) PAID PREPARER'S PHONE NO.

If you are sending a payment with this return, mail 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 sending a payment, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ, 85072-2138.

Individual Amended Return

Phone Numbers

If you have any questions about income items, deductions, or exemptions, refer to the instructions provided with your original return.

For further assistance, please contact one of the numbers listed below.

NOTE: *If you are unable to decide the proper starting point for your amended Arizona return, please call one of the following numbers.*

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
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.azdor.gov

Who Should Use Form 140X?

Use Form 140X to correct an individual income tax return (Form 140, 140A, 140EZ, 140PY, or 140NR). The department will compute the interest and either include it in your refund or bill you for the amount due.

NOTE: *Do not use Form 140X to change an earlier filed Form 140PTC. To change an earlier filed Form 140PTC, use the Form 140PTC for the year you are changing. Do not use Form 140X to change an earlier filed Form 140ET. To change an earlier filed Form 140ET, use the Form 140ET for the year you are changing.*

You cannot amend an estimated payment penalty when you reduce your tax on an amended return, unless you file your amended return after filing your original return, but before the due date of that original return. For more information on this topic, see Individual Income Tax Ruling ITR 02-4.

When Should You File an Amended Return?

You can file Form 140X only after filing an original return. You should file your amended return after your original return has processed. If you are filing Form 140X 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 any year, you must also file an Arizona Form 140X for that year. You must file the Form 140X within 90 days of the final determination of the IRS.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You may use one of the following two options to report this change.

Option 1

You may file a Form 140X for that year. If you choose this option, you must amend your Arizona return within 90 days of the final determination of the IRS. Attach a complete copy of the federal notice to 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 this option, 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:

Arizona Department of Revenue
1600 W. Monroe, Attention: Individual Income Audit
Phoenix, AZ 85007-2650

When Should I Pay any Tax Owed with My Amended Return?

Payment is due in full at the time you file your return. Please make your check payable to Arizona Department of Revenue. Be sure to enter your SSN on the front of your check. If you would prefer 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. Write "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.* Attach this form to the **front** of your amended return.

Penalties

We may impose a late payment penalty on a voluntarily filed amended return if any of the following apply.

1. You are under audit by the department.
2. The department has requested or demanded that you file an amended income tax return.
3. The total additional tax you owe is a substantial underpayment. You have a substantial underpayment if the amount due is at least 10% of the actual tax liability for the tax year or two thousand dollars.

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% 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 this page for the current interest rate.

Line-by-Line 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 do not match the line numbers on Arizona's individual income tax forms. The proper line on which to enter your change(s) will depend on the nature of the change.

To decide on which lines to enter your changes, use the line descriptions from your original return. If you are unable to decide what lines to use, contact one of the numbers listed on page 1.

Tax Year

Check the box to indicate which tax year you are amending. If you are using this form to amend a return for a tax year before 2006, enter the tax year of the return you are amending in the space shown. If you are amending a return for a fiscal year, enter the fiscal year in the space shown.

Entering Your Name, Address, and Social Security Number (SSN)

Please type or print 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.

NOTE: *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 line 1.*

Make sure that every return, statement, or document that you file with the department has your SSN. 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.

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 SSN
- his or her PTIN
- the EIN for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

Filing Status

Check the box for the filing status you used on your original return. Then check the box for the filing status you are using on your amended return.

Residency Status

Check the box for the residency status you used on your original return. Then check the box for the residency status you are using on your amended return.

Exemptions

Write the number of exemptions you are claiming in boxes 13, 14, 15, and 16. **Do not put a checkmark**.

On line 13, enter the number of age 65 or over exemptions claimed on your original return. Then enter the number of age 65 or over exemptions you are claiming on this amended return.

On line 14, enter the number of blind exemptions claimed on your original return. Then enter the number of blind exemptions you are claiming on this amended return.

On line 15, enter the number of dependent exemptions claimed on your original return. Then enter the number of dependent exemptions you are claiming on this amended return. Also list your dependent(s)' names, relationship, SSNs, and the number of months lived in your home on page 2, Part I. **If you do not, you may lose the exemption.**

On line 16, enter the number of qualifying parent and ancestor exemptions claimed on your original return. Then enter the number of qualifying parent and ancestor exemptions you are claiming on this amended return. Also list your qualifying parent's or ancestor's name, relationship, SSN, and the number of months lived in your home on page 2, Part II. **If you do not, you may lose the exemption.**

Include the exemption amounts with your subtractions from income on line 21. For exemption amounts, see the instructions for the year you are amending.

NOTE: *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.*

Original Form Filed

Check the box for the type of return you **originally** filed.

NOTE: *If you are amending an Arizona Form 140PY or 140NR, enter your corrected ARIZONA percentage in the space provided. To figure the corrected ARIZONA percentage, divide the amount on line 18 column (c) by the amount on line 17 column (c).*

Lines 17 - 40

In order for your amended return to process, you must enter an amount in columns (a), (b) and (c) for lines 17 and/or 18, lines 19 through 25, and lines 27, 31, 32, 35, and lines 37 through 40.

Column a

In column (a), 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 b

In column (b), enter the amount you are adding to or subtracting from the column (a) amount. Bracket all amounts you are subtracting. If there is no change to the column (a) amount, enter zero.

Column c

In column (c), enter the corrected amount (a+b=c or a-b=c). If the column (b) amount is zero (no change), enter the column (a) amount in column (c).

For each change reported, list the item or line reference and the reason for the change in Part III on page 2 of your return. If you need more space, attach a schedule.

Line 17 - Federal Adjusted Gross Income

You must enter an amount in columns (a), (b), and (c).

In column (a), enter your federal adjusted gross income reported on your original (or most recently amended) return for the tax year you are amending.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

NOTE: *If filing Form 140PY or Form 140NR, you must enter your federal adjusted gross income on line 17, then enter your Arizona gross income on line 18.*

Line 18 - Arizona Gross Income - Form 140NR or Form 140PY Filers Only

If you are filing Form 140NR or 140PY, you must complete line 18. If you are filing Form 140, 140A, or 140EZ, skip line 18.

If required to complete line 18, you must enter an amount in columns (a), (b), and (c).

In column (a), enter your Arizona gross income reported on your original (or most recently amended) return for the tax year you are amending.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

For information about how to figure your Arizona gross income, see Form 140PY or Form 140NR for the year you are amending.

NOTE: *Be sure to enter your corrected ARIZONA percentage in the space provided next to Box 86.*

Line 19 - Additions to Income

You must enter an amount in columns (a), (b), and (c).

If you filed Form 140A, or 140EZ, or if you have no additions, enter zero in all three columns.

In column (a), enter any additions to income reported on your original (or most recent amended) return for the tax year you are amending.

NOTE: *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.*

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Line 20 - Subtotal

Form 140, 140A, or 140EZ Filers

If you filed Form 140, 140A, or 140EZ, add line 17 and line 19. Enter the total.

Form 140NR or 140PY Filers

If you filed Form 140NR or 140PY add line 18 and line 19. Enter the total.

Line 21 - Subtractions from Income

NOTE: *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.*

If you are claiming age 65 or over, blind, dependent, or qualifying parent or ancestor exemptions, include the amounts for these exemptions on line 21.

If you are claiming dependent exemptions, complete Part I on page 2. If you are claiming qualifying parent or ancestor exemptions, complete Part II on page 2.

You must enter an amount in columns (a), (b), and (c).

If you filed Form 140EZ, or if you have no subtractions or exemptions for age 65 or over, blind, dependents, and qualifying parents or ancestors, enter zero in all three columns.

In column (a), enter any subtractions from income and exemption amounts for age 65 or over, blind, dependents, and qualifying parents or ancestors taken on your original (or most recent amended) return for the tax year you are amending.

NOTE: *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.*

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Line 22 - Arizona Adjusted Gross Income

Subtract line 21 from line 20. You must enter an amount in columns (a), (b), and (c).

Lines 23, 24, and 25 -

You must enter an amount in columns (a), (b), and (c).

Line 23 - Deductions

If you are taking the standard deduction on this amended return check box **23S**. Enter your standard deduction on line 23 in column (c).

If you are claiming itemized deductions on this amended return, check box **23I**. Enter your itemized deductions on line 23 in column (c).

Form 140A

If amending a 140A, in column (a) enter your standard deduction as reported on your original (or most recent amended) return.

Form 140EZ

If amending a 140EZ, in column (a) enter your standard deduction **and** personal exemption amount as reported on your original (or most recent amended) return.

All Other Forms

If amending other than a 140A, or 140EZ, in column (a) enter your standard or itemized deductions as reported on your original (or most recent amended) return for the tax year you are amending.

NOTE: *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.*

In column (b) enter the change amount, or if the amount in column (a) is the same as the amount in column (c), enter zero in column (b).

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount. If you are correcting itemized deductions or changing from standard to itemized deductions, attach a copy of your corrected Schedule A.

NOTE: *Beginning with 2010, nonresident individuals, who claim the standard deduction, must prorate the deduction by the percentage which the taxpayer's Arizona gross income is of the taxpayer's federal adjusted gross income. This will in effect prorate the standard deduction between income taxable to Arizona and income not taxable to Arizona and allow only that portion of the deduction allocable to income taxable to Arizona*

Line 24 - Personal Exemptions

Do not enter amounts for dependents, blind, age 65 or over, or qualifying parents or ancestors of your parents exemptions. You must enter these amounts on line 21.

Form 140EZ

If amending a 140EZ, enter zero in all three columns.

All Other Forms

If amending other than a 140EZ, in column (a) enter your personal exemptions as reported on your original (or most recent amended) return for the tax year you are amending.

NOTE: *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.*

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Line 25 - Arizona Taxable Income

You must enter an amount in columns (a), (b), and (c). Subtract lines 23 and 24 from line 22.

Line 26 - Tax

Compute your tax. Use the appropriate tax table. Enter the correct tax in column (c). You can find the tax tables in the instructions for the tax year you are amending. If you do not have the correct tables, please contact one of the numbers listed on page 1 of these instructions.

Line 27 - Tax from Recapture of Credits from Form 301

You must enter an amount in columns (a), (b), and (c). If you do not have tax from recapture of tax credits, enter zero in all three columns.

If your original return showed a recapture tax, in column (a) enter the amount of recapture tax from Form 301, Part II, as reported on your original (or most recent amended) return for the tax year you are amending.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Attach a copy of your corrected Form 301.

Line 28 - Subtotal of Tax

Add lines 26 and 27, column (c). Enter the result.

Line 29 - Clean Elections Fund Tax Reduction

Enter the amount of Clean Elections Fund tax reduction claimed on your original return. Enter this amount in columns (a) and (c). Do not change the amount claimed on your original return.

Line 30 - Reduced Tax

Subtract line 29 from line 28 in column (c). Enter the result.

Line 31 - Family Income Tax Credit

You must enter an amount in columns (a), (b), and (c).

If you are not eligible for the credit, enter zero in all three columns.

If you are eligible for the credit, in column (a) enter the amount of family income tax credit you claimed on your original (or most recent amended) return. If this is the first time you are claiming this credit, enter zero.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Line 32 - Nonrefundable Credits from Arizona Form 301 or Forms 310, 321, 322, and 323 if Form 301 is Not Required

You must enter an amount in columns (a), (b), and (c).

If you are not claiming any credits, enter zero in all three columns.

In column (a), enter your credits from Form 301, or Forms 310, 321, 322 or 323 reported on your original (or most recent amended) return for the tax year you are amending. Enter zero if this is the first time you are claiming these credits. If you claimed a credit using Form 310, 321, 322, or 323 and were not required to complete Form 301, enter the credit(s) from those forms here.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

Attach a copy of Form 301, if you are required to complete Form 301, (and supporting documents) filed with your original return. If this is the first time you are claiming the credits, you must complete an Arizona Form 301 if required. You must attach this form along with the required supporting documents to your amended return.

Line 33 - Credit Type

If you entered an amount on line 32, write the form number(s) of the credit(s) from Arizona Form 301, Part II.	
If you are claiming:	**Write form number:**
1. Defense Contracting Credits	302
2. Enterprise Zone Credit	304

If you entered an amount on line 32, write the form number(s) of the credit(s) from Arizona Form 301, Part II.	
If you are claiming:	**Write form number:**
3. Environmental Technology Facility Credit	305
4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Increased Research Activities - Individuals	308
7. Credit for Taxes Paid to Another State or Country on Form 309 (for 2007 309-R, 309-D, 309-NR, or 309-PY)	309
8. Credit for Solar Energy Devices	310
9. Agricultural Water Conservation System Credit	312
10. Pollution Control Credit	315
11. Construction Materials Credit	316
12. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
13. Credit for Employment of TANF Recipients	320
14. Credit for Contributions to Charities That Provide Assistance to the Working Poor	321
15. Credit for Contributions Made or Fees Paid to Public Schools	322
16. Credit for Contributions to Private School Tuition Organizations	323
17. Agricultural Pollution Control Equipment Credit	325
18. Neighborhood Electric Vehicle (NEV) Credit (carryovers claimed on 2006)	328
19. Credit for Donation of School Site	331
20. Credit for Healthy Forest Enterprises	332
21. Credit for Employing National Guard Members	333
22. Motion Picture Credits	334
23. Credit for Solar Energy Devices - Commercial or Industrial Applications	336
24. Credit for Investment in Qualified Small Businesses	338
25. Credit for Water Conservation Systems	339
26. Credit for Donations to the Military Family Relief Fund	340

Line 34 -

Subtract lines 31 and 32 from line 30. Enter the result.

Line 35 - Clean Elections Fund Tax Credit

You must enter an amount in columns (a), (b), and (c).

If you are not claiming a Clean Elections Fund tax credit, enter zero in all three columns.

In column (a), enter your credit reported on your original (or most recent amended) return for the tax year you are amending. Enter zero if this is the first time you are claiming this credit.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

If this is the first time you are claiming this credit for the tax year, use the worksheet from the Form 140, 140A, 140EZ, 140PY, or 140NR instructions to figure your credit.

NOTE: *Amounts of tax designated to the Clean Elections Fund by means of the Clean Elections Fund check box do not qualify for the credit. Do not include those amounts here.*

Line 37 - Payments (Withholding, Estimated, Extension)

You must enter an amount in columns (a), (b), and (c). You may use the following worksheet to help you figure the amount of these payments that you should enter on line 37.

Payment Worksheet		
Payments (Withholding, Est. Ext.)	**Date of Payment**	**Amount**
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Extension Request payment		
6. Arizona income tax withheld on Form(s) W-2		
7. Total. Add lines 1 through 6. Enter the total here and also on Form 140X, page 1, line 37.		

NOTE: *Do not include payments sent with original return.*

In column (a), enter the total amounts of Arizona income tax withheld, estimated income tax payments, and payments made with an extension request reported on your original (or most recent amended) return for the tax year you are amending.

NOTE: *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.*

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount.

Line 38 - Increased Excise Tax Credit

If you are not claiming an increased excise tax credit, enter zero in all three columns.

In column (a), enter your credit reported on your original (or most recent amended) return for the tax year you are amending. Enter zero if this is the first time you are claiming this credit.

In column (b), enter the change amount or zero.

In column (c), enter the corrected amount or, if column (b) amount is zero, enter the column (a) amount.

If this is the first time you are claiming this credit for the tax year, use the worksheet from the Form 140, 140A, 140EZ, or 140PY instructions for the year you are amending to figure your credit.

If you are amending an increased excise tax credit claimed on Form 140ET, use Form 140ET to amend that claim. In this case, do not use Form 140X.

Line 39 - Property Tax Credit

If you claimed the property tax credit on your original return, enter in column (a) the amount claimed on your original return. If you are making an adjustment to the credit, be sure to attach copies of your Form 140PTC, or Form 201. Also attach all supporting documents filed with the original return.

NOTE: *Use Form 140X to adjust a previously filed credit only if you claimed the credit using Form 140 or Form 140A. Use Form 140PTC for the year you are amending if you were not required to file an Arizona income tax return. If you did not claim a credit on your original return, you may not claim it on Form 140X, unless you file Form 140X by the due date of your original return.*

Line 40 - Other Refundable Credits

If you claimed a refund of the increased research activities credit from Form 308-I, for taxable year 2010, enter that credit here.

If you claimed a renewable energy industry credit for taxable year 2010, from Form 342, enter that credit here.

In column (a), enter the amount claimed on your original return. If this is the first time you are claiming these credits, enter zero in column (a). If this is the first time you are claiming any of these credits for the taxable year, or if you are making an adjustment to a credit, be sure to attach copies of your Form 308-I or 342 to the amended return.

If you have credits from more than one form, enter the total from all forms here.

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 attach the credit claim form (Form 308-I or 342) to your return when you file.

Lines 41 - 47

You may have to enter an amount on line 41. You must enter an amount on line 42, and either lines 45 and 46 or line 47.

Line 41 - Payment with Original 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 41.

NOTE: *Do not include payments reported on line 37.*

Payment Worksheet		
Payments (Other)	**Date of Payment**	**Amount**
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 140X, page 1, line 41.		

Line 42 - Total Payments and Refundable Credits

Add lines 37 through 41, column (c) amounts.

Also, do the following if you computed your 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 42.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

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

Line 43 - Overpayment from Original Return

If your original (or most recent amended) return for the tax year you are amending, resulted in an overpayment of taxes, enter the overpayment amount.

On your original return, you reported this amount on the following lines.

Form 140	
Year	**Line**
2006, 2007, 2008 & 2009	38
2010	39

Form 140A	
Year	**Line**
2006 2007, 2008, 2009 & 2010	36

Form 140EZ	
Year	**Line**
2006, 2007, 2008, 2009 & 2010	21

Form 140PY	
Year	**Line**
2006, 2007, 2008 & 2009	40
2010	41

Form 140NR	
Year	**Line**
2006, 2007, 2008 & 2009	38
2010	39

NOTE: *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.*

Your overpayment may have been distributed or applied by one of the following means.

1. You have received all or a portion of the overpayment in the form of a refund.
2. You may have applied all or a portion of the overpayment to your next year's estimated income taxes.
3. You may have applied all or a portion of the overpayment to one of the voluntary gifts specified on the Arizona income tax return.
4. All or a portion of your refund may have been paid to a government agency for an obligation owed to that agency (e.g., prior year taxes, child support, etc.).

Regardless of how the overpayment was distributed or applied, enter the overpayment amount.

Line 44 - Balance of Credits

Subtract line 43 from line 42. Enter the result.

Line 45 - Refund or Credit Due

If line 36 is less than line 44, subtract line 36 from line 44 and enter the result.

Line 46 - Amount to be Applied to 2011 Estimated Taxes

If you are filing this amended return prior to the original due date of your 2011 return and you want all or part of the amount on line 45 applied to your 2011 estimated taxes, enter that amount. If you want all of the amount on line 45 refunded, enter zero.

Line 47 - Amount Owed

If line 36 is more than line 44, you owe additional tax. Subtract line 44 from line 36 and enter the result. 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: *Attach your check to the front of your return in the upper left hand corner where indicated. Please do not send cash.*

Make your check payable to Arizona Department of Revenue. Write your SSN 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.

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 click on the "Make a Payment" link. 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 click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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.**

Line 48 - Net Operating Loss Carryback Question

If you are filing this amended return as a result of a net operating loss carryback, check the box on line 48 and enter the tax year in which the net operating loss was incurred. This may speed up the processing of your refund.

Page 2 Instructions

Part I Dependent Exemptions

List your dependent(s)' names, relationship, SSNs, and the number of months lived in your home on the lines provided. **If you do not, you may lose the exemption.**

Part II Qualifying Parent and Ancestors of Your Parents Exemptions

Arizona Residents Only

List your qualifying parent's or ancestor's name, relationship, SSN, and the number of months lived in your home on the lines provided. **If you do not, you may lose the exemption.**

Part III Income, Deductions, and Credits

List the line reference from page 1 for which you are reporting a change. Give the reason for each change and attach any supporting document required.

Part IV Name and Address on Original Return

Enter the name and address used on your original return. (If they are the same, write "SAME".)

Instructions Before Mailing

- Sign your return and mail it to the address listed on the next page of the instructions. If you are filing a joint amended return, both you and your spouse must sign.
- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- Check to make sure you have made entries in all three columns where shown.
- 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 on the front of your check. Attach your check to the front of your return in the upper left hand corner where indicated.

The Department of Revenue may charge you $25 for a check returned unpaid by your financial institution.

- Check the **boxes** to make sure you filled in all required boxes.
- Make certain you have attached **all** required documents and/or schedules.

Filing Your Return

Before you mail your return, make a copy of your return. Also make a copy of any schedules that you are sending in with your return. Keep the copies for your records. Be sure that you file 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.

Where Should I Mail My Amended Return?

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.

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.

Make sure you put enough postage on your envelope.

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 percent. 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.

Calling 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 Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

ARIZONA FORM
200

Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief

Do not file with your tax return.

Do not use Form 200 to make an injured spouse claim. You are an injured spouse if your share of an overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or spousal maintenance, or debts owed to another Arizona state agency, the IRS, or a court. **If you are an injured spouse, see the note on page 1 of the instructions.**

Your First Name and Initial	Last Name		Your Social Security Number
Current Home Address - number and street, rural route		Apt. No	Daytime Phone No. (optional) ( )
City, Town or Post Office	State	Zip Code	

Part I Type of Relief. You **must** complete this part for each tax year.

IMPORTANT: You must have filed an Arizona income tax return for each year for which you are requesting relief.

		Tax Year 1	Tax Year 2	Tax Year 3*
1 *Enter each tax year you want relief.* It is important to enter the correct year. For example, if the department used your 2009 income tax refund to pay a 2007 tax amount you jointly owned, enter tax year 2007, not tax year 2009	1	YYYY	YYYY	YYYY
2 *Check the box* for each year you would like a refund if you qualify for relief. You may be required to provide proof of payment. *See instructions*	2	☐	☐	☐
3 For each year, *check the box* for the type of relief claimed. *See the instructions before you check any boxes on lines 3a through 3c.* Also be sure to attach all required statements for the type of relief you are requesting. *Check all that apply:*				
3a Separation of Liability	3a	☐	☐	☐
3b Innocent Spouse Relief	3b	☐	☐	☐
3c Equitable Relief	3c	☐	☐	☐
		Yes No	Yes No	Yes No
4 Did you file a joint return for the tax year listed on line 1?	4	☐ ☐	☐ ☐	☐ ☐

*If you want relief for more than 3 years, fill out an additional form.

If you completed federal Form 8857, you do not need to complete the rest of Form 200. *Check this box and* ☐

- *Attach all required statements for the type of relief you are requesting.*
- If you were granted relief by the IRS, please *attach a copy of the IRS letter.*
- *Attach a copy of your completed federal Form 8857.*
- ***Sign Form 200*** on page 5.
- *Mail* to the address shown below.

Mail Form 200 to:

Arizona Department of Revenue • Individual Income Tax Audit
Room 520, Attention Form 200
1600 West Monroe • Phoenix, AZ, 85007-2650

Continued on page 2 →

Your Name (as shown on page 1)	Your Social Security No.

If you need more room to write your answer to any question, attach more pages. Write your name and social security number on the top of each page you attach.

Part II Information about you and your spouse (or former spouse)

5 Spouse's (or former spouse's) Current Name

Social Security Number (if known)

Current Home Address - number and street, rural route

Apt. No

Daytime Phone No. ( )

City, Town or Post Office

State

Zip Code

6 What is the current marital status between you and the person on line 5? *Check one box:*

☐ Married and still living together

☐ Married and living apart since: M M D D Y Y Y Y .

☐ Widowed since: M M D D Y Y Y Y . *Attach a photocopy of the death certificate and will if one exists.*

☐ Legally separated since: M M D D Y Y Y Y . *Attach a photocopy of your entire separation agreement.*

☐ Divorced since: M M D D Y Y Y Y . *Attach a photocopy of your entire divorce decree.*

Note: A divorce decree stating that your former spouse must pay all taxes does not necessarily mean you qualify for relief.

7 What was the highest level of education you had completed when the return(s) were filed? If the answers are *not* the same for all tax years, *explain*.

☐ High school diploma, equivalent, or less
☐ Some college
☐ College degree or higher. *List any degrees you have:* _____

List any college-level business or tax-related courses you completed: _____

Explain: _____

8 Were you a victim of spousal abuse or domestic violence during any of the tax years you want relief? If the answers are *not* the same for all tax years, *explain.*

☐ Yes. *Attach a statement* to explain the situation and *when* it started. Provide photocopies of any documentation, such as police reports, a restraining order, a doctor's report or letter, or a notarized statement from someone who was aware of the situation.
☐ No

9 Did you sign the return(s)? If the answers are *not* the same for all tax years, *explain.*

☐ Yes. If you were forced to sign under duress (threat of harm or other form of coercion), *check this box:* ☐. *See instructions.*
☐ No. Your signature was forced. *See instructions*.

10 When any of the returns were signed, did you have a mental or physical health problem, or do you have a mental or physical health problem now? If the answers are *not* the same for all tax years, *explain.*

☐ Yes. *Attach a statement* to explain the problem and *when* it started. Provide photocopies of any documentation, such as medical bills or a doctor's report or letter.
☐ No

Continued on page 3 →

Your Name (as shown on page 1)	Your Social Security No.

If you need more room to write your answer to any question, attach more pages. Write your name and social security number on the top of each page you attach.

Part III Your Financial and Return Preparation Involvement

11 How were you involved with preparing the returns? *Check all that apply and explain,* if necessary. If the answers are *not* the same for all tax years, *explain*:

- ☐ You filled out or helped fill out the returns.
- ☐ You gathered receipts and cancelled checks.
- ☐ You gave the tax documents (such as Forms W-2, 1099, etc.) to the person who prepared the returns.
- ☐ You reviewed the returns before they were signed.
- ☐ You did not review the returns before they were signed. *Explain below.*
- ☐ You were not involved in preparing the returns.
- ☐ Other: _____

Explain how you were involved: _____

12 When the returns were signed, were you concerned that any of the returns were incorrect or missing information? *Check all that apply and explain,* if necessary. If the answers are *not* the same for all tax years, *explain*:

- ☐ You knew something was incorrect or missing, but you said nothing.
- ☐ You knew something was incorrect or missing and asked about it.
- ☐ You did not know anything was incorrect or missing.

Explain: _____

13 When any of the returns were signed, what did you know about the income of the person on line 5? If the answers are *not* the same for all tax years, *explain:*

- ☐ You knew that person had income.

List each type of income on a separate line. (Examples are wages, social security, gambling winnings, or self-employment business income.) Enter each tax year and the amount of income for each type you listed. If you don't knowy any details, *enter, "I don't know."*

Type of Income	Who paid it to that person?	Tax Year 1	Tax Year 2	Tax Year 3
		$	$	$
		$	$	$
		$	$	$

- ☐ You knew that person was self-employed and you helped with the books and records.
- ☐ You knew that person was self-employed and *you did not help* with the books and records.
- ☐ You knew that person had no income.
- ☐ You *did not know* if that person had income.

Explain: _____

14 When the returns were signed, did you know any amount was owed to the department for those tax years? If the answers are *not* the same for all tax years, *explain*.

- ☐ Yes. *Explain* when and how you thought the amount of tax reported on the return would be paid: _____
- ☐ No. *Explain:* _____

Continued on page 4 →

Your Name (as shown on page 1)	Your Social Security No.

If you need more room to write your answer to any question, attach more pages. Write your name and social security number on the top of each page you attach.

Part III *(Continued)*

15 When any of the returns were signed, were you having financial problems (*for example,* bankruptcy or bills you could not pay)? If the answers are *not* the same for all tax years, *explain*.

☐ Yes. *Explain:* _____

☐ No

☐ Did not know

Explain: _____

16 For the years you want relief, how were you involved in the household finances? *Check all that apply.* If the answers are *not* the same for all tax years, *explain.*

☐ You knew the person on line 5 had separate accounts.

☐ You had joint accounts but you had limited use of them or did not use them. *Explain below.*

☐ You used joint accounts. You made deposits, paid bills, balanced the checkbook, or reviewed the monthly bank statements.

☐ You made decisions about how money was spent. *For example,* you paid bills or made decisions about household purchases.

☐ You were not involved in handling money for the household.

☐ Other: _____

Explain anything else you want to tell us about your household finances: _____

17 Has the person on line 5 ever transferred assets (money or property) to you? Property includes real estate, stocks, bonds, or other property to which you have title. *See instructions.*

☐ Yes. *List* the assets and the dates they were transferred. *Explain why* the assets were transferred. _____

☐ No

Continued on page 5 →

Your Name (as shown on page 1)	Your Social Security No.

If you need more room to write your answer to any question, attach more pages. Write your name and social security number on the top of each page you attach.

Part IV Your Current Financial Situation

18 Tell us the number of people currently in your household: Adults ☐ Children ☐

19 Tell us your current average monthly income and expenses for your entire household. If family or friends are helping to support you, include the amount of support as gifts under **Monthly Income**. Under **Monthly Expenses**, enter all expenses, including expenses paid with income from gifts.

Monthly Income	Amount	Monthly Expenses	Amount
Gifts	$	Federal, state, and local taxes deducted from your paycheck	$
Wages (gross pay)	$	Rent or mortgage	$
Pensions	$	Utilities	$
Unemployment	$	Telephone	$
Social security	$	Food	$
Government assistance, such as housing, food stamps, grants	$	Car expenses, payments, insurance etc.	$
Alimony	$	Medical expenses, including medical insurance	$
Child support	$	Life insurance	$
Self-employment business income	$	Clothing	$
Rental income	$	Child care	$
Interest and dividends	$	Public transportation	$
Other income, such as disability payments, gambling winnings, etc. *List the type below:*		Other expenses, such as real estate taxes, child support, etc. *List the type below:*	
Type:	$	Type:	$
Type:	$	Type:	$
Type:	$	Type:	$
Total Monthly Income	**$**	**Total Monthly Expenses**	**$**

20 Please provide any other information you want us to consider in determining whether it would be unfair to hold you liable for the tax: _____

CAUTION: By signing this form, you understand that, by law, we must contact the person on line 5. *See instructions.*

PLEASE SIGN HERE

Under penalties of perjury, I declare that I have examined this form and any accompanying schedules and statements, 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 _____

PAID PREPARER'S SIGNATURE _____ DATE _____ FIRM'S NAME (PREPARER'S IF SELF-EMPLOYED) _____

PAID PREPARER'S TIN _____ PAID PREPARER'S ADDRESS _____ ( ) PAID PREPARER'S PHONE NO. _____

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Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief

Arizona Form 200

Phone Numbers

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
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.azdor.gov

General Information

We have revised the Form 200 to help us process the form faster. We know that some of the questions on this form involve sensitive subjects, but we need this information to determine whether you qualify for relief.

Purpose of Form

Use Form 200 to request relief from liability for tax, plus related penalties and interest, that you think only your spouse (or former spouse) should pay.

You may be allowed one or more of these three types of relief:

- Separation of liability
- Innocent spouse relief, or
- Equitable relief.

To be eligible for relief, you must have filed a joint return for the year(s) for which you are requesting relief.

You do not need to figure the tax, interest, and penalties that qualify for relief. The department will figure these amounts for you.

NOTE: ***Do not*** *use Form 200 to make an injured spouse claim. You are an injured spouse if your share of an overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due state taxes, child support or spousal maintenance, or debts owed to another Arizona state agency. If you are an injured spouse, you may be entitled to receive a refund of your share of the overpayment. For information concerning amounts held for past-due state taxes, call one of the phone numbers listed on this page. For information concerning amounts held to pay child support or spousal maintenance, contact the Arizona Department of Economic Security. For information about amounts held for another Arizona state agency, contact that agency.* For amounts held for the IRS, contact the IRS. For amounts held by a court, contact that court.

When and Where to File

File Form 200 as soon as you become aware of an unpaid tax liability that you think your spouse (or former spouse) should pay. The following are some of the ways you may become aware of such a liability.

- The department has examined your tax return.
- The department sends you a notice.

Do not file Form 200 with your tax return. File Form 200 to:

Arizona Department of Revenue
Individual Income Tax Audit, Room 520
Attention Form 200
1600 W Monroe
Phoenix, AZ 85007-2650

Send Form 200 to the above address even if you are communicating with a department employee because of an audit, an appeal or collection.

What Happens After You File Form 200

We will review your form to make sure it is complete. We will contact your spouse or former spouse to ask if he or she wants to participate in the process. Once we have all of the necessary information to make a decision, we will send a determination letter to you and your spouse or former spouse. If neither of you appeals the decision within 90 days, the decision will become final.

Refunds Under Relief

The amount that may be refunded may be limited by the statute of limitations. In the following situations, you are eligible to receive a refund of certain payments you made.

Underpaid tax. If you are granted relief for an underpaid tax, you are eligible for a refund of separate payments that you made. You are not eligible for refunds of payments made with the joint return, joint payments, or payments that your spouse (or former spouse) made. For example, withholding tax and estimated tax payments cannot be refunded because they are considered made on the joint return.

Understated tax. If you are granted relief for an understated tax, you are eligible for a refund of certain payments made under an installment agreement that you entered into with the department if you have not defaulted on the installment agreement. Only installment payments made after the date you filed Form 200 are eligible for a refund.

Part I - Type of Relief

You must complete lines 1 through 4 of Form 200. When you complete lines 3a through 3c, be sure to read the instructions for those lines. Be sure you complete any required statements for the type of relief you are requesting. Also be sure you attach those required statements to Form 200 when you submit it. See the instructions for lines 3a through 3c to determine what statements you must attach to Form 200.

If you completed federal Form 8857, you only need to complete lines 1 through 4 of Arizona Form 200. You may skip lines 5 through 20. In this case, do the following.

- Check the box to indicate you completed federal Form 8857.
- Attach all required statements for the type of relief you are requesting.
- Attach a copy of your completed federal Form 8857.
- Sign Form 200 on page 5 of the form.
- Mail Form 200 to the address shown on page 1 of Form 200.

NOTE: *If you were granted relief by the IRS, please attach a copy of the IRS letter to your Form 200.*

Line 1 - Relief Year(s)

Enter each tax year you want relief. If you are asking for relief for more than one tax year, you need to file only one Form 200.

Line 2 - Are You Asking for a Refund?

Check the box for each year you would like a refund if you qualify for relief. You may have to provide proof of payment.

We will only refund payments you made with your own money. You must provide proof that you made the payment with your own money. Examples of proof are a copy of your bank statement or a canceled check. No proof is required if your individual refund was used by the department to pay tax you owed on a joint tax return for another year.

Lines 3a through 3c - Type of Relief Being Claimed

You may request innocent spouse relief for an understatement of tax no matter how small the amount. If you are divorced, separated, or no longer living with your spouse, you may request separation of liability between you and your spouse (or former spouse) for an understatement of tax on a joint return. Also, the department will consider your request for equitable relief in situations where it would be unfair to hold you liable for tax that should be paid only by your spouse (or former spouse).

On lines 3a through 3c, check the box for the type of relief you are claiming. Check all boxes that apply. Before, you check the box(es) for the type of relief you are claiming, you should understand the following terms.

- Joint and several liability
- Understatement of tax
- Underpayment of tax

Joint and Several Liability

Joint and several liability applies to all joint returns. This means that both you and your spouse (or former spouse) are liable for any underpayment of tax (tax shown on a return but not paid) plus any understatement of tax that may become due later. This is true even if a divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns. Form 200 allows you to request that joint and several liability not apply to part or all of any unpaid tax.

Understatement of Tax

An understatement of tax, or deficiency, is the difference between the total amount of tax that the department determines should have been shown on the return, and the amount that actually was shown on the return.

Underpayment of Tax

An underpayment of tax is tax that is properly shown on the return, but not paid.

Community Property Laws

You must generally follow community property laws when filing a tax return if you are married. Generally, community property laws require you to allocate community income and expenses equally between both spouses. However, community property laws are not taken into account in determining whether an item belongs to you or your spouse (or former spouse) for purposes of requesting any relief from liability.

Line 3a - Separation of Liability

If you filed a joint return for the year(s) entered on line 1, you may be able to separate liability for any **understatement** of tax on the return(s) between you and your spouse (or former spouse). You can request to do so if you and that person:

- Are no longer married, or
- Are legally separated, or
- Have lived apart at all times during the 12-month period prior to the date you file Form 200.

NOTE: *A widow or widower is considered no longer married.*

Even if you meet the above requirements, the department will not grant your request for separation of liability if any of the following applies.

- You and your spouse transferred assets as part of a fraudulent scheme.
- At the time you signed your joint return (unless signed under duress), you had actual knowledge that items giving rise to the deficiency and allocable to your spouse were incorrect.
- You transferred property to your spouse (or former spouse) just to avoid tax or the payment of tax.

Requesting Separation of Liability

If you are asking for separation of liability, check the box on line 3a.

Required attachment (even if you completed federal Form 8857).

If you checked box 3a, attach a statement to Form 200 that shows the total amount of the understatement of tax. For each item that resulted in an understatement of tax, explain whether the item is attributable to you, your spouse (or former spouse), or both of you. For example, unreported income earned by your spouse (or former spouse), would be allocated to that person. An overstated deduction of home mortgage interest on a home you owned jointly that was paid from a joint checking account would generally be allocated equally between both of you.

Line 3b - Innocent Spouse Relief

If you qualify for separation of liability, you may not need to request innocent spouse relief. The amount of relief allowed by requesting separation of liability will usually be equal to or greater than the amount allowed by requesting innocent spouse relief. However, you may still request innocent spouse relief if you wish.

You may be allowed innocent spouse relief if all of the following apply.

- You filed a joint return for the year(s) entered on line 1.

- There is an **understatement** of tax on the return(s) that is due to erroneous items of your spouse (or former spouse).
- You can show that when you signed the return(s) you did not know and had no reason to know that the understatement of tax existed (or the extent to which the understatement existed).
- Taking into account all the facts and circumstances, it would be unfair to hold you liable for the understatement of tax.

Erroneous Items

Erroneous items are either of the following.

1. **Unreported income.** This is any gross income item received by your spouse that is not reported.
2. **Incorrect deduction, credit, or basis.** This is any improper deduction, credit, or property basis claimed by your spouse.

The following are examples of erroneous items.

1. The expense for which the deduction was taken was never made. For example, your spouse deducted $10,000 of advertising expenses on federal schedule C, but never paid for any advertising.
2. The expense does not qualify as a deductible expense. For example, your spouse claimed a business fee deduction of $10,000 that was for the payment of state fines: fines are not deductible.
3. No legal argument can be made to support the deductibility of the expense. For example, your spouse claimed $4,000 for security costs related to a home office, which were actually veterinary and food costs for your family's two dogs.

Any income, deduction, or credit is an erroneous item if all of the following apply.

- It is omitted from or incorrectly reported on the joint return.
- It is attributable to your spouse (or former spouse).
- It results in an understatement of tax. **and**
- You did not know and had no reason to know either about the understatement or the extent of it (see **Partial Innocent Spouse Relief** next).

Partial Innocent Spouse Relief

If you knew about any of the erroneous items, but not the full extent of the item(s), you may be allowed relief for part of the understatement. Explain in the statement you attach to Form 200, how much you knew and why you did not know, and had no reason to know, the full extent of the item(s).

Requesting Innocent Spouse Relief

If you are asking for innocent spouse relief, check the box on line 3b.

Required attachment (even if you completed federal Form 8857).

If checked box 3b, attach a statement to Form 200 explaining why you believe you qualify. The statement will vary depending on your circumstances, but should include all of the following.

- The amount and a detailed description of each erroneous item, including why you had no reason to know about the item or the extent to which you knew about the item.
- The amount of the understatement of tax for which you are liable and are seeking relief. **and**
- Why you believe it would be unfair to hold you liable for the understatement of tax.

Line 3c - Equitable Relief

You may be allowed equitable relief if, taking into account all the facts and circumstances, it would be unfair to hold you liable for any understatement or underpayment of tax that should be paid only by your spouse (or former spouse).

You can be allowed equitable relief only for an underpayment of tax, or part or all of any understatement of tax that does not qualify for either separation of liability or innocent spouse relief. You should request separation of liability or innocent spouse relief for any understatement of tax, unless you are sure you are not eligible. The department will consider equitable relief if it determines that innocent spouse relief and separation of liability do not apply.

Requesting Equitable Relief

If you are asking for equitable relief, check the box on line 3c.

Required attachment (even if you completed federal Form 8857).

If you checked box 3c, attach an explanation of why you believe it would be unfair to hold **you** liable for the tax instead of your spouse (or former spouse). If you are attaching a statement for separation of liability or innocent spouse relief, include only any additional information you believe supports your request for equitable relief.

Part II - Information About You and Your Spouse (or Former Spouse)

Line 5 -

The department must contact your spouse or former spouse. There are no exceptions, even for victims of spousal abuse or domestic violence.

We will inform your spouse or former spouse that you filed Form 200 and will allow him or her to participate in the process. If you are asking for relief from joint and several liability on a joint return, we must also inform him or her of our determination regarding your request for relief.

To protect your privacy, we will not disclose your personal information like your current name, address or phone number. We will not disclose information about your employer, your income or assets, or any other information that does not relate to making a determination about your request for relief from liability.

On line 5, enter the current name and SSN of the person to whom you were married at the end of the year(s) listed on line 1. If the name of your spouse (or former spouse) shown

on that year's tax return(s) is different from the current name, enter it in parentheses after the current name. For example: Joan Oak (formerly Joan Pine). Enter the current address and phone number if you know it.

Lines 6 through 10 -

Answer questions 6 through 10.

Part III - Your Financial and Return Preparation Involvement

Lines 11 through 17 -

Answer questions 11 through 17.

By law, if a person's name is signed to a return, it is presumed to be signed by that person. You must prove that your signature on the joint return was forged or that you signed under duress (threat or harm or other form or coercion). Attach a statement explaining why you believe your signature was forged or you signed under duress.

Forged Signature

Your signature on a joint return is considered to be forged if it was not signed by you and you did not authorize (give tacit consent) the signing of your name to the return.

Tacit Consent

Tacit consent means that, based on your actions at the time the joint return was filed, you agreed to the filing of the joint return. You may be considered to have given tacit consent if any of the following apply;

- You gave tax information (such as Forms W-2 and 1099) to your spouse.
- You did not object to the filing.
- You did not have a valid reason to refuse to file jointly.
- There was an apparent advantage to you in filing a joint return.

We will also consider whether you filed joint returns with your spouse or former spouse in prior years and whether you filed a separate income tax return for that year.

Signed Under Duress

You are considered to have signed under duress (threat of harm or other form of coercion) if you were unable to resist demands to sign the return and you would not have signed the return except for the constraint applied by your spouse or former spouse. The duress must be directly connected with the signing of the joint return.

Part IV - Your Current Financial Situation

Lines 18 through 20 -

Answer questions 18 through 20.

Sign Form 200 -

Sign Form 200 in the space provided. We cannot consider your Form 200 if you do not sign it. If you do not sign it, we will return it to you. Also be sure to date it.

Paid Preparer Must Sign Form 200 -

Anyone that you pay to prepare Form 200 for you must sign the Form 200 in the space provided. The preparer must give you a copy of the completed Form 200 for your records. Someone who prepares Form 200 but does not charge you should not sign Form 200.

ARIZONA FORM
201

Renter's Certificate of Property Taxes Paid

2010

Use Form 201 if you rented in 2010 and are claiming the property tax credit. This certificate shows what portion of your rent money went to pay taxes. Your landlord or designated agent must sign and complete this form in order for you to qualify for your credit. ***USE BLACK INK ONLY.***

HOW TO USE THIS FORM

Homeowners:

1. If you own the home you live in, **do not** use this form. Homeowners claiming a PTC rebate **must** send a statement of property taxes paid rather than this form. *See Form 140PTC instructions.*

Renters Seeking a Tax Rebate on Form 140PTC:

1. Ask your landlord to complete Part II of this form.
2. Complete Parts I and III if you qualify. *See instructions.*
3. Use this information to fill in your Form 140PTC.
4. ***Attach this certificate to your Form 140PTC* and *keep a copy* for your tax records.**

IMPORTANT: For 2010, be sure to have your landlord complete this form well before **April 18** or request an extension to protect the credit. Landlords may not have the information immediately available.

Part I: To be Completed by Tenant

First Name and Initial - *also give spouse's name and initial*	Last Name	Social Security Number

Part II: To be Completed by Your Landlord

1	Name of Landlord			
2	Number and Street Address			
3	City	County	State	ZIP Code
4	Business Name of Rental Property *(if applicable)*			
5	Number and Street Address			
6	City	County	State	ZIP Code

7 If any of your tenants received rent subsidies in 2010, *check this box* ..... 7 ☐

8 If the property was exempt from property tax during 2010, *check this box* ..... 8 ☐

9 If you occupy any portion of the property you rent or lease to others, *check this box* ..... 9 ☐

10 Enter property tax factor ..... 10 .

Signature of Responsible Party:

I declare that I have examined this statement and to the best of my knowledge and belief, it is correct and complete.

11 _____ SIGNATURE OF OWNER, LESSOR, OR MANAGER OF RENTAL PROPERTY _____ DATE

12 _____ PRINT OR TYPE NAME OF SIGNING PARTY ( ) _____ OWNER'S OR PROPERTY MANAGER'S PHONE NUMBER (for verification of information only)

Part III: Tenant Claiming Property Tax Credit (must complete Part III)

13	Enter total rents paid in 2010 not including subsidies	13	.00
14	Enter property tax factor from Part II, line 10	14	.
15	*Multiply line 13 by line 14.* Enter the result here and on Form 140PTC, line 13. This is the amount of rent which constitutes property taxes	15	.00

Instructions for Landlord

Notice to Landlord

If your tenant requests a Form 201, you must provide that tenant with Form 201 to comply with Arizona law (ARS § 43-1072). You must complete and sign the Form 201 before you give the form to your tenant.

Part I Heading - (To be completed by the tenant)

Use black ink only. Type or print your first name, middle initial, and last name. Make sure you write your social security number (SSN) in the space provided.

Part II - (To be completed by the landlord or the designated agent)

The landlord or the landlord's agent must complete Part II of this form and furnish the form to the tenant. The tenant will need the information in Part II to claim the property tax credit.

Lines 1, 2, and 3 -

Use black ink only. Type or print your name, address, and ZIP code.

Lines 4, 5, and 6 -

Type or print the business name. Also type or print the address of the rental property.

Line 7 -

Check the box on line 7 if one or more of your tenants received a rent subsidy from federal, state, or local government.

NOTE: *Public housing operated by the city, county, state, or qualified charitable institutions that do not pay property taxes will report a property tax factor of zero on line 10. Add any rent (or property tax) paid by a government agency (i.e., HUD, Arizona Department of Economic Security, etc.) to the rent received from the tenant to calculate the property tax factor.*

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 94-6. To get a copy of this ruling, visit our web site at www.azdor.gov, or call (602) 255-3381 in Phoenix, or from area codes 520 and 928 call toll-free (800) 352-4090.

Line 8 -

Check the box on line 8 if the property was **exempt** from property tax during 2010. If you check this box, tenants may not claim the property tax credit on any form or schedule.

Line 9 -

Check the box on line 9 if **you** occupy any portion of the property **you** rent or lease to others.

Line 10 -

The landlord must provide a property tax factor to each tenant requesting a Form 201. Use the following formula to calculate the factor.

$$\frac{\text{Total property tax paid on rental units}}{\text{Total rental income}} = \text{Property tax factor}$$

Example:

Landlord L owns a duplex. Landlord L had three tenants during 2010. During 2010 Landlord L received $20,000 of rental income from these tenants. During 2010, each tenant paid the following amount of rent.	
Tenant A rented unit one for 8 months	$ 7,200
Tenant B rented unit one for 4 months	$ 3,400
Tenant C rented unit two for the full year	$ 9,400
Total rental income	$ 20,000
Landlord L paid $2,120 in property taxes for 2010. Landlord L figures the property tax factor as follows: Landlord L divides the property taxes paid in 2010 by the total rental income received in 2010. $\frac{\$\ 2,120}{\$20,000}$ =.106 = Factor Each tenant uses the same factor.	

Line 11 -

The owner, lessor, or manager of the rental property must sign and date the Form 201.

Line 12 -

Type or print the name signed on line 11. Also type or print the telephone number the department can use to verify information on the form.

Instructions for Tenant

Part III - (To be completed by the tenant)

NOTE: *Only one renter in each rental unit can claim the property tax credit. If you are filing a joint Arizona return, enter your names (in the space provided above Part I) as they appear on your return. Only enter the social security number of the person claiming the credit.*

Some qualifications to claim the Property Tax Credit are as follows:

- You paid rent.
- You are 65 or older on December 3l, 2010, **OR** you are on SSI Title 16.
- You do not live in public housing operated by the city, county, state, or qualified charitable institutions that do not pay property taxes.

Line 13 -

Enter the total rents you paid for the taxable year. Do not include any rent subsidies you received from federal, state, or local governments.

Line 14 -

If property tax factor, line 10, is **zero**, you may **not** claim a property tax credit from this form.

Important: Keep one copy of this form for your tax records.

ARIZONA FORM
202

Personal Exemption Allocation Election

2010

For calendar year 2010, or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

- The spouse claiming *more than* one-half (1/2) of the total personal exemption must attach the **original** election to his or her Arizona income tax return.
- The spouse claiming *less than* one-half (1/2) of the total personal exemption must attach a **copy** of the election to his or her Arizona income tax return.

Name of Spouse – claiming **more** than one-half (1/2) of the total exemption	Social Security Number
Name of Spouse – claiming **less** than one-half (1/2) of the total exemption	Social Security Number

We, the undersigned, agree to divide the personal exemption as shown below. (Both spouses must sign and date this form on page 2.)

Who must file Form 202

The following taxpayers must complete Form 202:

1. Married taxpayers filing separate returns, claiming no dependents, with one spouse claiming a personal exemption of more than $2,100 of the $4,200 exemption. *Complete Part I or Part II.*
2. Married taxpayers filing separate returns, claiming at least one dependent, with one spouse claiming a personal exemption of more than $3,150 of the $6,300 exemption. *Complete Part III or Part IV.*
3. A married person who qualifies to file as head of household, with one spouse claiming a personal exemption of more than $3,150 of the $6,300 exemption. *Complete Part III or Part IV.*

Once you make this election for a tax year, you cannot change the agreed upon amounts for that year without making another election. You must complete a new Form 202 and file an amended Arizona income tax return (Form 140X) to change an election.

❒ Original Election

❒ Amended Election

If one spouse is a full-year resident and the other spouse is a part-year resident or nonresident, the full-year resident should complete the appropriate column in Part I or Part III, and the part-year resident or nonresident should complete the appropriate column in Part II or Part IV.

Part I For Full-Year Residents Only (Form 140 or 140A) Claiming No Dependents

		SPOUSE CLAIMING MORE THAN 1/2	SPOUSE CLAIMING LESS THAN 1/2
1 Total personal exemption allowed married taxpayers claiming no dependents	**1**	$ 4,200.00	$ 4,200.00
2 Amount of personal exemption each spouse is claiming on his or her separate Arizona return. Enter the result here. Also enter the result on Form 140, page 1, line 18, or Form 140A, page 1, line 20. If one spouse is a nonresident or part-year resident, that spouse should complete Part II below	**2**	$ .00	$ .00

Part II For Part-Year Residents (Form 140PY) or Nonresidents (Form 140NR) Claiming No Dependents

		SPOUSE CLAIMING MORE THAN 1/2	SPOUSE CLAIMING LESS THAN 1/2
1 Total personal exemption allowed (prior to prorating) married taxpayers claiming no dependents	**1**	$ 4,200.00	$ 4,200.00
2 Amount of personal exemption each spouse is claiming (prior to prorating) on his or her separate Arizona return. If you are a part-year resident who is an active duty military member who either began or gave up Arizona residency during 2010, *skip lines 3 and 4,* and enter this amount on Form 140PY, page 1, line 21. If you are a nonresident who is an active military member, *skip lines 3 and 4,* and enter this amount on Form 140NR, page 1, line 21. All other taxpayers *complete lines 3 and 4*	**2**	$ .00	$ .00
3 If you are a part-year resident, enter your Arizona percentage from Form 140PY, page 2, line B20. If you are a nonresident, enter your Arizona percentage from Form 140NR, page 2, line B17	**3**	%	%
4 *Multiply line 2 by the percentage on line 3.* If you are a part-year resident, enter the result here and on Form 140PY, page 1, line 21. If you are a nonresident, enter the result here and on Form 140NR, page 1, line 21	**4**	$ .00	$ .00

Name of Spouse – claiming **more** than 1/2 of the total exemption as shown on page 1	Social Security No.
Name of Spouse – claiming **less** than 1/2 of the total exemption as shown on page 1	Social Security No.

Part III For Full-Year Residents Only (Form 140 or 140A) Claiming at Least One Dependent

		SPOUSE CLAIMING MORE THAN 1/2	SPOUSE CLAIMING LESS THAN 1/2
1 Total personal exemption allowed married taxpayers claiming at least one dependent....	**1**	$ 6,300.00	$ 6,300.00
2 Amount of personal exemption each spouse is claiming on his or her separate Arizona return. Enter the result here. Also enter the result on Form 140, page 1, line 18, or Form 140A, page 1, line 20. If one spouse is a nonresident or part-year resident, that spouse should complete Part IV below	**2**	$ .00	$ .00

Part IV For Part-Year Residents (Form 140PY) or Nonresidents (Form 140NR) Claiming at Least One Dependent

		SPOUSE CLAIMING MORE THAN 1/2	SPOUSE CLAIMING LESS THAN 1/2
1 Total personal exemption allowed (prior to prorating) married taxpayers claiming at least one dependent	**1**	$ 6,300.00	$ 6,300.00
2 Amount of personal exemption each spouse is claiming (prior to prorating) on his or her separate Arizona return. If you are a part-year resident who is an active duty military member who either began or gave up Arizona residency during 2010, *skip lines 3 and 4,* and enter this amount on Form 140PY, page 1, line 21. If you are a nonresident who is an active military member, *skip lines 3 and 4,* and enter this amount on Form 140NR, page 1, line 21. All other taxpayers *complete lines 3 and 4*.....	**2**	$ .00	$ .00
3 If you are a part-year resident, enter your Arizona percentage from Form 140PY, page 2, line B20. If you are a nonresident, enter your Arizona percentage from Form 140NR, page 2, line B17	**3**	%	%
4 *Multiply line 2 by the percentage on line 3.* If you are a part-year resident, enter the result here and on Form 140PY, page 1, line 21. If you are a nonresident, enter the result here and on Form 140NR, page 1, line 21.....	**4**	$ .00	$ .00

***Both* spouses must sign:**

➔ _____ _____

Signature of spouse claiming *more than* one-half (1/2) of total personal exemption — Date

➔ _____ _____

Signature of spouse claiming *less than* one-half (1/2) of total personal exemption — Date

ONE STAPLE. NO TAPE.

ARIZONA FORM
204

Application for Filing Extension
For Individual Returns Only

FOR CALENDAR YEAR **2010**

OR FISCAL YEAR BEGINNING M M D D Y Y Y Y AND ENDING M M D D Y Y Y Y . 66

Your First Name and Initial 1		Last Name	You must enter your SSN(s). Your Social Security No.
If a joint return, Spouse's First Name and Initial 1		Last Name	Spouse's Social Security No.
Present Home Address - number and street, rural route 2	Apt. No.	Daytime Phone (*with area code*)	Home Phone (*with area code*) 94
City, Town or Post Office 3	State	Zip Code	

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
88
81 80

Check box 1 if you are a first time Arizona income tax return filer..... 1 ☐

Resident Personal Income Tax Forms – *Check only one box:*

☐ 140 ☐ 140A ☐ 140EZ ☐ 140PTC ☐ 140ET
☐ Part-Year Personal Income Tax, Form 140PY
☐ Nonresident Personal Income Tax, Form 140NR

All extension requests must be postmarked on or before the original due date of the return, unless the original due date falls on a Saturday, Sunday, or legal holiday. In that case, your request must be postmarked on or before the business day following that Saturday, Sunday, or legal holiday. If you are a calendar year filer, your request for a 2010 filing extension must be postmarked on or before April 18, 2011.

An Arizona extension cannot be granted for more than six months beyond the original due date of the return. Arizona will grant an automatic six-month extension to individuals filing Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC or 140ET. Arizona will accept a valid federal extension for the period covered by the federal extension. This includes the automatic six-month individual federal filing extension.

CHECK ONE BOX:	Fiscal Tax Year Ending	Return Due Date
☐ **Individual Calendar Year Filers:** (filing Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC or 140ET) This is a request for an automatic 6-month filing extension		October 17, 2011
☐ **Individual Fiscal Year Filers:** (automatic 6-month extension period) *Enter taxable year-end date and 6-month extended due date*	M M D D Y Y Y Y	M M D D Y Y Y Y

☐ A federal extension will be used to file this tax return. This form is being used to transmit the Arizona extension payment.

1	Tax liability for 2010. *You may estimate this amount*			1		00
2	Arizona income tax withheld during 2010	2	00			
3	Arizona estimated tax payments for 2010	3	00			
4	Credits you will claim on your 2010 return. *See Form 301 for a list of credits*	4	00			
5	*Add* lines 2 through 4			5		00
6	**Balance of Tax:** *Subtract* line 5 from line 1			6		00
7	Enter the amount of payment. *Round your payment to the nearest dollar*			7		00

- *Make check payable to* Arizona Department of Revenue and ***write your SSN on your payment***.
- *Attach your payment* to the upper left corner of this page.

- **IMPORTANT:** If you are filing under a federal extension but are making an Arizona extension *payment by credit card or electronic payment*, ***do not mail Form 204*** to us. We will apply your estimated tax payment to your account.
- If you ***are*** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.
- If you are ***not*** sending a payment with this request, mail to Arizona Department of Revenue, PO Box 52138, Phoenix, AZ 85072-2138.

2010 Filing Extension For Individuals

Arizona Form 204

Use of Form 204

Leave the paper behind and e-file your Arizona extension request. Visit www.azdor.gov for e-file requirements.

Use Form 204 to apply for an extension of time to file an Arizona Form 140, 140A, 140EZ, 140ET, 140PTC, 140PY, or 140NR.

If you are using Form 204 to request a filing extension for a composite return, enter the partnership's or S corporation's EIN in the area designated for an individual's SSN.

Individuals use this form to apply for an automatic six (6) month extension.

Also use Form 204 to remit an extension payment whether you are requesting an Arizona extension or using a valid federal extension. However, if you are filing under a federal extension, but making an electronic extension payment or making an extension payment using a credit card, you do not need to send in Form 204.

Arizona will accept your federal extension for the period covered by the federal extension.

When to File

For 2010, you must file Form 204 by April 18, 2011 (or by the original due date of your return).

Complete Form 204 to request an automatic six (6) month extension. Mark your envelope "Extension Request."

If you are not sending a payment with your request, mail the request to: Arizona Department of Revenue, PO Box 52138, Phoenix AZ 85072-2138.

If you are sending a payment with this request, mail the request to: Arizona Department of Revenue, PO Box 29085, Phoenix AZ 85038-9085.

The department will not return a copy of the Form 204 to you. Be sure to keep a copy of the completed Form 204.

An extension does not extend the time to pay your income tax. You must still pay your tax liability by April 18 (or by the original due date of your return). If you do not pay at least 90% of the 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% of the 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 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% 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 section 42-1125.D.

Nonresident Aliens

The due date for your Arizona return is not the same as the due date for your federal return. Your Arizona return is due by April 18 even though your federal return is due on June 15. If you want to file your Arizona return after April 18, you must ask for a filing extension. You must file this request by April 18. Arizona will allow up to a 6-month extension. This will allow you to file your return by October 17, 2011.

If you have a federal 6-month extension, you can file your Arizona return under that extension. If you file using your federal extension, Arizona will also allow you an extra 6 months. Because we will allow only 6 months, the due date for your Arizona return is not the same as the due date for your federal return. In this case, your Arizona return will be due by October 17 even though your federal return will not be due until December 15. If you file your 2010 Arizona calendar return after October 17, 2011, your return will be late.

Making Your Payment

Individuals may make extension payments by check, electronic check, money order, or credit card. Partnerships or S corporations making an extension payment on behalf of nonresidents participating in the filing of a composite return must make those payments by check or money order.

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** and **2010 extension** on the **front** of your check or money order. Attach your check to the front of Form 204 where shown.

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 2010. There is no fee to use this method. To make an electronic payment, go to www.aztaxes.gov click on the "Make a Payment" link. 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 click on the "Make a Payment" link and choose the credit card option. This will take you to a third party vendor site. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service 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 the information requested on the **front** of the form.

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

ARIZONA FORM

221 Underpayment of Estimated Tax by Individuals 2010

Attach to your return.

Name (first, middle initial, last) *If joint return, also give spouse's name and initial.* | Social Security Number

Part A Calculation of Underpayment

1	I am claiming an exception from the imposition of the estimated payment penalty because I qualified for federal relief under IRC §6654. *Check box and see instructions*	1 ☐	
2	Amount of tax for 2010 from Form 140, page 1, line 25, or form 140PY, page 1, line 28, or Form 140NR, page 1, line 28	2	00
3	Tax credits claimed on your 2010 Arizona return	3	00
4	*Subtract* line 3 from line 2	4	00
5	Arizona tax withheld during 2010. Do not include any estimated tax payments or extension payments on this line	5	00
6	*Subtract* line 5 from line 4. If less than $1,000, *stop here*. You do not owe the penalty. *Do not file Form 221*	6	00
7	*Multiply* line 4 by 90% (.90)	7	00
8	Enter the immediately preceding year's tax liability after tax credits. *See instructions*	8	00
9	**Required Annual Payment:** *Enter the lesser* of line 7 or line 8	9	00

		(a)	(b)	(c)	(d)
10	Payment date	**Apr-15-2010**	**Jun-15-2010**	**Sep-15-2010**	**Jan-18-2011**
11	*Divide* the amount on line 9 by the number of payments required for the year (usually four). *Enter the result in appropriate columns*. If you use any other installment method, *check this box* ☐. If you annualize, complete the worksheet on page 2 of this form and enter the amount from line 23 of that worksheet in each column of line 11				
12	Estimated tax paid and income tax withheld. *See instructions*				
13	Overpayment: *See instructions*				
14	*Add* lines 12 and 13				
15	**Underpayment:** *Subtract* line 14 from line 11; **or** **Overpayment:** *Subtract* line 11 from line 14				

Part B Underpayment of Estimated Tax Penalty

16	**Rate Period One: 4%** (Apr-15-10 through Jun-30-10) Computation starting date for this period	**Apr-15-10**	**Jun-15-10**		
17	Number of days after the date on line 16 through the date the amount on line 15 was paid or June 30, 2010 whichever is earlier	Days:	Days:		
18	Number of days on line 17 / 365 × 4% × underpayment on line 15				
19	**Rate Period Two: 4%** (Jul-1-10 through Sep-30-10) Computation starting date for this period	**Jun-30-10**	**Jun-30-10**	**Sep-15-10**	
20	Number of days after the date on line 19 through the date the amount on line 15 was paid or September 30, 2010 whichever is earlier	Days:	Days:	Days:	
21	Number of days on line 20 / 365 × 4% × underpayment on line 15				
22	**Rate Period Three: 4%** (Oct-1-10 through Dec-31-10) Computation starting date for this period	**Sep-30-10**	**Sep-30-10**	**Sep-30-10**	
23	Number of days after the date on line 22 through the date the amount on line 15 was paid or December 31, 2010 whichever is earlier	Days:	Days:	Days:	
24	Number of days on line 23 / 365 × 4% × underpayment on line 15				
25	**Rate Period Four: *%** (Jan-1-11 through Apr-18-11) Computation starting date for this period	**Dec-31-10**	**Dec-31-10**	**Dec-31-10**	**Jan-18-11**
26	Number of days after the date on line 25 through the date the amount on line 15 was paid or April 18, 2011 whichever is earlier	Days:	Days:	Days:	Days:
27	Number of days on line 26 / 365 × *% × underpayment on line 15 plus any penalty from Rate Periods One, Two and Three if the underpayment is unpaid as of January 1, 2011				
28	**Penalty:** **Column (a) -** *Add* lines 18, 21, 24, 27. *Enter the total* on line 28 of column a. **Column (b) -** *Add* lines 18, 21, 24, 27. *Enter the total* on line 28 of column b. **Column (c) -** *Add* lines 21, 24, 27. *Enter the total* on line 28 of column c. **Column (d) -** *Enter the amount from column d, line 27*				
29	**Penalty Limitation:** In columns a through d, *list the smaller of* line 15 x 10% **or** the amount from line 28				

30	**TOTAL PENALTY:** *Add* the amounts in columns a, b, c, and d, line 29 (*see instructions*)	30	00

ADOR 10642 (10)
Previous ADOR 91-5456

***Percentage rate to be announced**

Your Name (as shown on page 1)	Your Social Security No.

Annualized Income Installment Worksheet

Complete lines 1 through 23 of one column before completing the next column.

		Jan-1-10 to Mar-31-10	Jan-1-10 to May-31-10	Jan-1-10 to Aug-31-10	Jan-1-10 to Dec-31-10
1 Enter your Arizona adjusted gross income without your dependent, qualifying parent or ancestor, blind, or over 65 exemptions for each period	**1**				
2 Annualization amounts	**2**	4.0	2.4	1.5	1.0
3 Annualized income: *Multiply* line 1 by line 2	**3**				
4 Enter your itemized deductions for the period shown in each column. If you do not itemize, *enter "zero"* and *skip to line 7*	**4**				
5 Annualized amounts	**5**	4.0	2.4	1.5	1.0
6 Annualized itemized deductions: *Multiply* line 4 by line 5	**6**				
7 Enter your standard deduction from Arizona Form 140, line 17, Form 140PY, line 20, or Form 140NR, line 20	**7**				
8 Enter the amount from line 6 or line 7, whichever is larger	**8**				
9 *Subtract* line 8 from line 3	**9**				
10 Enter the amount allowed for personal, blind, over 65, dependent, and qualifying parent or ancestor exemptions claimed on your Arizona Form 140, Form 140PY, or Form 140NR	**10**				
11 *Subtract* line 10 from line 9	**11**				
12 Figure your tax on the amount on line 11 using Tax Table X or Y	**12**				
13 For each period, enter the amount of tax credits allowed on your Arizona Form 140, Form 140PY, or Form 140NR	**13**				
14 *Subtract* line 13 from line 12. If zero or less, *enter "zero"*	**14**				
15 Applicable percentages	**15**	22.5%	45%	67.5%	90%
16 *Multiply* line 14 by line 15	**16**				
17 Enter the combined amounts of line 23 from all preceding columns.	**17**				
18 *Subtract* line 17 from line 16. If less than zero, *enter "zero"*	**18**				
19 *Divide* line 9 from page 1, of this Form 221, by four (4), and *enter the result in each column*	**19**				
20 Enter the amount from line 22 of the preceding column of this worksheet	**20**				
21 *Add* lines 19 and 20, and enter the total	**21**				
22 If line 21 is more than line 18, *subtract* line 18 from line 21. Otherwise, *enter "zero"*	**22**				
23 *Enter the* ***smaller*** of line 18 or line 21 here and on page 1, line 11.	**23**				

2010 Underpayment of Estimated Tax by Individuals

Arizona Form 221

Phone Numbers

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
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.azdor.gov**

Purpose of Form

Certain people must make estimated income tax payments. The department will charge a penalty if a person fails to make any required payment.

Use Form 221 to figure if you paid enough estimated tax. Also use this form to see if you are subject to penalty for any late or underpaid payment.

Are You Subject to the Penalty?

You are subject to the penalty if you had to make estimated payments, but did not pay the right amount or made a payment late.

You must have made estimated payments during 2010 if the following apply.		
Your filing status is:	**AND** Your Arizona gross income for 2009 was greater than:	**AND** Your Arizona gross income for 2010 exceeded:
Married Filing Joint	$150,000	$150,000
Single	$75,000	$75,000
Head of Household	$75,000	$75,000
Married Filing Separately	$75,000	$75,000

What is My Arizona Gross Income for Estimated Payment Purposes?	
If you are a:	**Your Arizona gross income is:**
Full year Arizona resident	Your federal adjusted gross income. This amount is found on line 12 of your 2009 and 2010 Arizona Form 140.
Part year Arizona resident	That part of your federal adjusted gross income that you must report to Arizona. This amount is found on line 15 of your 2009 and 2010 Arizona Form 140PY.
Arizona nonresident	That part of your federal adjusted gross income derived from Arizona sources. This amount is found on line 15 of your 2009 and 2010 Arizona Form 140NR.

If your Arizona gross income was less than the prescribed thresholds ($75,000 or $150,000 if married filing jointly) for either 2009 or 2010, you are not subject to the penalty.

Should You Complete This Form?

If you had to make estimated payments during 2010, you must complete this form unless one of the following applies.

1. Your 2010 Arizona tax liability is less than $1,000. This is the amount of tax shown on your return reduced by any Arizona income tax withheld during the taxable year and any allowable tax credits that you are claiming.
2. The amount of Arizona tax withheld from your wages or withheld from other payments during 2010 is equal to, or is more than, your required annual payment (Form 221, line 9).
3. You report as a farmer or fisherman for federal purposes and you are a calendar year filer **and**:
   - You file your Arizona return by March 1, 2011.
   - You pay in full the amount stated as payable on the return.
4. You report as a farmer or fisherman for federal purposes and you are a fiscal year filer **and**:
   - You file your Arizona return on or before the first day of the third month after the end of the fiscal year.
   - You pay in full the amount stated as payable on the return.

If any of items 1 through 4 above apply to you, you do not have to complete Form 221. Otherwise, complete this form to see if you are subject to the penalty. If you have to complete Form 221, you must attach the completed Form 221 to your Arizona Form 140, Form 140PY, or Form 140NR.

If you had to make estimated payments, your payments, when added to your Arizona withholding, must total either 90% of the tax due for 2010, or 100% of the tax due for 2009.

You can use your 2009 tax to figure the amount of payments that you must have made during 2010 only if you filed a 2009 Arizona income tax return.

Part A - Calculation of Underpayment

If you file an amended return by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on your original return. For more information, see Arizona Department of Revenue Individual Income Tax Ruling ITR 02-4.

Line 1 -

Complete line 1 if you are claiming an exception from the penalty because you qualified for federal relief under IRC § 6654. You may claim either an exception from the penalty, or you may claim a penalty waiver.

Penalty Exceptions

You will not have to pay the penalty if either 1 or 2 below applies.

1. You had no federal tax liability for 2009. You were also a U.S. citizen or resident of the U.S. for the entire year and your 2009 tax return was (or would have been had you been required to file) for a full 12 months.
2. The total tax shown on your 2010 federal income tax return minus your federal withholding is less than $1,000.

To request a penalty exception because either 1 or 2 above apply, do the following.

- Check the box on line 1.
- **Do not** complete the rest of Form 221.
- Attach Form 221 to Form 140, 140PY, or 140NR.

Penalty Waivers

If you have an underpayment on line 15, the department will waive all or part of the penalty for that underpayment if the department determines that either 1 or 2 below applies.

1. The underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be inequitable to impose the penalty.
2. In 2009 or 2010, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause.

To request a waiver for an underpayment described in either 1 or 2 above, do the following.

- Check the box on line 1.
- Complete Form 221 through line 30 without regard to the waiver. Write the amount you want waived in parentheses in the area next to line 30. Subtract this amount from the total penalty you figured without regard to the waiver, and enter the result on line 30.
- Attach Form 221 and a statement to your return explaining why you could not meet the estimated tax requirements. Also show the time period for which you are requesting a waiver.
- If you are asking for a penalty waiver due to a casualty, disaster, or other unusual conditions, attach documentation such as copies of police and insurance company reports.
- If you are asking for a penalty waiver due to retirement or disability, attach documentation that shows your retirement date (and your age on that date) or the date you became disabled.

Lines 2 - 15

Complete lines 2 through 15 to see if you underpaid your 2010 estimated income tax payments.

Line 2 -

Enter your 2010 income tax liability from Form 140, page 1, line 25, or Form 140PY, page 1, line 28, or Form 140NR, page 1, line 28.

NOTE: *If you compute your tax liability under the claim of right provisions enter the net tax liability as computed under the claim of right provisions.*

Line 3 -

Enter any tax credits claimed on your 2010 income tax return.

Line 4 -

Subtract line 3 from line 2.

Line 5 -

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Also enter the Arizona income tax withheld shown on your Form(s) 1099-R (distributions from pensions, annuities, etc.). Do not include any income tax withheld for another state.

Line 6 -

Subtract line 5 from line 4. If less than $1,000, you do not owe the penalty, stop here and do not file Form 221.

Line 7 -

Multiply the amount on line 4 by 90% (.9). Enter the result.

Line 8 -

Enter your 2009 tax liability (after tax credits). Only enter an amount on line 8 if you filed an Arizona personal income tax return for 2009. **If you did not file an Arizona personal income tax return for 2009, skip this line.**

Line 9 -

If you completed line 8, enter the smaller of line 7 or line 8. If you did not complete line 8, enter the amount from line 7.

Line 10 -

In columns (a) through (d), enter the due dates for your federal estimated income tax payments. Enter a date here only if these dates are different from the preprinted dates.

Line 11 -

Divide the amount on line 9 by four (4). Enter the result in each column. In some cases you did not have to make your payments in four equal installments. If you did not have to make your payments in four equal installments, check the box and enter the amount of your required payment(s) in the proper column. You did not have to make payments in four equal installments if you made your payments under any of the following methods.

1. **The annualized income installment method.** If you use the annualized income installment method, complete the worksheet on Form 221, page 2. Also enter the amount from line 23 of that worksheet in each column of line 11. If you use the annualized income installment method, you must check the box on line 11.

2. **File and pay by January 31, 2011.** If you file your Arizona return by January 31, 2011, and pay in full the amount stated on the return as payable, you do not have to make the fourth estimated tax payment. Fiscal year filers must file and pay by the last day of the month following the close of the fiscal year.

3. **Farmer or fisherman.** If you report as a farmer or fisherman for federal purposes, you only have to make one installment for a taxable year. The due date for this installment for a calendar year filer was January 18, 2011. The due date for a fiscal year filer is the 15th day of the first month after the end of the fiscal year. You do not have to make this payment if you file your Arizona return on or before March 1, 2011, and pay in full the amount stated on the return as payable. Fiscal year filers must file and pay on or before the first day of the third month after the end of the fiscal year.

4. **Nonresident alien**. If you are an individual who elects to be treated as a nonresident alien on the federal income tax return, you may make three estimated payments. The due dates for these installments were June 15, 2010, September

15, 2010 and January 18, 2011. The first installment must have equaled 50 percent of the total required payments.

Line 12 - Estimated Tax Paid and Withheld

Enter the estimated tax payments you made plus any Arizona income tax withheld for that quarter.

In column (a), enter the tax payments you made by April 15, 2010, that were for the 2010 tax year. In column (b), enter payments you made after April 15 through June 15, 2010. In column (c), enter payments you made after June 15, 2010, through September 15, 2010. In column (d), enter payments you made after September 15, 2010, through January 18, 2011.

When figuring your payment dates and the amounts to enter on line 12 of each column, apply the following rules.

1. Include ¼ of your Arizona income tax withheld in each column. The department considers you to have paid ¼ of Arizona income tax withheld on each payment due date unless you can show otherwise.
2. Include in your estimated tax payments any overpayment of tax from your 2009 return that you elected to apply to your 2010 estimated tax. You should report this amount in column (a).
3. If you file your return and pay the tax due by January 31, 2011, include on line 12, column (d), the amount of tax you pay with your return. In this case, you will not owe a penalty for the payment due by January 18, 2011.

NOTE: *If line 12 equals or is more than line 11 in all columns, you do not owe a penalty. Do not complete the rest of this form. You must attach a copy of this form to your return.*

Lines 13 through 15 - Overpayments or Underpayments

Complete lines 13 through 15 for one payment period **before** you go to the next period.

If you have an overpayment on line 15 for the period, you may apply it to a prior period underpayment to stop the accrual of penalty on that underpayment. If you apply an overpayment in this manner, use the date the overpayment was paid when you figure the penalty on the underpayment on line 15. You may then carry the remainder of the overpayment forward to line 13 of the next period. If you do not choose to stop the accrual of penalty on a prior underpayment, you may carry the entire overpayment forward to line 13 of the next period.

Part B - Underpayment of Estimated Tax Penalty

Compute the penalty by applying the applicable rate to each underpayment. Compute the penalty for the number of days that the underpayment remained unpaid.

The penalty is equal to the interest that would accrue on the underpayment. The penalty cannot be more than 10% of the underpayment. Calculate this penalty like interest.

The penalty rates are established at various times during the year. The rate for the first quarter of 2011 (January 1, 2011, through March 31, 2011) was not established by the time the department printed this form. To get the interest rate that applies from January 1, 2011 to April 18, 2011, call one of the numbers listed on page 1 of these instructions.

NOTE: *If you have not paid the underpayment by December 31, 2010, the outstanding penalty that relates to that underpayment will compound on January 1, 2011.*

Use lines 16 through 29 to compute the penalty for each rate period.

List your payments to figure the penalty applicable to these installments.

TABLE 1	
Payments after 4/15/10 through 6/30/10	
(a) Date	(b) Payments

TABLE 2	
Payments after 6/30/10 through 9/30/10	
(a) Date	(b) Payments

TABLE 3	
Payments after 9/30/10 through 12/31/10	
(a) Date	(b) Payments

TABLE 4	
Payments after 12/31/10 through 4/18/11	
(a) Date	(b) Payments

List only the payments made during the dates shown in the table heading. Apply the following rules.

1. If you have any withheld Arizona income tax, the department considers you to have paid ¼ of these amounts on each payment due date. You may treat these amounts paid on a different due date if you can show otherwise.

   For example, if you had $4,000 of Arizona income tax withheld during 2010, list $1,000 as being paid on June 15, 2010, September 15, 2010, and January 18, 2011, in the proper table. Do not list the withholding attributable to the first payment due date April 15, 2010.

2. List any amount that you pay with your tax return as a payment. Use the date you file your return as the payment date, unless you file late. In that case, use April 18, 2011.

Chart of Total Days per Period

If an underpayment remained unpaid for an entire period, use the chart below to determine the number of days to enter on line 17, columns (a) and (b), line 20, columns (a), (b), and (c), line 23, columns (a), (b), and (c), and line 26 columns (a), (b), (c), and (d).

Rate Period	(a)	(b)	(c)	(d)
1 (line 17)	76	15		
2 (line 20)	92	92	15	
3 (line 23)	92	92	92	
4 (line 26)	108	108	108	90

For example, if you have an underpayment on line 15, column (a), but show no payments, you would enter "76" on line 17.

Rate Period 1

Enter on line 17 the number of days from 4/15/10 to the date of the first payment listed in Table 1. If no payments are listed, enter "76".

If You Listed a Payment in Table 1

On a separate sheet of paper apply the payment to the underpayment shown on line 15. The underpayment for the computation on line 18 is the amount of the payment applied to the line 15 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 18 computation.

If You Did Not List Any Payments in Table 1

The underpayment is the whole underpayment balance since the entire underpayment was unpaid for the whole rate period.

Determine if You Need to Make More Computations

Use the following information to see if you need to make more computations.

1. The payment listed in the table reduced the underpayment to zero. You do not need to make any further computations for column (a). Calculate the penalty for any other underpayments shown in columns (b) through (d) of line 15.
2. You did not list any payments in the table. You will need to calculate the penalty for rate periods 2, 3, and 4. To do this, complete column (a) of lines 20, 21, 23, 24, 26, and 27.
3. The payment listed in the table did not reduce the underpayment to zero, and no other payments are listed. Make another computation on lines 20, 21, 23, 24, 26, and 27 to calculate the penalty on the underpayment balance that remained unpaid for the entire rate period. In this case, enter another number in the entry space for lines 17 and 18, as follows:

   On line 17, enter "76". This is the total number of days in the first rate period (see the chart).

   On line 18, make the computation and enter the result. The "underpayment" in this computation is the balance of the underpayment remaining in the period.
4. Other payments are listed in the table and the first payment was not enough to reduce the underpayment to zero. Make a separate computation for each payment listed until the underpayment is reduced to zero. If there is still an underpayment balance after applying all of the payments, you will need to calculate the penalty on the balance of the underpayment in the same manner as explained in number 2 above.

Rate Periods 2, 3, and 4

If an underpayment balance remains after applying any payments in Table 1, compute the penalty attributable to that balance on lines 20 and 21, then if necessary, on lines 23 and 24 and 26 and 27. Use the same steps as explained under Rate Period 1 above, but use the date and penalty rate shown on lines 20 and 21, or lines 23 and 24, or lines 26 and 27. ***When figuring the penalty for rate period 2, be sure to use only the payments listed in Table 2. When figuring the penalty for rate period 3, be sure to use only the payments listed in Table 3. When figuring the penalty for rate period 4, be sure to use only the payments listed in Table 4.***

NOTE: *Penalty compounds annually on January 1 of each year. Add any penalty outstanding on that date to the principal amount of the tax (installment underpayment/late payment). The amount added to the principal becomes a part of the principal and accrues penalty until paid.*

Line 30 -

Total penalty on underpaid or late paid estimated payments.

Add the amounts in columns (a), (b), (c), and (d), line 29. Enter the result. Also enter this amount on Form 140, page 1, line 54, or Form 140PY, page 1, line 56, or Form 140NR. Page 1, line 54.

Annualized Income Installment Worksheet

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use the Annualized Income Installment Worksheet to figure the amounts to enter on line 11 of Form 221.

If you use the Annualized Income Installment Worksheet for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, the Annualized Income Installment Worksheet automatically selects the smaller of the annualize income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

For more information about the annualized income installment method, see federal Pub. 505.

2010 Optional Tax Tables

If your taxable income is less than $50,000, use the Optional Tax Tables. If your taxable income is $50,000 or more, use Tax Table X or Y. Also, if your taxable income is $50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2010. In this case, you must file using Form 140.

To Find Your Tax: **Read down the income column until you find your taxable income shown on Form 140, line 19, or Form 140A, line 21, or Form 140EZ, line 8. Read across until you find your filing status as shown on Form 140, or Form 140A, or Form 140EZ. Enter the tax on Form 140, line 20, or Form 140A, line 22, or Form 140EZ, line 9.**

Example: Mr. and Mrs. Timely are filing a joint return. Their taxable income on Form 140, line 19, or Form 140A, line 21, or Form 140EZ, line 8 is $19,360. First, they find the $19,350-$19,400 income line. Next they find the column for married filing jointly and read down the column. The amount shown where the income lines and filing status column meet is $502. This is the tax amount they must write on Form 140, line 20, or Form 140A, line 22, or Form 140EZ, line 9.

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
		Your Tax is -	
19,300	**19,350**	528	501
19,350	**19,400**	529	**502**
19,400	**19,450**	530	503

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
If less than $20 tax is 0		**Your Tax Is**		**$2,000**		**Your Tax Is**		**$4,000**		**Your Tax Is**	
20	**50**	1	1	**2,000**	**2,050**	52	52	**4,000**	**4,050**	104	104
50	**100**	2	2	**2,050**	**2,100**	54	54	**4,050**	**4,100**	106	106
100	**150**	3	3	**2,100**	**2,150**	55	55	**4,100**	**4,150**	107	107
150	**200**	5	5	**2,150**	**2,200**	56	56	**4,150**	**4,200**	108	108
200	**250**	6	6	**2,200**	**2,250**	58	58	**4,200**	**4,250**	109	109
250	**300**	7	7	**2,250**	**2,300**	59	59	**4,250**	**4,300**	111	111
300	**350**	8	8	**2,300**	**2,350**	60	60	**4,300**	**4,350**	112	112
350	**400**	10	10	**2,350**	**2,400**	62	62	**4,350**	**4,400**	113	113
400	**450**	11	11	**2,400**	**2,450**	63	63	**4,400**	**4,450**	115	115
450	**500**	12	12	**2,450**	**2,500**	64	64	**4,450**	**4,500**	116	116
500	**550**	14	14	**2,500**	**2,550**	65	65	**4,500**	**4,550**	117	117
550	**600**	15	15	**2,550**	**2,600**	67	67	**4,550**	**4,600**	118	118
600	**650**	16	16	**2,600**	**2,650**	68	68	**4,600**	**4,650**	120	120
650	**700**	17	17	**2,650**	**2,700**	69	69	**4,650**	**4,700**	121	121
700	**750**	19	19	**2,700**	**2,750**	71	71	**4,700**	**4,750**	122	122
750	**800**	20	20	**2,750**	**2,800**	72	72	**4,750**	**4,800**	124	124
800	**850**	21	21	**2,800**	**2,850**	73	73	**4,800**	**4,850**	125	125
850	**900**	23	23	**2,850**	**2,900**	74	74	**4,850**	**4,900**	126	126
900	**950**	24	24	**2,900**	**2,950**	76	76	**4,900**	**4,950**	128	128
950	**1,000**	25	25	**2,950**	**3,000**	77	77	**4,950**	**5,000**	129	129
$1,000		**Your Tax Is**		**$3,000**		**Your Tax Is**		**$5,000**		**Your Tax Is**	
1,000	**1,050**	27	27	**3,000**	**3,050**	78	78	**5,000**	**5,050**	130	130
1,050	**1,100**	28	28	**3,050**	**3,100**	80	80	**5,050**	**5,100**	131	131
1,100	**1,150**	29	29	**3,100**	**3,150**	81	81	**5,100**	**5,150**	133	133
1,150	**1,200**	30	30	**3,150**	**3,200**	82	82	**5,150**	**5,200**	134	134
1,200	**1,250**	32	32	**3,200**	**3,250**	84	84	**5,200**	**5,250**	135	135
1,250	**1,300**	33	33	**3,250**	**3,300**	85	85	**5,250**	**5,300**	137	137
1,300	**1,350**	34	34	**3,300**	**3,350**	86	86	**5,300**	**5,350**	138	138
1,350	**1,400**	36	36	**3,350**	**3,400**	87	87	**5,350**	**5,400**	139	139
1,400	**1,450**	37	37	**3,400**	**3,450**	89	89	**5,400**	**5,450**	141	141
1,450	**1,500**	38	38	**3,450**	**3,500**	90	90	**5,450**	**5,500**	142	142
1,500	**1,550**	39	39	**3,500**	**3,550**	91	91	**5,500**	**5,550**	143	143
1,550	**1,600**	41	41	**3,550**	**3,600**	93	93	**5,550**	**5,600**	144	144
1,600	**1,650**	42	42	**3,600**	**3,650**	94	94	**5,600**	**5,650**	146	146
1,650	**1,700**	43	43	**3,650**	**3,700**	95	95	**5,650**	**5,700**	147	147
1,700	**1,750**	45	45	**3,700**	**3,750**	96	96	**5,700**	**5,750**	148	148
1,750	**1,800**	46	46	**3,750**	**3,800**	98	98	**5,750**	**5,800**	150	150
1,800	**1,850**	47	47	**3,800**	**3,850**	99	99	**5,800**	**5,850**	151	151
1,850	**1,900**	49	49	**3,850**	**3,900**	100	100	**5,850**	**5,900**	152	152
1,900	**1,950**	50	50	**3,900**	**3,950**	102	102	**5,900**	**5,950**	153	153
1,950	**2,000**	51	51	**3,950**	**4,000**	103	103	**5,950**	**6,000**	155	155

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$6,000		**Your Tax Is**		**$9,000**		**Your Tax Is**		**$12,000**		**Your Tax Is**	
6,000	**6,050**	156	156	**9,000**	**9,050**	234	234	**12,000**	**12,050**	317	311
6,050	**6,100**	157	157	**9,050**	**9,100**	235	235	**12,050**	**12,100**	319	313
6,100	**6,150**	159	159	**9,100**	**9,150**	236	236	**12,100**	**12,150**	320	314
6,150	**6,200**	160	160	**9,150**	**9,200**	238	238	**12,150**	**12,200**	322	315
6,200	**6,250**	161	161	**9,200**	**9,250**	239	239	**12,200**	**12,250**	323	317
6,250	**6,300**	163	163	**9,250**	**9,300**	240	240	**12,250**	**12,300**	325	318
6,300	**6,350**	164	164	**9,300**	**9,350**	242	242	**12,300**	**12,350**	326	319
6,350	**6,400**	165	165	**9,350**	**9,400**	243	243	**12,350**	**12,400**	327	321
6,400	**6,450**	166	166	**9,400**	**9,450**	244	244	**12,400**	**12,450**	329	322
6,450	**6,500**	168	168	**9,450**	**9,500**	245	245	**12,450**	**12,500**	330	323
6,500	**6,550**	169	169	**9,500**	**9,550**	247	247	**12,500**	**12,550**	332	324
6,550	**6,600**	170	170	**9,550**	**9,600**	248	248	**12,550**	**12,600**	333	326
6,600	**6,650**	172	172	**9,600**	**9,650**	249	249	**12,600**	**12,650**	335	327
6,650	**6,700**	173	173	**9,650**	**9,700**	251	251	**12,650**	**12,700**	336	328
6,700	**6,750**	174	174	**9,700**	**9,750**	252	252	**12,700**	**12,750**	337	330
6,750	**6,800**	175	175	**9,750**	**9,800**	253	253	**12,750**	**12,800**	339	331
6,800	**6,850**	177	177	**9,800**	**9,850**	254	254	**12,800**	**12,850**	340	332
6,850	**6,900**	178	178	**9,850**	**9,900**	256	256	**12,850**	**12,900**	342	333
6,900	**6,950**	179	179	**9,900**	**9,950**	257	257	**12,900**	**12,950**	343	335
6,950	**7,000**	181	181	**9,950**	**10,000**	258	258	**12,950**	**13,000**	345	336
$7,000		**Your Tax Is**		**$10,000**		**Your Tax Is**		**$13,000**		**Your Tax Is**	
7,000	**7,050**	182	182	**10,000**	**10,050**	260	260	**13,000**	**13,050**	346	337
7,050	**7,100**	183	183	**10,050**	**10,100**	261	261	**13,050**	**13,100**	348	339
7,100	**7,150**	185	185	**10,100**	**10,150**	263	262	**13,100**	**13,150**	349	340
7,150	**7,200**	186	186	**10,150**	**10,200**	264	264	**13,150**	**13,200**	350	341
7,200	**7,250**	187	187	**10,200**	**10,250**	265	265	**13,200**	**13,250**	352	343
7,250	**7,300**	188	188	**10,250**	**10,300**	267	266	**13,250**	**13,300**	353	344
7,300	**7,350**	190	190	**10,300**	**10,350**	268	267	**13,300**	**13,350**	355	345
7,350	**7,400**	191	191	**10,350**	**10,400**	270	269	**13,350**	**13,400**	356	346
7,400	**7,450**	192	192	**10,400**	**10,450**	271	270	**13,400**	**13,450**	358	348
7,450	**7,500**	194	194	**10,450**	**10,500**	273	271	**13,450**	**13,500**	359	349
7,500	**7,550**	195	195	**10,500**	**10,550**	274	273	**13,500**	**13,550**	361	350
7,550	**7,600**	196	196	**10,550**	**10,600**	276	274	**13,550**	**13,600**	362	352
7,600	**7,650**	197	197	**10,600**	**10,650**	277	275	**13,600**	**13,650**	363	353
7,650	**7,700**	199	199	**10,650**	**10,700**	278	276	**13,650**	**13,700**	365	354
7,700	**7,750**	200	200	**10,700**	**10,750**	280	278	**13,700**	**13,750**	366	355
7,750	**7,800**	201	201	**10,750**	**10,800**	281	279	**13,750**	**13,800**	368	357
7,800	**7,850**	203	203	**10,800**	**10,850**	283	280	**13,800**	**13,850**	369	358
7,850	**7,900**	204	204	**10,850**	**10,900**	284	282	**13,850**	**13,900**	371	359
7,900	**7,950**	205	205	**10,900**	**10,950**	286	283	**13,900**	**13,950**	372	361
7,950	**8,000**	207	207	**10,950**	**11,000**	287	284	**13,950**	**14,000**	373	362
$8,000		**Your Tax Is**		**$11,000**		**Your Tax Is**		**$14,000**		**Your Tax Is**	
8,000	**8,050**	208	208	**11,000**	**11,050**	289	286	**14,000**	**14,050**	375	363
8,050	**8,100**	209	209	**11,050**	**11,100**	290	287	**14,050**	**14,100**	376	365
8,100	**8,150**	210	210	**11,100**	**11,150**	291	288	**14,100**	**14,150**	378	366
8,150	**8,200**	212	212	**11,150**	**11,200**	293	289	**14,150**	**14,200**	379	367
8,200	**8,250**	213	213	**11,200**	**11,250**	294	291	**14,200**	**14,250**	381	368
8,250	**8,300**	214	214	**11,250**	**11,300**	296	292	**14,250**	**14,300**	382	370
8,300	**8,350**	216	216	**11,300**	**11,350**	297	293	**14,300**	**14,350**	384	371
8,350	**8,400**	217	217	**11,350**	**11,400**	299	295	**14,350**	**14,400**	385	372
8,400	**8,450**	218	218	**11,400**	**11,450**	300	296	**14,400**	**14,450**	386	374
8,450	**8,500**	220	220	**11,450**	**11,500**	301	297	**14,450**	**14,500**	388	375
8,500	**8,550**	221	221	**11,500**	**11,550**	303	298	**14,500**	**14,550**	389	376
8,550	**8,600**	222	222	**11,550**	**11,600**	304	300	**14,550**	**14,600**	391	377
8,600	**8,650**	223	223	**11,600**	**11,650**	306	301	**14,600**	**14,650**	392	379
8,650	**8,700**	225	225	**11,650**	**11,700**	307	302	**14,650**	**14,700**	394	380
8,700	**8,750**	226	226	**11,700**	**11,750**	309	304	**14,700**	**14,750**	395	381
8,750	**8,800**	227	227	**11,750**	**11,800**	310	305	**14,750**	**14,800**	397	383
8,800	**8,850**	229	229	**11,800**	**11,850**	312	306	**14,800**	**14,850**	398	384
8,850	**8,900**	230	230	**11,850**	**11,900**	313	308	**14,850**	**14,900**	399	385
8,900	**8,950**	231	231	**11,900**	**11,950**	314	309	**14,900**	**14,950**	401	387
8,950	**9,000**	232	232	**11,950**	**12,000**	316	310	**14,950**	**15,000**	402	388

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$15,000		**Your Tax Is**		**$18,000**		**Your Tax Is**		**$21,000**		**Your Tax Is**	
15,000	**15,050**	404	389	**18,000**	**18,050**	490	467	**21,000**	**21,050**	577	548
15,050	**15,100**	405	390	**18,050**	**18,100**	492	468	**21,050**	**21,100**	578	549
15,100	**15,150**	407	392	**18,100**	**18,150**	493	469	**21,100**	**21,150**	579	550
15,150	**15,200**	408	393	**18,150**	**18,200**	494	471	**21,150**	**21,200**	581	552
15,200	**15,250**	409	394	**18,200**	**18,250**	496	472	**21,200**	**21,250**	582	553
15,250	**15,300**	411	396	**18,250**	**18,300**	497	473	**21,250**	**21,300**	584	555
15,300	**15,350**	412	397	**18,300**	**18,350**	499	475	**21,300**	**21,350**	585	556
15,350	**15,400**	414	398	**18,350**	**18,400**	500	476	**21,350**	**21,400**	587	558
15,400	**15,450**	415	400	**18,400**	**18,450**	502	477	**21,400**	**21,450**	588	559
15,450	**15,500**	417	401	**18,450**	**18,500**	503	479	**21,450**	**21,500**	589	560
15,500	**15,550**	418	402	**18,500**	**18,550**	505	480	**21,500**	**21,550**	591	562
15,550	**15,600**	420	403	**18,550**	**18,600**	506	481	**21,550**	**21,600**	592	563
15,600	**15,650**	421	405	**18,600**	**18,650**	507	482	**21,600**	**21,650**	594	565
15,650	**15,700**	422	406	**18,650**	**18,700**	509	484	**21,650**	**21,700**	595	566
15,700	**15,750**	424	407	**18,700**	**18,750**	510	485	**21,700**	**21,750**	597	568
15,750	**15,800**	425	409	**18,750**	**18,800**	512	486	**21,750**	**21,800**	598	569
15,800	**15,850**	427	410	**18,800**	**18,850**	513	488	**21,800**	**21,850**	600	571
15,850	**15,900**	428	411	**18,850**	**18,900**	515	489	**21,850**	**21,900**	601	572
15,900	**15,950**	430	412	**18,900**	**18,950**	516	490	**21,900**	**21,950**	602	573
15,950	**16,000**	431	414	**18,950**	**19,000**	517	491	**21,950**	**22,000**	604	575
$16,000		**Your Tax Is**		**$19,000**		**Your Tax Is**		**$22,000**		**Your Tax Is**	
16,000	**16,050**	433	415	**19,000**	**19,050**	519	493	**22,000**	**22,050**	605	576
16,050	**16,100**	434	416	**19,050**	**19,100**	520	494	**22,050**	**22,100**	607	578
16,100	**16,150**	435	418	**19,100**	**19,150**	522	495	**22,100**	**22,150**	608	579
16,150	**16,200**	437	419	**19,150**	**19,200**	523	497	**22,150**	**22,200**	610	581
16,200	**16,250**	438	420	**19,200**	**19,250**	525	498	**22,200**	**22,250**	611	582
16,250	**16,300**	440	422	**19,250**	**19,300**	526	499	**22,250**	**22,300**	613	584
16,300	**16,350**	441	423	**19,300**	**19,350**	528	501	**22,300**	**22,350**	614	585
16,350	**16,400**	443	424	**19,350**	**19,400**	529	502	**22,350**	**22,400**	615	586
16,400	**16,450**	444	425	**19,400**	**19,450**	530	503	**22,400**	**22,450**	617	588
16,450	**16,500**	445	427	**19,450**	**19,500**	532	504	**22,450**	**22,500**	618	589
16,500	**16,550**	447	428	**19,500**	**19,550**	533	506	**22,500**	**22,550**	620	591
16,550	**16,600**	448	429	**19,550**	**19,600**	535	507	**22,550**	**22,600**	621	592
16,600	**16,650**	450	431	**19,600**	**19,650**	536	508	**22,600**	**22,650**	623	594
16,650	**16,700**	451	432	**19,650**	**19,700**	538	510	**22,650**	**22,700**	624	595
16,700	**16,750**	453	433	**19,700**	**19,750**	539	511	**22,700**	**22,750**	625	596
16,750	**16,800**	454	434	**19,750**	**19,800**	541	512	**22,750**	**22,800**	627	598
16,800	**16,850**	456	436	**19,800**	**19,850**	542	513	**22,800**	**22,850**	628	599
16,850	**16,900**	457	437	**19,850**	**19,900**	543	515	**22,850**	**22,900**	630	601
16,900	**16,950**	458	438	**19,900**	**19,950**	545	516	**22,900**	**22,950**	631	602
16,950	**17,000**	460	440	**19,950**	**20,000**	546	517	**22,950**	**23,000**	633	604
$17,000		**Your Tax Is**		**$20,000**		**Your Tax Is**		**$23,000**		**Your Tax Is**	
17,000	**17,050**	461	441	**20,000**	**20,050**	548	519	**23,000**	**23,050**	634	605
17,050	**17,100**	463	442	**20,050**	**20,100**	549	520	**23,050**	**23,100**	636	607
17,100	**17,150**	464	444	**20,100**	**20,150**	551	522	**23,100**	**23,150**	637	608
17,150	**17,200**	466	445	**20,150**	**20,200**	552	523	**23,150**	**23,200**	638	609
17,200	**17,250**	467	446	**20,200**	**20,250**	553	524	**23,200**	**23,250**	640	611
17,250	**17,300**	469	447	**20,250**	**20,300**	555	526	**23,250**	**23,300**	641	612
17,300	**17,350**	470	449	**20,300**	**20,350**	556	527	**23,300**	**23,350**	643	614
17,350	**17,400**	471	450	**20,350**	**20,400**	558	529	**23,350**	**23,400**	644	615
17,400	**17,450**	473	451	**20,400**	**20,450**	559	530	**23,400**	**23,450**	646	617
17,450	**17,500**	474	453	**20,450**	**20,500**	561	532	**23,450**	**23,500**	647	618
17,500	**17,550**	476	454	**20,500**	**20,550**	562	533	**23,500**	**23,550**	649	620
17,550	**17,600**	477	455	**20,550**	**20,600**	564	535	**23,550**	**23,600**	650	621
17,600	**17,650**	479	456	**20,600**	**20,650**	565	536	**23,600**	**23,650**	651	622
17,650	**17,700**	480	458	**20,650**	**20,700**	566	537	**23,650**	**23,700**	653	624
17,700	**17,750**	481	459	**20,700**	**20,750**	568	539	**23,700**	**23,750**	654	625
17,750	**17,800**	483	460	**20,750**	**20,800**	569	540	**23,750**	**23,800**	656	627
17,800	**17,850**	484	462	**20,800**	**20,850**	571	542	**23,800**	**23,850**	657	628
17,850	**17,900**	486	463	**20,850**	**20,900**	572	543	**23,850**	**23,900**	659	630
17,900	**17,950**	487	464	**20,900**	**20,950**	574	545	**23,900**	**23,950**	660	631
17,950	**18,000**	489	466	**20,950**	**21,000**	575	546	**23,950**	**24,000**	661	632

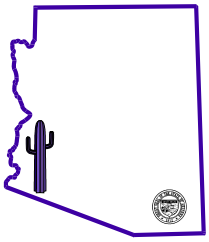
At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$24,000		**Your Tax Is**		**$27,000**		**Your Tax Is**		**$30,000**		**Your Tax Is**	
24,000	**24,050**	663	634	**27,000**	**27,050**	759	720	**30,000**	**30,050**	860	807
24,050	**24,100**	664	635	**27,050**	**27,100**	761	722	**30,050**	**30,100**	862	808
24,100	**24,150**	666	637	**27,100**	**27,150**	762	723	**30,100**	**30,150**	863	810
24,150	**24,200**	667	638	**27,150**	**27,200**	764	725	**30,150**	**30,200**	865	811
24,200	**24,250**	669	640	**27,200**	**27,250**	766	726	**30,200**	**30,250**	867	812
24,250	**24,300**	670	641	**27,250**	**27,300**	767	728	**30,250**	**30,300**	868	814
24,300	**24,350**	672	643	**27,300**	**27,350**	769	729	**30,300**	**30,350**	870	815
24,350	**24,400**	673	644	**27,350**	**27,400**	771	730	**30,350**	**30,400**	872	817
24,400	**24,450**	674	645	**27,400**	**27,450**	772	732	**30,400**	**30,450**	873	818
24,450	**24,500**	676	647	**27,450**	**27,500**	774	733	**30,450**	**30,500**	875	820
24,500	**24,550**	677	648	**27,500**	**27,550**	776	735	**30,500**	**30,550**	877	821
24,550	**24,600**	679	650	**27,550**	**27,600**	778	736	**30,550**	**30,600**	878	823
24,600	**24,650**	680	651	**27,600**	**27,650**	779	738	**30,600**	**30,650**	880	824
24,650	**24,700**	682	653	**27,650**	**27,700**	781	739	**30,650**	**30,700**	882	825
24,700	**24,750**	683	654	**27,700**	**27,750**	783	740	**30,700**	**30,750**	883	827
24,750	**24,800**	685	656	**27,750**	**27,800**	784	742	**30,750**	**30,800**	885	828
24,800	**24,850**	686	657	**27,800**	**27,850**	786	743	**30,800**	**30,850**	887	830
24,850	**24,900**	687	658	**27,850**	**27,900**	788	745	**30,850**	**30,900**	888	831
24,900	**24,950**	689	660	**27,900**	**27,950**	789	746	**30,900**	**30,950**	890	833
24,950	**25,000**	690	661	**27,950**	**28,000**	791	748	**30,950**	**31,000**	892	834
$25,000		**Your Tax Is**		**$28,000**		**Your Tax Is**		**$31,000**		**Your Tax Is**	
25,000	**25,050**	692	663	**28,000**	**28,050**	793	749	**31,000**	**31,050**	893	836
25,050	**25,100**	694	664	**28,050**	**28,100**	794	751	**31,050**	**31,100**	895	837
25,100	**25,150**	695	666	**28,100**	**28,150**	796	752	**31,100**	**31,150**	897	838
25,150	**25,200**	697	667	**28,150**	**28,200**	798	753	**31,150**	**31,200**	898	840
25,200	**25,250**	699	668	**28,200**	**28,250**	799	755	**31,200**	**31,250**	900	841
25,250	**25,300**	700	670	**28,250**	**28,300**	801	756	**31,250**	**31,300**	902	843
25,300	**25,350**	702	671	**28,300**	**28,350**	803	758	**31,300**	**31,350**	904	844
25,350	**25,400**	704	673	**28,350**	**28,400**	804	759	**31,350**	**31,400**	905	846
25,400	**25,450**	705	674	**28,400**	**28,450**	806	761	**31,400**	**31,450**	907	847
25,450	**25,500**	707	676	**28,450**	**28,500**	808	762	**31,450**	**31,500**	909	848
25,500	**25,550**	709	677	**28,500**	**28,550**	809	764	**31,500**	**31,550**	910	850
25,550	**25,600**	710	679	**28,550**	**28,600**	811	765	**31,550**	**31,600**	912	851
25,600	**25,650**	712	680	**28,600**	**28,650**	813	766	**31,600**	**31,650**	914	853
25,650	**25,700**	714	681	**28,650**	**28,700**	814	768	**31,650**	**31,700**	915	854
25,700	**25,750**	715	683	**28,700**	**28,750**	816	769	**31,700**	**31,750**	917	856
25,750	**25,800**	717	684	**28,750**	**28,800**	818	771	**31,750**	**31,800**	919	857
25,800	**25,850**	719	686	**28,800**	**28,850**	820	772	**31,800**	**31,850**	920	859
25,850	**25,900**	720	687	**28,850**	**28,900**	821	774	**31,850**	**31,900**	922	860
25,900	**25,950**	722	689	**28,900**	**28,950**	823	775	**31,900**	**31,950**	924	861
25,950	**26,000**	724	690	**28,950**	**29,000**	825	776	**31,950**	**32,000**	925	863
$26,000		**Your Tax Is**		**$29,000**		**Your Tax Is**		**$32,000**		**Your Tax Is**	
26,000	**26,050**	725	692	**29,000**	**29,050**	826	778	**32,000**	**32,050**	927	864
26,050	**26,100**	727	693	**29,050**	**29,100**	828	779	**32,050**	**32,100**	929	866
26,100	**26,150**	729	694	**29,100**	**29,150**	830	781	**32,100**	**32,150**	930	867
26,150	**26,200**	730	696	**29,150**	**29,200**	831	782	**32,150**	**32,200**	932	869
26,200	**26,250**	732	697	**29,200**	**29,250**	833	784	**32,200**	**32,250**	934	870
26,250	**26,300**	734	699	**29,250**	**29,300**	835	785	**32,250**	**32,300**	935	872
26,300	**26,350**	736	700	**29,300**	**29,350**	836	787	**32,300**	**32,350**	937	873
26,350	**26,400**	737	702	**29,350**	**29,400**	838	788	**32,350**	**32,400**	939	874
26,400	**26,450**	739	703	**29,400**	**29,450**	840	789	**32,400**	**32,450**	940	876
26,450	**26,500**	741	704	**29,450**	**29,500**	841	791	**32,450**	**32,500**	942	877
26,500	**26,550**	742	706	**29,500**	**29,550**	843	792	**32,500**	**32,550**	944	879
26,550	**26,600**	744	707	**29,550**	**29,600**	845	794	**32,550**	**32,600**	946	880
26,600	**26,650**	746	709	**29,600**	**29,650**	846	795	**32,600**	**32,650**	947	882
26,650	**26,700**	747	710	**29,650**	**29,700**	848	797	**32,650**	**32,700**	949	883
26,700	**26,750**	749	712	**29,700**	**29,750**	850	798	**32,700**	**32,750**	951	884
26,750	**26,800**	751	713	**29,750**	**29,800**	851	800	**32,750**	**32,800**	952	886
26,800	**26,850**	752	715	**29,800**	**29,850**	853	801	**32,800**	**32,850**	954	887
26,850	**26,900**	754	716	**29,850**	**29,900**	855	802	**32,850**	**32,900**	956	889
26,900	**26,950**	756	717	**29,900**	**29,950**	856	804	**32,900**	**32,950**	957	890
26,950	**27,000**	757	719	**29,950**	**30,000**	858	805	**32,950**	**33,000**	959	892

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household	At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$33,000		**Your Tax Is**		**$36,000**		**Your Tax Is**		**$39,000**		**Your Tax Is**	
33,000	**33,050**	961	893	**36,000**	**36,050**	1,061	980	**39,000**	**39,050**	1,162	1,066
33,050	**33,100**	962	895	**36,050**	**36,100**	1,063	981	**39,050**	**39,100**	1,164	1,067
33,100	**33,150**	964	896	**36,100**	**36,150**	1,065	982	**39,100**	**39,150**	1,166	1,069
33,150	**33,200**	966	897	**36,150**	**36,200**	1,066	984	**39,150**	**39,200**	1,167	1,070
33,200	**33,250**	967	899	**36,200**	**36,250**	1,068	985	**39,200**	**39,250**	1,169	1,072
33,250	**33,300**	969	900	**36,250**	**36,300**	1,070	987	**39,250**	**39,300**	1,171	1,073
33,300	**33,350**	971	902	**36,300**	**36,350**	1,072	988	**39,300**	**39,350**	1,172	1,075
33,350	**33,400**	972	903	**36,350**	**36,400**	1,073	990	**39,350**	**39,400**	1,174	1,076
33,400	**33,450**	974	905	**36,400**	**36,450**	1,075	991	**39,400**	**39,450**	1,176	1,077
33,450	**33,500**	976	906	**36,450**	**36,500**	1,077	992	**39,450**	**39,500**	1,177	1,079
33,500	**33,550**	977	908	**36,500**	**36,550**	1,078	994	**39,500**	**39,550**	1,179	1,080
33,550	**33,600**	979	909	**36,550**	**36,600**	1,080	995	**39,550**	**39,600**	1,181	1,082
33,600	**33,650**	981	910	**36,600**	**36,650**	1,082	997	**39,600**	**39,650**	1,182	1,083
33,650	**33,700**	982	912	**36,650**	**36,700**	1,083	998	**39,650**	**39,700**	1,184	1,085
33,700	**33,750**	984	913	**36,700**	**36,750**	1,085	1,000	**39,700**	**39,750**	1,186	1,086
33,750	**33,800**	986	915	**36,750**	**36,800**	1,087	1,001	**39,750**	**39,800**	1,187	1,088
33,800	**33,850**	988	916	**36,800**	**36,850**	1,088	1,003	**39,800**	**39,850**	1,189	1,089
33,850	**33,900**	989	918	**36,850**	**36,900**	1,090	1,004	**39,850**	**39,900**	1,191	1,090
33,900	**33,950**	991	919	**36,900**	**36,950**	1,092	1,005	**39,900**	**39,950**	1,192	1,092
33,950	**34,000**	993	920	**36,950**	**37,000**	1,093	1,007	**39,950**	**40,000**	1,194	1,093
$34,000		**Your Tax Is**		**$37,000**		**Your Tax Is**		**$40,000**		**Your Tax Is**	
34,000	**34,050**	994	922	**37,000**	**37,050**	1,095	1,008	**40,000**	**40,050**	1,196	1,095
34,050	**34,100**	996	923	**37,050**	**37,100**	1,097	1,010	**40,050**	**40,100**	1,198	1,096
34,100	**34,150**	998	925	**37,100**	**37,150**	1,098	1,011	**40,100**	**40,150**	1,199	1,098
34,150	**34,200**	999	926	**37,150**	**37,200**	1,100	1,013	**40,150**	**40,200**	1,201	1,099
34,200	**34,250**	1,001	928	**37,200**	**37,250**	1,102	1,014	**40,200**	**40,250**	1,203	1,100
34,250	**34,300**	1,003	929	**37,250**	**37,300**	1,103	1,016	**40,250**	**40,300**	1,204	1,102
34,300	**34,350**	1,004	931	**37,300**	**37,350**	1,105	1,017	**40,300**	**40,350**	1,206	1,103
34,350	**34,400**	1,006	932	**37,350**	**37,400**	1,107	1,018	**40,350**	**40,400**	1,208	1,105
34,400	**34,450**	1,008	933	**37,400**	**37,450**	1,108	1,020	**40,400**	**40,450**	1,209	1,106
34,450	**34,500**	1,009	935	**37,450**	**37,500**	1,110	1,021	**40,450**	**40,500**	1,211	1,108
34,500	**34,550**	1,011	936	**37,500**	**37,550**	1,112	1,023	**40,500**	**40,550**	1,213	1,109
34,550	**34,600**	1,013	938	**37,550**	**37,600**	1,114	1,024	**40,550**	**40,600**	1,214	1,111
34,600	**34,650**	1,014	939	**37,600**	**37,650**	1,115	1,026	**40,600**	**40,650**	1,216	1,112
34,650	**34,700**	1,016	941	**37,650**	**37,700**	1,117	1,027	**40,650**	**40,700**	1,218	1,113
34,700	**34,750**	1,018	942	**37,700**	**37,750**	1,119	1,028	**40,700**	**40,750**	1,219	1,115
34,750	**34,800**	1,019	944	**37,750**	**37,800**	1,120	1,030	**40,750**	**40,800**	1,221	1,116
34,800	**34,850**	1,021	945	**37,800**	**37,850**	1,122	1,031	**40,800**	**40,850**	1,223	1,118
34,850	**34,900**	1,023	946	**37,850**	**37,900**	1,124	1,033	**40,850**	**40,900**	1,224	1,119
34,900	**34,950**	1,024	948	**37,900**	**37,950**	1,125	1,034	**40,900**	**40,950**	1,226	1,121
34,950	**35,000**	1,026	949	**37,950**	**38,000**	1,127	1,036	**40,950**	**41,000**	1,228	1,122
$35,000		**Your Tax Is**		**$38,000**		**Your Tax Is**		**$41,000**		**Your Tax Is**	
35,000	**35,050**	1,028	951	**38,000**	**38,050**	1,129	1,037	**41,000**	**41,050**	1,229	1,124
35,050	**35,100**	1,030	952	**38,050**	**38,100**	1,130	1,039	**41,050**	**41,100**	1,231	1,125
35,100	**35,150**	1,031	954	**38,100**	**38,150**	1,132	1,040	**41,100**	**41,150**	1,233	1,126
35,150	**35,200**	1,033	955	**38,150**	**38,200**	1,134	1,041	**41,150**	**41,200**	1,234	1,128
35,200	**35,250**	1,035	956	**38,200**	**38,250**	1,135	1,043	**41,200**	**41,250**	1,236	1,129
35,250	**35,300**	1,036	958	**38,250**	**38,300**	1,137	1,044	**41,250**	**41,300**	1,238	1,131
35,300	**35,350**	1,038	959	**38,300**	**38,350**	1,139	1,046	**41,300**	**41,350**	1,240	1,132
35,350	**35,400**	1,040	961	**38,350**	**38,400**	1,140	1,047	**41,350**	**41,400**	1,241	1,134
35,400	**35,450**	1,041	962	**38,400**	**38,450**	1,142	1,049	**41,400**	**41,450**	1,243	1,135
35,450	**35,500**	1,043	964	**38,450**	**38,500**	1,144	1,050	**41,450**	**41,500**	1,245	1,136
35,500	**35,550**	1,045	965	**38,500**	**38,550**	1,145	1,052	**41,500**	**41,550**	1,246	1,138
35,550	**35,600**	1,046	967	**38,550**	**38,600**	1,147	1,053	**41,550**	**41,600**	1,248	1,139
35,600	**35,650**	1,048	968	**38,600**	**38,650**	1,149	1,054	**41,600**	**41,650**	1,250	1,141
35,650	**35,700**	1,050	969	**38,650**	**38,700**	1,150	1,056	**41,650**	**41,700**	1,251	1,142
35,700	**35,750**	1,051	971	**38,700**	**38,750**	1,152	1,057	**41,700**	**41,750**	1,253	1,144
35,750	**35,800**	1,053	972	**38,750**	**38,800**	1,154	1,059	**41,750**	**41,800**	1,255	1,145
35,800	**35,850**	1,055	974	**38,800**	**38,850**	1,156	1,060	**41,800**	**41,850**	1,256	1,147
35,850	**35,900**	1,056	975	**38,850**	**38,900**	1,157	1,062	**41,850**	**41,900**	1,258	1,148
35,900	**35,950**	1,058	977	**38,900**	**38,950**	1,159	1,063	**41,900**	**41,950**	1,260	1,149
35,950	**36,000**	1,060	978	**38,950**	**39,000**	1,161	1,064	**41,950**	**42,000**	1,261	1,151

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$42,000		**Your Tax Is**	
42,000	**42,050**	1,263	1,152
42,050	**42,100**	1,265	1,154
42,100	**42,150**	1,266	1,155
42,150	**42,200**	1,268	1,157
42,200	**42,250**	1,270	1,158
42,250	**42,300**	1,271	1,160
42,300	**42,350**	1,273	1,161
42,350	**42,400**	1,275	1,162
42,400	**42,450**	1,276	1,164
42,450	**42,500**	1,278	1,165
42,500	**42,550**	1,280	1,167
42,550	**42,600**	1,282	1,168
42,600	**42,650**	1,283	1,170
42,650	**42,700**	1,285	1,171
42,700	**42,750**	1,287	1,172
42,750	**42,800**	1,288	1,174
42,800	**42,850**	1,290	1,175
42,850	**42,900**	1,292	1,177
42,900	**42,950**	1,293	1,178
42,950	**43,000**	1,295	1,180
$43,000		**Your Tax Is**	
43,000	**43,050**	1,297	1,181
43,050	**43,100**	1,298	1,183
43,100	**43,150**	1,300	1,184
43,150	**43,200**	1,302	1,185
43,200	**43,250**	1,303	1,187
43,250	**43,300**	1,305	1,188
43,300	**43,350**	1,307	1,190
43,350	**43,400**	1,308	1,191
43,400	**43,450**	1,310	1,193
43,450	**43,500**	1,312	1,194
43,500	**43,550**	1,313	1,196
43,550	**43,600**	1,315	1,197
43,600	**43,650**	1,317	1,198
43,650	**43,700**	1,318	1,200
43,700	**43,750**	1,320	1,201
43,750	**43,800**	1,322	1,203
43,800	**43,850**	1,324	1,204
43,850	**43,900**	1,325	1,206
43,900	**43,950**	1,327	1,207
43,950	**44,000**	1,329	1,208
$44,000		**Your Tax Is**	
44,000	**44,050**	1,330	1,210
44,050	**44,100**	1,332	1,211
44,100	**44,150**	1,334	1,213
44,150	**44,200**	1,335	1,214
44,200	**44,250**	1,337	1,216
44,250	**44,300**	1,339	1,217
44,300	**44,350**	1,340	1,219
44,350	**44,400**	1,342	1,220
44,400	**44,450**	1,344	1,221
44,450	**44,500**	1,345	1,223
44,500	**44,550**	1,347	1,224
44,550	**44,600**	1,349	1,226
44,600	**44,650**	1,350	1,227
44,650	**44,700**	1,352	1,229
44,700	**44,750**	1,354	1,230
44,750	**44,800**	1,355	1,232
44,800	**44,850**	1,357	1,233
44,850	**44,900**	1,359	1,234
44,900	**44,950**	1,360	1,236
44,950	**45,000**	1,362	1,237

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$45,000		**Your Tax Is**	
45,000	**45,050**	1,364	1,239
45,050	**45,100**	1,366	1,240
45,100	**45,150**	1,367	1,242
45,150	**45,200**	1,369	1,243
45,200	**45,250**	1,371	1,244
45,250	**45,300**	1,372	1,246
45,300	**45,350**	1,374	1,247
45,350	**45,400**	1,376	1,249
45,400	**45,450**	1,377	1,250
45,450	**45,500**	1,379	1,252
45,500	**45,550**	1,381	1,253
45,550	**45,600**	1,382	1,255
45,600	**45,650**	1,384	1,256
45,650	**45,700**	1,386	1,257
45,700	**45,750**	1,387	1,259
45,750	**45,800**	1,389	1,260
45,800	**45,850**	1,391	1,262
45,850	**45,900**	1,392	1,263
45,900	**45,950**	1,394	1,265
45,950	**46,000**	1,396	1,266
$46,000		**Your Tax Is**	
46,000	**46,050**	1,397	1,268
46,050	**46,100**	1,399	1,269
46,100	**46,150**	1,401	1,270
46,150	**46,200**	1,402	1,272
46,200	**46,250**	1,404	1,273
46,250	**46,300**	1,406	1,275
46,300	**46,350**	1,408	1,276
46,350	**46,400**	1,409	1,278
46,400	**46,450**	1,411	1,279
46,450	**46,500**	1,413	1,280
46,500	**46,550**	1,414	1,282
46,550	**46,600**	1,416	1,283
46,600	**46,650**	1,418	1,285
46,650	**46,700**	1,419	1,286
46,700	**46,750**	1,421	1,288
46,750	**46,800**	1,423	1,289
46,800	**46,850**	1,424	1,291
46,850	**46,900**	1,426	1,292
46,900	**46,950**	1,428	1,293
46,950	**47,000**	1,429	1,295
$47,000		**Your Tax Is**	
47,000	**47,050**	1,431	1,296
47,050	**47,100**	1,433	1,298
47,100	**47,150**	1,434	1,299
47,150	**47,200**	1,436	1,301
47,200	**47,250**	1,438	1,302
47,250	**47,300**	1,439	1,304
47,300	**47,350**	1,441	1,305
47,350	**47,400**	1,443	1,306
47,400	**47,450**	1,444	1,308
47,450	**47,500**	1,446	1,309
47,500	**47,550**	1,448	1,311
47,550	**47,600**	1,450	1,312
47,600	**47,650**	1,451	1,314
47,650	**47,700**	1,453	1,315
47,700	**47,750**	1,455	1,316
47,750	**47,800**	1,456	1,318
47,800	**47,850**	1,458	1,319
47,850	**47,900**	1,460	1,321
47,900	**47,950**	1,461	1,322
47,950	**48,000**	1,463	1,324

At least	But less than	Single or Married Filing Separately	Married Filing Jointly or Head of Household
$48,000		**Your Tax Is**	
48,000	**48,050**	1,465	1,325
48,050	**48,100**	1,466	1,327
48,100	**48,150**	1,468	1,328
48,150	**48,200**	1,470	1,329
48,200	**48,250**	1,471	1,331
48,250	**48,300**	1,473	1,332
48,300	**48,350**	1,475	1,334
48,350	**48,400**	1,476	1,335
48,400	**48,450**	1,478	1,337
48,450	**48,500**	1,480	1,338
48,500	**48,550**	1,481	1,340
48,550	**48,600**	1,483	1,341
48,600	**48,650**	1,485	1,342
48,650	**48,700**	1,486	1,344
48,700	**48,750**	1,488	1,345
48,750	**48,800**	1,490	1,347
48,800	**48,850**	1,492	1,348
48,850	**48,900**	1,493	1,350
48,900	**48,950**	1,495	1,351
48,950	**49,000**	1,497	1,352
$49,000		**Your Tax Is**	
49,000	**49,050**	1,498	1,354
49,050	**49,100**	1,500	1,355
49,100	**49,150**	1,502	1,357
49,150	**49,200**	1,503	1,358
49,200	**49,250**	1,505	1,360
49,250	**49,300**	1,507	1,361
49,300	**49,350**	1,508	1,363
49,350	**49,400**	1,510	1,364
49,400	**49,450**	1,512	1,365
49,450	**49,500**	1,513	1,367
49,500	**49,550**	1,515	1,368
49,550	**49,600**	1,517	1,370
49,600	**49,650**	1,518	1,371
49,650	**49,700**	1,520	1,373
49,700	**49,750**	1,522	1,374
49,750	**49,800**	1,523	1,376
49,800	**49,850**	1,525	1,377
49,850	**49,900**	1,527	1,378
49,900	**49,950**	1,528	1,380
49,950	**50,000**	1,530	1,381



End of Optional Tables

2010
Arizona Tax Tables X and Y
For Form 140

If your taxable income is less than $50,000, use the Optional Tax Tables. If your taxable income is $50,000 or more, use Tax Table X or Y. Also, if your taxable income is $50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2010. In this case, you must file using Form 140.

Table X - Use Table X if your filing status is Single or Married Filing Separate

(a) If taxable income from Form 140, page 1, line 19 is: Over	But Not over	(b) Enter the amount from Form 140, page 1, line 19		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140, page 1, line 20
$0	$10,000		X	.0259	=		-	0.00	=	
$10,000	$25,000		X	.0288	=		-	$ 29.00	=	
$25,000	$50,000		X	.0336	=		-	$ 149.00	=	
$50,000	$150,000		X	.0424	=		-	$ 589.00	=	
$150,000	and over		X	.0454	=		-	$ 1,039.00	=	

Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household

(a) If taxable income from Form 140, page 1, line 19 is: Over	But Not over	(b) Enter the amount from Form 140, page 1, line 19		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140, page 1, line 20
$0	$20,000		X	.0259	=		-	0.00	=	
$20,000	$50,000		X	.0288	=		-	$ 58.00	=	
$50,000	$100,000		X	.0336	=		-	$ 298.00	=	
$100,000	$300,000		X	.0424	=		-	$ 1,178.00	=	
$300,000	and over		X	.0454	=		-	$ 2,078.00	=	

2010
Arizona Tax Tables X and Y
For Form 140PY

Table X - Use Table X if your filing status is Single or Married Filing Separate

(a) If taxable income from Form 140PY, page 1, line 22 is: Over	But Not over	(b) Enter the amount from Form 140PY, page 1, line 22		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140PY, page 1, line 23
$0	$10,000		X	.0259	=		-	0.00	=	
$10,000	$25,000		X	.0288	=		-	$ 29.00	=	
$25,000	$50,000		X	.0336	=		-	$ 149.00	=	
$50,000	$150,000		X	.0424	=		-	$ 589.00	=	
$150,000	and over		X	.0454	=		-	$ 1,039.00	=	

Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household

(a) If taxable income from Form 140PY, page 1, line 22 is: Over	But Not over	(b) Enter the amount from Form 140PY, page 1, line 22		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140PY, page 1, line 23
$0	$20,000		X	.0259	=		-	0.00	=	
$20,000	$50,000		X	.0288	=		-	$ 58.00	=	
$50,000	$100,000		X	.0336	=		-	$ 298.00	=	
$100,000	$300,000		X	.0424	=		-	$ 1,178.00	=	
$300,000	and over		X	.0454	=		-	$ 2,078.00	=	

2010
Arizona Tax Tables X and Y
For Form 140NR

Table X - Use Table X if your filing status is Single or Married Filing Separate

(a) If taxable income from Form 140NR, page 1, line 22 is: Over	But Not over	(b) Enter the amount from Form 140NR, page 1, line 22		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140NR, page 1, line 23
$0	$10,000		X	.0259	=		-	0.00	=	
$10,000	$25,000		X	.0288	=		-	$ 29.00	=	
$25,000	$50,000		X	.0336	=		-	$ 149.00	=	
$50,000	$150,000		X	.0424	=		-	$ 589.00	=	
$150,000	and over		X	.0454	=		-	$ 1,039.00	=	

Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household

(a) If taxable income from Form 140NR, page 1, line 22 is: Over	But Not over	(b) Enter the amount from Form 140NR, page 1, line 22		(c) Multiply the amount entered in column (b) by		(d) Enter the result		(e) Subtract		(f) Your tax. Round the result and enter this amount on Form 140NR, page 1, line 23
$0	$20,000		X	.0259	=		-	0.00	=	
$20,000	$50,000		X	.0288	=		-	$ 58.00	=	
$50,000	$100,000		X	.0336	=		-	$ 298.00	=	
$100,000	$300,000		X	.0424	=		-	$ 1,178.00	=	
$300,000	and over		X	.0454	=		-	$ 2,078.00	=	

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ARIZONA FORM
51

Combined or Consolidated Return Affiliation Schedule

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Attach Form(s) 51 immediately following Page 4 of Form 120.

Be sure to check the "Yes" box on Form 120, information question C.

Name	Employer identification number (EIN)
Number and street or PO Box	REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
City or town, state, and ZIP code	

Section I **Listing of Affiliated Corporations Combined or Consolidated in This Return or Filing Separate Returns**
Complete Section I only if it was not completed for a previous taxable year.

If answer to Arizona filer is yes, place an "X" in the box.
* F= Consolidated C= Combined S= Separate

00	Arizona filer?	Affiliated company name	F/C/S *	Employer identification number	Period from / through	Business activity code
1					MM/YYYY - MM/YYYY	
2					MM/YYYY - MM/YYYY	
3					MM/YYYY - MM/YYYY	
4					MM/YYYY - MM/YYYY	
5					MM/YYYY - MM/YYYY	
6					MM/YYYY - MM/YYYY	
7					MM/YYYY - MM/YYYY	
8					MM/YYYY - MM/YYYY	
9					MM/YYYY - MM/YYYY	
10					MM/YYYY - MM/YYYY	
11					MM/YYYY - MM/YYYY	
12					MM/YYYY - MM/YYYY	
13					MM/YYYY - MM/YYYY	
14					MM/YYYY - MM/YYYY	
15					MM/YYYY - MM/YYYY	

Section II Corporations Added to the Affiliated Group During the Taxable Year

Do not complete Sections II and III if Section I is completed.

If answer to Arizona filer or name change is yes, place an "X" in the box. * F= Consolidated C= Combined S= Separate

	Arizona filer?	Affiliated company name	Name change?	F/C/S *	Employer identification number	Month added	Business activity code
1						MM	
2						MM	
3						MM	
4						MM	
5						MM	
6						MM	
7						MM	
8						MM	
9						MM	
10						MM	

Section III Corporations Deleted From the Affiliated Group During the Taxable Year

If answer to Arizona filer or name change is yes, place an "X" in the box. * F= Consolidated C= Combined S= Separate

	Arizona filer?	Affiliated company name	Name change?	F/C/S *	Employer identification number	Month deleted	Business activity code
1						MM	
2						MM	
3						MM	
4						MM	
5						MM	
6						MM	
7						MM	
8						MM	
9						MM	
10						MM	

Reason for deletions:

_____

_____

_____

_____

Combined or Consolidated Return Affiliation Schedule

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Use of the Form

Form 51 is used by Form 120 filers to list members of combined or consolidated affiliated groups and affiliated corporations that file on a separate company basis or file a separate combined return to Arizona.

NOTE: *If you are attaching Form 51 to your return, be sure to check the "Yes" box to information question C on Form 120.*

Complete Section I of this form for the first taxable year that a unitary group files a combined return or an Arizona affiliated group files a consolidated return. Attach Form(s) 51 immediately following page 4 of Form 120.

- For a consolidated group, the affiliated group consists of all companies included in the federal consolidated return.
- For a combined group, the affiliated group consists of all members included in the combined filing and any related companies in which a member of the combined group owns more than a fifty percent interest ("related company").
- For a federal consolidated group and related companies consisting of more than one combined group, the combined group filing the form should list the other combined group as filing separate.

Form 51 also identifies corporations added to or deleted from the federal consolidated group and related companies (including name changes) during the taxable year. For affiliates filing on a separate company basis to Arizona, this form also identifies name changes, and members added to or deleted from the federal consolidated group and related companies during the taxable year.

Complete Section II and Section III of this form for succeeding taxable years if there were any additions to or deletions from the affiliated group and related companies (including name changes) or changes in affiliates filing on a separate company basis. Attach Form(s) 51 immediately following page 4 of Form 120.

Specific Instructions

Taxable Year

Indicate the taxable year of the combined or consolidated parent corporation at the top of Form 51.

Name, Address, and Employer Identification Number

If a *consolidated* return is being filed, list the parent corporation's name with the phrase "and subsidiaries," the parent's address, and the parent's employer identification number.

If a *combined* return is being filed, list the name, address, and employer identification number of the corporation under which the group is filing. The name for a combined return should include either the phrase "and unitary subsidiaries" or "and unitary affiliates," whichever is applicable.

The name, address, and employer identification number should be the same as that reported on page 1 of Form 120.

Section I: Listing of Affiliated Corporations Combined or Consolidated in This Return or Filing Separate Returns

Complete Section I only if it was not completed for a previous taxable year. For consolidated returns, list all members of the affiliated group except the parent. For combined returns, list all members of the combined group except for the company under which the combined return is being filed. Also, list any affiliates and related companies that file separate income tax returns to Arizona. If Section I is completed, do not complete Sections II and III.

In the "Arizona filer?" column, identify with an "X" those affiliated members that previously have filed a return to Arizona. For example, if a member filed a combined return, indicate only the company that was identified on the top of page 1 on the original return. In addition, indicate with an "X" those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliated group member is filing to Arizona. Use "F" for consolidated return, "C" for combined return, and "S" for separate company return. If the combined group filing this form has an affiliated combined group, mark the member that the affiliated combined group files under with an "S".

Do not complete the "Period from / through" column for corporations that were members of the consolidated or combined group for the entire taxable year. Use the column only for members that were added or deleted during the taxable year. For each member that was added or deleted, indicate the period of time (by month and year in an MM/YYYY format) the member was part of the group. For example, if a calendar year basis taxpayer acquired a member in June 2010, the period listed would be "06/2010 - 12/2010".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

If there are more than 15 affiliated corporations, attach additional Form(s) 51 immediately after the first Form 51.

Alternatively, if there are more than 15 affiliated corporations, Form 51 may be filed by optical media. Optical media filing can be used ***only*** for Section I information.

Section II: Corporations Added to the Affiliated Group During the Taxable Year

Do not complete Section II if Section I was completed for this taxable year. List those corporations that were added to the combined or consolidated group during the taxable year. In addition, list new affiliates and related companies that will file separate company returns to Arizona. If there were more than 10 corporations added during the taxable year, attach additional Form(s) 51 immediately after the first Form 51. Enter the name and employer identification number of the corporation filing Form 51 on the top of page 2 of Form 51.

In the "Arizona filer?" column, identify with an "X" those affiliated members or related companies that previously have filed a return to Arizona. For example, if a member filed a combined return, indicate only the company that was identified on the top of page 1 on the original return. In addition, indicate with an "X" those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliated group member or related company is filing to Arizona. Use "F" for consolidated return, "C" for combined return, and "S" for separate company return. If a combined group has an affiliated combined group, mark the member that the affiliated combined group files under with an "S".

Use the "Month added" column to indicate the number of the month during the taxable year the member was added to the affiliated group. For example, if the member was added in June, use the number "06".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

Section III: Corporations Deleted From the Affiliated Group During the Taxable Year

Do not complete Section III if Section I was completed for this taxable year. In Section III, list those corporations that were deleted from the combined or consolidated group during the taxable year. In addition, list any affiliates and related companies that were filing separate company returns to Arizona and which have been deleted from the affiliated group. If there are more than 10 corporations deleted during the year, attach additional Form(s) 51 immediately after the first Form 51. Enter the name and employer identification number of the corporation filing Form 51 on the top of page 2 of Form 51.

In the "Arizona filer?" column, identify with an "X" those affiliates or related companies that previously have filed returns to Arizona. For example, if a member filed a combined return, indicate only the company that was identified on the top of page 1 on the original return. In addition, indicate with an "X" those companies that previously filed separate company returns to Arizona.

In the "F/C/S" column, identify which type of return the affiliated group member or related company was filing to Arizona. Use "F" for consolidated return, "C" for combined return, and "S" for separate company return. If the combined group filing this form has an affiliated combined group, mark the member that the affiliated combined group files under with an "S".

Use the "Month deleted" column to indicate the number of the month during the taxable year the member was deleted from the affiliated group. For example, if the member was deleted in June, use the number "06".

The business activity code is the business activity code number used for federal tax purposes [codes based on North American Industry Classification System (NAICS)].

For each deleted corporation, state the reason for deletion. Reasons for deletion may include disposition, dissolution, or in the case of a combined return, the corporation is no longer unitary.

Name Changes

If any member of the consolidated or combined group, related company, or affiliate filing a separate company return to Arizona, has a name change during the taxable year, the following information should be provided by the taxpayer:

- All information (using the new name) as requested in Section II and, in addition, place an "X" in the "Name change?" column. Enter the month the company began operations under the new name in the "Month added" column. For example, if the member's name changed in June, use the number "06".
- All information (using the old name) as requested in Section III and place an "X" in the "Name change?" column. Use the "Month deleted" column to indicate the number of the month during the taxable year that the member ceased operating under the old name. For example, if the member's name changed in June, use the number "06".

2010 Exempt Organization Information Sheet

Which Organizations Are Exempt From Arizona Corporate Income Tax?

Section 43-1201 of the Arizona Revised Statutes (ARS) states that organizations that are exempt from federal income tax under section 501 of the Internal Revenue Code are exempt from the corporate income tax imposed under Title 43 of the Arizona Revised Statutes. ARS § 43-1201 also lists specific types of organizations that are exempt from the corporate income tax imposed by Title 43 of the Arizona Revised Statutes.

NOTE: *Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201 [associations that file federal Form 1120-H or 1120]. These organizations must file an Arizona corporate income tax return on Form 120A or Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations, or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Form 99.*

Does the Exemption From Corporate Income Tax Apply to Other Taxes?

The tax exempt status provided by ARS § 43-1201 applies only to corporate income taxes.

The organization may still be subject to other taxes, such as withholding tax or transaction privilege tax.

Does the Organization Have to Apply for Exempt Status Under ARS § 43-1201?

No, it is not necessary to apply for tax exempt status for corporate income tax purposes.

Does the Exempt Organization Have to File an Annual Information Return?

Most organizations that have tax exempt status under ARS § 43-1201 must file Form 99 **or** a copy of the organization's federal return of organization exempt from income tax *only if their gross income exceeds $25,000*.

However, the following exempt organizations do not have to file Form 99 or a copy of the organization's federal return of organization exempt from income tax *regardless of the amount of gross income:*

- A religious organization exempt under ARS § 43-1201(4). The organization must be organized exclusively for religious purposes. No part of the organization's net earnings may inure to the benefit of any private shareholder or individual. No substantial part of the organization's activities may be carrying on propaganda or otherwise attempting to influence legislation.
- An educational organization exempt under ARS § 43-1201(4). The organization must normally maintain a regular faculty and students in attendance at the place where its educational activities are regularly conducted.
- A charitable organization or an organization for the prevention of cruelty to children or animals, exempt under ARS § 43-1201(4). The organization must receive its support, in whole or in part, from funds contributed by the United States, or any state or political subdivision thereof, or receive its primary support from contributions of the general public.
- An organization exempt under ARS § 43-1201(4) if the operation, supervision, or control of the organization is by, or in connection with, a religious organization exempt under ARS § 43-1201(4).
- An organization exempt solely under ARS § 43-1201(2). The fraternal beneficiary societies, orders or organizations must: (a) operate under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (b) provide for the payment of life, sick, accident or other benefits to the members of the society, order or organization or their dependents.

DUE DATE: Form 99 or a copy of the organization's federal return of organization exempt from income tax is due by the 15th day of the fifth calendar month after the close of the taxable year.

Is There a Penalty for Failing to File, Filing Untimely, or Filing an Incomplete Form 99?

Form 99 is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is $100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500.

What Filing Extensions are Available to Organizations That File Form 99?

Organizations that file federal Form 990 or Arizona Form 99 with the department can request an automatic 6-month extension by filing Arizona Form 120EXT with the department by the original due date. Alternatively, the department will accept the federal extension for the same amount of time covered by the federal extension. Organizations can file federal Form 8868 with the IRS to request an automatic 3-month and to apply for an additional (not automatic) 3-month extension, if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for federal Form 8868. Check the appropriate extension box on Form 99. Attach a copy of your federal extension when you file your return.

Is an Exempt Organization Subject to Arizona Corporate Income Tax on Its Unrelated Trade or Business Taxable Income?

Organizations that have tax exempt status under ARS § 43-1201 file Form 99T to report IRC § 512 unrelated trade or business income (UTBI). These organizations are subject to the corporate income tax on their UTBI.

Organizations exempt under ARS § 43-1201(8) file Form 99T to report UTBI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax exempt organization required to file Form 99T.

DUE DATE: Form 99T is due by the 15th day of the fifth calendar month after the close of the taxable year.

What Penalties Apply to Form 99T?

Form 99T is subject to the same penalties as any other corporate tax form. See the Instructions for Form 99T for details.

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ARIZONA FORM 99

Arizona Exempt Organization Annual Information Return 2010

For the ☐ calendar year 2010 or ☐ fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

CHECK ONE: Original ☐ Amended ☐	Please Type or Print	Name	Employer identification number (EIN)
Business telephone number ( )		Number and street or PO Box	AZ transaction privilege tax number
		City or town, state and ZIP code	

68 **Check box if:** ☐ **This is a first return** ☐ **Name change** ☐ **Address change**

82 **CHECK BOX IF: Return filed under extension.** 3-mos. Fed 82 C ☐ 6-mos. AZ - Fed 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

A Date Arizona operations began MM / DD / YYYY

B Nature of Arizona activities _____

C Check federal form filed: ☐ 990 ☐ 990-EZ ☐ Other (specify) _____

Enclose a copy of the organization's federal return.

81 66

Sources of Income	1	Gross sales or receipts from business activities	1		00		
	2	Less: Cost of goods sold or of operations - *attach itemized statement*	2		00		
	3	Gross profit from business activities - *subtract line 2 from line 1*	3		00		
	4	Interest	4		00		
	5	Dividends	5		00		
	6	Rents and royalties	6		00		
	7	Gain or (loss) from sales of assets, excluding inventory items	7		00		
	8	Dues, assessments, etc., from members	8		00		
	9	Dues, assessments, etc., from affiliated organizations	9		00		
	10	Contributions, gifts, grants, etc., received	10		00		
	11	Other income - *attach itemized statement*	11		00		
	12	Total income - *add lines 3 through 11*				12	00
Administrative Expenses	13	Compensation of officers, directors, trustees, etc.	13		00		
	14	Salaries and wages - *other than amounts included on line 2*	14		00		
	15	Interest	15		00		
	16	Taxes	16		00		
	17	Rent expense	17		00		
	18	Depreciation - *attach schedule*	18		00		
	19	Miscellaneous expenses - *attach itemized statement*	19		00		
	20	Total expenses - *add lines 13 through 19*				20	00
Disbursements From Current Income for the Organization's Exempt Purposes	21	Dues, assessments, etc., to affiliated corporations	21		00		
	22	Contributions, gifts, grants, etc., paid	22		00		
	23	Benefit payments to or for members or their dependents:					
		a. Death, sickness, hospitalization, disability, or pension benefits	23a		00		
		b. Other benefits	23b		00		
	24	Dividends and other distributions to members, shareholders, or depositors	24		00		
	25	Other	25		00		
	26	Total - *add lines 21 through 25*				26	00
Disbursements From Principal for the Organization's Exempt Purposes	27	Dues, assessments, etc., to affiliated corporations	27		00		
	28	Contributions, gifts, grants, etc., paid	28		00		
	29	Benefit payments to or for members or their dependents:					
		a. Death, sickness, hospitalization, disability, or pension benefits	29a		00		
		b. Other benefits	29b		00		
	30	Dividends and other distributions to members, shareholders, or depositors	30		00		
	31	Other	31		00		
	32	Total - *add lines 27 through 31*				32	00
Other	33	Other disbursements not itemized above - *attach schedule*				33	00
Accumulation of Income	34	Accumulation of income in current year - *line 12 less the sum of lines 20, 26, 32, and 33*				34	00
	35	Accumulation of income at beginning of year				35	00
	36	Accumulation of income at end of year - *add lines 34 and 35*				36	00
Penalty	37	Penalty for late filing or incomplete filing. *See instructions*				37	00

ADOR 10418 (10) THE EXEMPT ORGANIZATION IS SUBJECT TO A PENALTY IF THIS RETURN IS FILED LATE OR IS INCOMPLETE. ARS § 42-1125(K).
Previous ADOR 91-0022

Schedule A - Balance Sheet

NOTE: *Amounts used in attached schedules and in this column should be end of year amounts.*				(a) Beginning of year			(b) End of year	
Assets								
A1 Cash					00	A1		00
A2a Accounts receivable	A2a		00					
b Less: allowance for doubtful accounts	A2b		00					
c Line A2a less line A2b. Enter difference in column (b)					00	A2c		00
A3a Other notes and loans receivable - *attach schedule*	A3a		00					
b Less: allowance for doubtful accounts	A3b		00					
c Line A3a less line A3b. Enter difference in column (b)					00	A3c		00
A4 Inventories					00	A4		00
A5 Investments (securities) - *attach schedule*					00	A5		00
A6 Investments (other) - *attach schedule*					00	A6		00
A7a Land, buildings, and equipment; basis	A7a		00					
b Less: accumulated depreciation - *attach schedule*	A7b		00					
c Line A7a less line A7b. Enter difference in column (b)					00	A7c		00
A8 Other assets - *describe* _____					00	A8		00
A9 Total assets - *add lines A1 through A8*					00	A9		00
Liabilities								
A10 Accounts payable and accrued expenses					00	A10		00
A11 Mortgages and other notes payable - *attach schedule*					00	A11		00
A12 Other liabilities - *describe*					00	A12		00
A13 Total liabilities - *add lines A10 through A12*					00	A13		00
Net Assets								
A14 Capital stock or trust principal					00	A14		00
A15 Paid-in or capital surplus					00	A15		00
A16 Retained earnings or accumulated income					00	A16		00
A17 Total net assets - *add lines A14 through A16*					00	A17		00
A18 Total liabilities and net assets - *add lines A13 and A17*					00	A18		00

Certification Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Preparer's EIN, PTIN or SSN _____

Firm's name (or preparer's, if self-employed) _____ Firm's ☐ EIN or ☐ SSN _____

Firm's address _____ Zip code _____ ( ) Firm's telephone number _____

Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Organizations Which Must File Form 99 or a Copy of the Federal Return of Organization Exempt From Income Tax

Most organizations that have tax exempt status under Arizona Revised Statues (ARS) § 43-1201 must file Form 99 or a copy of the organization's federal return of organization exempt from income tax *only if their gross income exceeds $25,000*.

However, the following exempt organizations do not have to file Form 99 or a copy of the organization's federal return of organization exempt from income tax *regardless of the amount of gross income:*

- A religious organization exempt under ARS § 43-1201(4). The organization must be organized exclusively for religious purposes. No part of the organization's net earnings may inure to the benefit of any private shareholder or individual. No substantial part of the organization's activities may be carrying on propaganda or otherwise attempting to influence legislation.
- An educational organization exempt under ARS § 43-1201(4). The organization must normally maintain a regular faculty and students in attendance at the place where its educational activities are regularly conducted.
- A charitable organization or an organization for the prevention of cruelty to children or animals, exempt under ARS § 43-1201(4). The organization must receive its support, in whole or in part, from funds contributed by the United States, or any state or political subdivision thereof, or receive its primary support from contributions of the general public.
- An organization exempt under ARS § 43-1201(4), if the operation, supervision, or control of the organization is by, or in connection with, a religious organization exempt under ARS § 43-1201(4).
- An organization exempt solely under ARS § 43-1201(2). The fraternal beneficiary societies, orders or organizations must: (a) operate under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (b) provide for the payment of life, sick, accident or other benefits to the members of the society, order or organization or their dependents.

NOTE: *Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201 [associations that file federal Form 1120-H or 1120]. These organizations must file an Arizona corporate income tax return on Form 120A or Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations, or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Form 99.*

Filing Original Returns

The due date for Form 99 or the copy of the federal return of organization exempt from income tax is the 15th day of the fifth calendar month after the close of the taxable year. If the organization files under a valid federal three month extension, check box 82C on page one of Form 99. If the organization is filing under a second valid federal three month extension or an Arizona extension, check box 82F on page one of Form 99. File the return by the extended due date.

If the organization is filing its federal form in place of the Arizona Form 99, please attach a copy of the federal extension(s) to the front of the return.

Send the return to the Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153. If the organization files Form 99, enclose a copy of the appropriate federal return.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Extension of Time to File a Return

The organization can apply for an Arizona extension by filing a completed Form 120EXT by the original due date of the return. The organization can also use a valid federal extension rather than applying for an Arizona extension.

The department grants an Arizona extension for a period of six months. Arizona will accept the federal extension for the same period of time as covered by the federal extension.

Because the first federal extension for exempt organizations is an automatic three-month extension instead of the automatic six-month Arizona extension, exempt organizations requiring a six-month extension must be approved for a second three-month federal extension, which is not automatic, or file an Arizona Form 120EXT by the original due date.

Penalty

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is $100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500.

Filing Amended Returns

File amended returns within four years of the filing of the original return. However, do not file an amended return until the original return has been processed.

- *Organization that filed a copy of its federal return of organization exempt from income tax* - file a copy of the amended federal return of organization exempt from income tax.
- *Organization that filed Form 99* - attach a statement to the amended return that explains why the organization amended its Arizona return. If the organization amended its federal return, attach a copy of the amended federal return with all applicable schedules to the amended Arizona return.

Specific Instructions

Type or print the required information in the name, address, and information boxes at the top of page 1. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year. Indicate whether this return is an original or an amended return.

Enter the employer identification number of the organization, which is its taxpayer identification number (TIN). Enter the Arizona transaction privilege tax number for the organization.

All returns, statements, and other documents filed with the department require a TIN. Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number, preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Lines 1 through 12 -

Include in this section all sources of income received during the year.

Lines 13 through 20 -

Include in this section all administrative expenses.

Lines 21 through 26 -

Include in this section all disbursements made from current income for the organization's exempt purpose.

Lines 27 through 32 -

Include in this section all disbursements that represent reductions in principal for the organization's exempt purpose.

Line 33 -

Enter all other disbursements made by the organization not itemized on another line.

Lines 34 through 36 -

Enter the applicable amounts to report the accumulation of income for the organization.

Line 37 -

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of $100 for each month, or fraction of a month, the failure continues, up to a maximum penalty of $500.

If the organization files this return after its due date (including extensions), enter the penalty due on this line. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the organization's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Organizations must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Schedule A - Balance Sheet

Complete column (a), for beginning of year amounts, and column (b), for end of year amounts.

NOTE: *The amounts entered on any attached schedules and on lines A2a, A2b, A3a, A3b, A7a, and A7b should be end of year amounts.*

Line A2 -

On line A2a, enter accounts receivable. Subtract the amount on line A2b from the amount on line A2a. Enter the difference on line A2c in column (b).

Line A3 -

On line A3a, enter other notes and loans receivable. Subtract the amount on line A3b from the amount on line A3a. Enter the difference on line A3c in column (b).

Line A7 -

On line A7a, enter land, buildings, and equipment; basis. Subtract the amount on line A7b from the amount on line A7a. Enter the difference on line A7c in column (b).

Certification

An officer of the organization must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN, the individual preparer's social security number or preparer identification number.

ARIZONA FORM 99T Arizona Exempt Organization Business Income Tax Return **2010**

CHECK ONE: Original ☐ Amended ☐	For the ☐ calendar year 2010 or ☐ fiscal year beginning MMDDYYYY and ending MMDDYYYY.		
Business telephone number ( )	Please Type or Print	Name	Employer identification number (EIN)
		Number and street or PO Box	
Unrelated business activity codes		City or town, state and ZIP code	AZ transaction privilege tax number

68 Check box if: ☐ This is a first return ☐ Name change ☐ Address change

82 CHECK BOX IF: Return filed under extension. 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

81 66

A Date Arizona operations began MM / DD / YYYY

B Nature of unrelated trade or business activities _____

C Arizona apportionment: (check only one) Multistate organizations only.

☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor

D Did you file an Arizona Form 99? ☐ Yes ☐ No

E Check federal form filed: ☐ 990-T ☐ Other (specify) _____

Enclose a copy of the organization's federal return.

Arizona Unrelated Trade or Business Taxable Income Computation

1	Unrelated trade or business taxable income - from federal Form 990-T	1	00
2	Apportionment ratio. Multistate organizations only - *see instructions*	2 .	
3	Taxable income attributable to Arizona - *line 1 multiplied by line 2 (or enter amount from line 1, if 100% Arizona)*	3	00

Arizona Tax Liability Computation

4	Enter tax. Tax is 6.968 percent of line 3, or $50, whichever is greater	4	00
5	Clean Elections Fund Tax Reduction. *Check this box to send $5 to the fund and reduce the tax liability (line 4) by $5. Enter the amount of the tax reduction* 5A ☐	5	00
6	Clean Elections Fund Tax Credit. SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE	6	00
7	Tax liability after Clean Elections Fund tax reduction and tax credit - *subtract the sum of lines 5 and 6 from line 4*	7	00

Tax Payments

8	Extension payment made with Arizona Form 120EXT or online	8	00		
9	Estimated tax payments	9	00		
10	Payment made with original return plus all payments made after it was filed - *see instructions*	10	00		
11	Subtotal payments - *add lines 8 through 10*	11	00		
12	Overpayments of tax from original return or later adjustments - *see instructions*	12	00		
13	Total Payments - *subtract line 12 from line 11*			13	00

Computation of Total Due or Overpayment

14	Balance of tax due - *If line 7 is larger than line 13, enter balance of tax due. Skip line 15*			14	00
15	Overpayment of tax - *If line 13 is larger than line 7, enter overpayment of tax*			15	00
16	Penalty and interest			16	00
17	Estimated tax underpayment penalty. If Form 220 is attached, check box 17A ☐			17	00
18	Donation to Citizens Clean Elections Fund - *enter the amount of the donation. Amended returns - see instructions*			18	00
19	TOTAL AMOUNT DUE - *Add lines 14, 16, 17, and 18. If money is due, payment must accompany return*			19	00
20	OVERPAYMENT - *see instructions*			20	00
21	Amount of line 20 to be applied to 2011 estimated tax	21	00		
22	Amount to be refunded - *subtract line 21 from line 20*			22	00

Schedule A - Apportionment Formula (Multistate Organizations Only)

See instructions, pages 5 through 7.
Limited to Unrelated Trade or Business Amounts

	Column A Total Within Arizona Round to the Nearest Dollar	Column B Total Everywhere Round to the Nearest Dollar	Column C Ratio Within Arizona A ÷ B
A1 Property Factor Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value)			
Total owned and rented property			•
A2 Payroll Factor			
Wages, salaries, commissions and other compensation of employees			•
A3 Sales Factor			
a. Total sales and other gross receipts			
b. Weight Arizona sales - *(STANDARD uses X 2; ENHANCED uses X 8)*	X 2 OR X 8		
c. Sales factor (for column A - multiply item a by item b; for column B - enter the amount from item a)			•
A4 Total ratio - add A1, A2, and A3(c), in column C			•
A5 Average apportionment ratio - divide line A4, Column C, by the denominator (*STANDARD divides by four (4); ENHANCED divides by ten (10)*). Enter the result in column C, and on page 1, line 2			•

Certification Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Preparer's EIN, PTIN or SSN _____

Firm's name (or preparer's, if self-employed) _____ Firm's ☐ EIN or ☐ SSN _____

Firm's address _____ Zip code _____ ( ) Firm's telephone number _____

Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Organizations Which Must File This Tax Return

Organizations that have tax exempt status under Arizona Revised Statutes (ARS) § 43-1201 file this return to report IRC § 512 unrelated trade or business income (UTBI).

Organizations exempt under ARS § 43-1201(8) file Form 99T to report UTBI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax exempt organization required to file Form 99T.

NOTE: *Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201 [associations that file federal Form 1120-H or 1120]. These organizations must file an Arizona corporate income tax return on Form 120A or Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations, or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Form 99.*

Taxable Year Covered by Return

File returns for the calendar year or fiscal year. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year.

Filing Original Returns

Returns are due by the 15th day of the fifth month after the close of the taxable year. If the organization has a valid federal or Arizona extension, file the return by the extended due date. If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153. Enclose a copy of the appropriate federal return.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Filing Amended Returns

Any organization who files an amended return with the Internal Revenue Service must file an Arizona amended return on Form 99T within ninety days after the final determination by the IRS of the change or correction. The organization must report changes or corrections of the organization's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The organization must either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The organization must include additional schedules that provide sufficient information for the department to recompute the organization's Arizona unrelated trade or business taxable income based on the Revenue Agent Report (RAR) changes. The department may require that the organization file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

NOTE: *File an amended return for a prior taxable year on the Form 99T for that taxable year. Use the 2010 Form 99T to amend only taxable year 2010.*

Do not file an amended return until the original return has been processed. Be sure to check the box indicating that the organization is filing an amended return.

Payment of Tax

The entire amount of tax is due by the original due date of the return. Payments can be made via check, electronic check, money order, or credit card. Visit www.aztaxes.gov to register and make payments via the internet.

Estimated Tax Payments

Organizations that expect an Arizona income tax liability for the taxable year of $1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*. For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*. An organization that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment that is late or underpaid. Arizona's required annual payment of estimated tax is the smaller of:

- Ninety percent of the organization's Arizona tax liability for the current taxable year; **or**
- One hundred percent of the organization's Arizona tax liability for the prior taxable year.

Organizations required to make Arizona corporate estimated tax payments should use the 2011 Form 120W, *Estimated Tax Worksheet for Corporations,* to compute the required installments. REFER TO THE 2011 FORM 120W AND ITS INSTRUCTIONS BEFORE COMPLETING THE 2011 FORM 120ES.

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER. Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information regarding electronic funds transfer.

NOTE: *Beginning for reporting periods from and after February 28, 2011, organizations required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).*

Organizations whose Arizona corporate income tax liability for the preceding taxable year was $20,000 or more must make Arizona corporate estimated tax payments via electronic funds transfer. If the organization is making its estimated tax payments by electronic funds transfer (EFT), the organization should **not** submit Form 120ES to the department.

Organizations required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Organizations whose Arizona corporate income tax liability for the preceding taxable year was less than $20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

Extension of Time to File a Return

The organization can apply for an Arizona extension by filing a completed Form 120EXT by the original due date of the return. The organization can also use a valid federal extension, rather than applying for an Arizona extension. The organization must use Form 120EXT to transmit extension payments via check or money order, whether the organization uses a valid federal extension or requests an Arizona extension. If the organization uses an extension, the organization must check the extension box on page 1 of the return.

The organization must pay 90 percent of the tax liability (after the Clean Elections Fund tax reduction and tax credit) by the original due date of the return. The organization's tax liability may be the $50 minimum tax. The department imposes the extension underpayment penalty on any late or underpaid extension payments.

The department grants an Arizona extension for a period of six months. Arizona will accept the federal extension for the same period of time as covered by the federal extension.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the organization has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is for each month or fraction of a month between the due date of the return and the date the organization filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The organization must pay 90 percent of the tax liability (after the Clean Elections Fund tax reduction and tax credit) disclosed by the organization's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is for each 30 day period or fraction thereof between the original due date of the return and the date the organization paid the tax. The maximum penalty is 25 percent of the unpaid tax. Organizations subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax that may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the organization, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same time as prescribed by Internal Revenue Code § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

E. Estimated Tax Underpayment Penalty. The department imposes the estimated tax underpayment penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by ARS § 43-582 for the applicable period.

IRC § 7519 Required Payments

These payments cannot be deducted on the Arizona tax returns as an ordinary and necessary business expense or otherwise.

Rounding Dollar Amounts

Organizations must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Records

Every organization should maintain books and records substantiating information reported on the return and keep these documents for inspection. Arizona General Tax Ruling GTR 96-1 discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Enter the unrelated business activity code(s) from the federal Form 990-T. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year. Indicate whether this return is an original or an amended return.

Enter the employer identification number of the organization, which is its taxpayer identification number (TIN). Enter the Arizona transaction privilege tax number for the organization.

All returns, statements, and other documents filed with the department require a TIN. Organizations that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number, preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Arizona Unrelated Trade or Business Taxable Income Computation

Line 1 - Unrelated Trade or Business Taxable Income

Enter the amount of unrelated trade or business taxable income from federal Form 990-T.

NOTE: *ARS §§ 43-1231 and 43-1241 do not allow additions to or subtractions from federal unrelated trade or business taxable income similar to those allowed for corporations.*

Line 2 - Apportionment Ratio

This line is provided for multistate organizations to enter an apportionment ratio. An apportionment ratio represents the percentage of the multistate organization's unrelated trade or business income that arises from Arizona. Schedule A on page 2 of Form 99T is used to compute the apportionment ratio for non-air carrier multistate organizations. Air carrier organizations must complete Schedule ACA. Arizona's apportionment ratio provisions are explained later in these instructions.

An exempt organization that has income from unrelated trade or business activities taxable in more than one state is a *multistate organization*. An exempt organization that has income from unrelated trade or business activities taxable entirely within Arizona is a *wholly Arizona organization*.

Non-air carrier multistate organizations - enter the average ratio from page 2, Schedule A, line A5. The organization must carry out the decimal on line 2 to six places.

Air carrier multistate organizations - enter the average ratio from Schedule ACA, line 3. The organization must carry out the decimal on line 2 to six places.

Line 3 - Taxable Income Attributable to Arizona

Multistate organizations: If the organization must apportion its unrelated trade or business taxable income, multiply the amount on line 1 by the ratio on line 2. Enter the result.

Wholly Arizona organizations: If the organization has unrelated trade or business taxable income that is taxable entirely within Arizona, enter the amount from line 1.

Arizona Tax Liability Computation

Line 4 - Arizona Tax

Multiply the net unrelated trade or business taxable income that is subject to Arizona tax (page 1, line 3) by 6.968 percent. If the computed amount of tax is less than $50, enter the minimum tax liability of $50. Every organization required to file a return shall pay a $50 minimum tax in accordance with A.R.S. § 43-1111.

Line 5 - Clean Elections Fund Tax Reduction

Check box 5**A** to send five dollars to the fund and reduce the tax amount on line 4 by five dollars. Enter the amount of the tax reduction on line 5.

Line 6 - Clean Elections Fund Tax Credit

An organization may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the organization's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax (line 4) less the amount of the Clean Elections Fund Tax Reduction (line 5) or six hundred forty dollars, whichever is higher.

An organization may not claim a tax credit on the 2010 tax return for a donation to the fund made with the original 2010 tax return (on line 18). If an organization makes a donation to the fund on the 2010 tax return (line 18), the organization may only claim a tax credit for the donation on the organization's 2011 tax return.

The tax credit is nonrefundable and the unused portion of the tax credit may not be carried forward.

Calculation of 2010 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 99T.	$	00
2.	Enter tax from 2010 Form 99T, line 4, LESS the Clean Elections Fund Tax Reduction from 2010 Form 99T, line 5.	$	00
3.	Multiply amount on line 2 by 20 percent (.20).	$	00
4.		$ 640	00
5.	Enter the larger of line 3 or line 4.	$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 99T, line 6.	$	00

Tax Payments

Line 8 - Extension Payment

Enter any payment made with the Arizona request for extension of time to file the income tax return or made online by the original due date. If the organization is filing under an extension, check the extension box on page 1 of the return.

Line 9 - Estimated Tax Payments

Enter the total amount paid by the organization for the taxable year. Use the following worksheet to figure the amount of these payments that should be entered on line 9.

Payment Worksheet		
Payments	Date of Payment	Amount
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 9.		

Line 10 - Payment Made With Original Return (Plus all Payments After it was Filed) - Amended Returns Only

Use the following worksheet to figure the amount of the payments that should be entered on line 10.

NOTE: *Do not include payments reported on lines 8 or 9.*

Payment Worksheet		
Payments (Other)	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 10.		

Line 11 - Subtotal Payments

Add lines 8 through 10. Enter the subtotal.

Line 12 - Overpayments of Tax From Original Return or Later Adjustments

Enter the amount of the overpayment of tax, if any, from the original return, and the total amount of any overpayments from a Department of Revenue correction notice, an amended return, or an audit. Do not include or enter the amount of any penalties or interest paid.

Computation of Total Due or Overpayment

Line 14 - Balance of Tax Due

If the amount on line 7 is **larger** than the amount on line 13, there is a balance of tax due. Subtract line 13 from line 7 and enter the difference. Skip line 15.

Line 15 - Overpayment of Tax

If the amount on line 13 is **larger** than the amount on line 7, there is an overpayment of tax. Subtract line 7 from line 13 and enter the difference.

Line 16 - Penalty and Interest

Calculate any penalty or interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 14 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on pages 2 and 3 of these instructions.

Line 17 - Estimated Tax Underpayment Penalty

Original returns: The organization does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the organization made its estimated tax payments based on either of the following methods:

- An amount equal to 90 percent of the current taxable year's tax liability after the Clean Elections Fund tax reduction and tax credit (line 7), paid in four equal installments; or
- An amount equal to 100 percent of the organization's tax liability (after the Clean Elections Fund tax reduction and tax credit) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the organization of any amount due. If the organization elects to have the department compute the penalty, do not check box 17**A** or enter an amount on line 17.

The organization must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on either of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box 17**A**.

Amended returns: Do not recompute the estimated tax underpayment penalty. Enter the amount of estimated tax underpayment penalty from the original return or the amount from a department correction notice.

Line 18 - Donation to Citizens Clean Elections Fund

Original Returns: Enter the amount of the donation to the fund made on this return.

Amended Returns: Enter the amount of the donation to the fund made on the original return. The amount of the donation cannot be adjusted on an amended return.

Line 19 - Total Amount Due

If the organization had a balance of tax due on line 14, add lines 14, 16, 17 and 18. Enter the total on line 19. This is the total amount due. Pay this amount when the organization files the return. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the organization's TIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Organizations must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 20 - Overpayment

If the organization had an overpayment of tax on line 15, subtract the total of lines 16, 17, and 18 from line 15. Enter a positive difference on line 20. This is the total overpayment. If the difference is a negative, enter the difference as a positive number on line 19.

Line 21 - Overpayment Applied to Estimated Tax

Original Returns: The organization may apply part or all of an overpayment reported on line 20 as a 2011 estimated tax payment. Enter the applicable amount on line 21.

Amended Returns: The organization may apply part or all of an overpayment reported on line 20 as a 2011 estimated tax payment, if this amended return is filed during the organization's taxable year 2011. Enter the applicable amount on line 21.

Line 22 - Refund

Subtract line 21 from line 20. This is the refund amount.

Schedule ACA - Air Carrier Apportionment Formula
(Multistate Air Carriers Only)

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139 requires an organization that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The organization must complete Schedule ACA. Check the box for information question C on page 1 of the return. Do not complete Schedule A.

The organization must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation.

Schedule A - Apportionment Formula
(Non-Air Carrier Multistate Organizations Only)

If the organization engages in unrelated trade or business activities both within and without Arizona, the organization is a multistate organization and must apportion its income. An apportionment formula determines the unrelated trade or business taxable income based on property, payroll, and sales in Arizona compared with everywhere. Everywhere means the property, payroll, and sales factors related to the whole unrelated trade or business activity.

For tax years beginning from and after December 31, 2006, non-air carrier multistate organizations have the opportunity to choose one of two apportionment formulae for calculating the apportionment ratio. Non-air carrier multistate organizations may select the enhanced sales factor formula in exchange for participating in an economic impact analysis conducted by the Joint Legislative Budget Committee. The department is required to provide the identity of organizations that use the enhanced sales factor formula to the Joint Legislative Budget Committee. The standard sales factor formula must be used by organizations not selecting to use the enhanced sales factor formula.

The numerator of the fraction of the standard sales factor formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor plus the payroll factor plus eight times the sales factor. The denominator of the fraction is ten.

NOTE: *When computing the factors of the apportionment ratio, round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

Line A1 - Property Factor

The value of tangible personal property and real property owned by the organization is its original cost. The organization normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period.

The value of tangible personal property and real property rented by the organization is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the organization for rented property less the aggregate annual subrental rates paid by subtenants of the organization. The organization automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

List real property situated in and tangible personal property permanently located in this state as within Arizona only if connected with the unrelated business activity. Allocate the value of mobile property to Arizona based on the total time the property was within Arizona.

Compute the property factor on line A1 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The property factor on line A1, column C, will never exceed 100 percent.

Line A2 - Payroll Factor

Enter salaries, wages, or other compensation of officers, employees, etc., as within the state if performance of the services occurs here. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable unrelated business carried on outside of Arizona.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state, but the direction or control of the employee is from this state; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in this state.

Compute the payroll factor on line A2 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The payroll factor on line A2, column C, will never exceed 100 percent.

Instructions for the standard sales factor formula are in the next column. If you have selected the enhanced sales factor formula, skip ahead to the section titled "Enhanced Sales Factor".

Standard Sales Factor

Check the box for information question C on page 1 of the return to indicate that the standard double weighting of the sales factor will be used to calculate the apportionment ratio on the organization's return. Use the number located on the left-hand side of Schedule A, line A3(b), column A, to double-weight the sales factor.

Line A3 - Standard Sales Factor

Gross receipts means gross sales less returns and allowances. Gross receipts includes interest income, service charges, carrying charges, and time price differential charges incidental to such sales.

Determine sales within this state on a destination sales basis.

Complete line A3 as follows:

- Multiply the amount entered on line A3(a), column A, the total Arizona sales, by two (double-weighted sales factor). Enter the result on line A3(c), column A.
- Do not double the amount entered on line A3(a), column B, the everywhere sales of the organization.

EXAMPLE: The organization has Arizona sales of $100,000 and everywhere sales of $1,000,000. On line A3(c), column A, enter $200,000 of Arizona sales. On line A3(c), column B, enter $1,000,000 of everywhere sales for the organization.

The sales factor on line A3(c), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by four, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by four. Enter the average ratio here and on page 1, line 2. Express the ratio as a decimal carried out to six places.

NOTE: *The organization must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Check the box for information question C on page 1 of the return to indicate that the enhanced sales factor formula will be used to calculate the apportionment ratio on the organization's return. Use the number located on the right-hand side of line A3(b), column A, to weight the sales factors at eight times.

Line A3 - Enhanced Sales Factor

Gross receipts means gross sales less returns and allowances. Gross receipts includes interest income, service charges, carrying charges, and time price differential charges incidental to such sales.

Determine sales within this state on a destination sales basis.

Complete line A3 as follows:

- Multiply the amount entered on line A3(a), column A, the total Arizona sales, by eight on line A3(b), column A. Enter the result on line A3(c), column A.
- Do not multiply the amount entered on line A3(a), column B, the everywhere sales of the organization, by eight.

EXAMPLE: The organization has Arizona sales of $100,000 and everywhere sales of $1,000,000. On line A3(c), column A, enter $800,000 of Arizona sales. On line A3(c), column B, enter $1,000,000 of everywhere sales for the organization.

The sales factor on line A3(c), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by ten, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by ten. Enter the average ratio here and on page 1, line 2. Express the ratio as a decimal carried out to six places.

NOTE: *The organization must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Certification

An executive officer of the organization must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.

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2010 CORPORATE INCOME TAX HIGHLIGHTS

EMANCIPATION DAY AFFECTS APRIL 15 DUE DATE IN 2011 - Because Emancipation Day is a legal holiday recognized by the IRS, the April 15 due date in Arizona is affected. Returns and payments due on April 15, 2011, will be considered timely if made by the next business day: Monday, April 18, 2011.

WITHHOLDING RATES AND WITHHOLDING BASE CHANGED - In accordance with SB1185 (2009), the Department made new withholding forms available on its internet website in early April 2010. All employees were required to file a revised Arizona Form A-4 to take into account the changes to the withholding tax rates and withholding tax base. Employees already subject to voluntary withholding were required to file a revised Arizona Form A-4V. Recipients of pensions and annuities already subject to withholding were required to file a revised Arizona Form A-4P. An additional withholding rate has been made available on the revised forms for 2011. The withholding rates adopted as of July 1 remain on the new forms. The annual compensation limitation has been removed and the requirements for claiming an exemption from withholding have changed. The 2011 versions of the Arizona Form A-4, Form A-4P and Form A-4V are available on the department's website at www.azdor.gov.

2009 NONCONFORMITY - Each year the Arizona legislature considers whether to amend Arizona Revised Statutes § 43-105 to conform to changes made to the Internal Revenue Code during the prior year. On April 27, 2010, the Governor signed House Bill 2156, which incorporated the federal changes made in 2009 into Arizona's definition of "internal revenue code." However, House Bill 2156 also included additions to and subtractions from income that have the affect of Arizona not conforming to the following changes that affect corporations, S corporation shareholders, partnerships and their partners: (1) an election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return; (2) the exclusion of original issue discount on a debt instrument described in number 1 from income on your 2009 federal return; and (3) a cash gift made during 2010 to aid Haiti earthquake victims deducted on your 2009 federal return. If you have already filed your 2009 return and any of items 1 through 3 above apply to you, you must amend your 2009 Arizona return. To get a form or for more information on this topic, visit the department's web site at www.azdor.gov.

NEW REFUNDABLE TAX CREDIT FOR RENEWABLE ENERGY INDUSTRY - If a taxpayer expanded or located a qualified renewable energy operation in Arizona, the taxpayer may qualify for the refundable credit for renewable energy industry. Approval through the Department of Commerce is required. See Form 342 for details.

CREDIT FOR INCREASED RESEARCH ACTIVITIES RATES CHANGE - In 2008, the Arizona Legislature passed HB 2391, which changed the rates for the credit for increased research activities for tax years 2010 through 2017. For tax years beginning from and after December 31, 2009, the credit will be calculated at 22% of the first $2.5 million in allowable expenses and 13% of the allowable expenses exceeding $2.5 million. For tax years prior to December 31, 2009, the rates were 20% and 11%, respectively. The rates will increase for tax years beginning from and after December 31, 2010, to 24% and 15%, respectively. The pre-2010 percentages will return for taxable years beginning from and after December 31, 2017. See Form 308 for more details.

A PORTION OF THE CREDIT FOR INCREASED RESEARCH ACTIVITIES MAY BE REFUNDABLE FOR QUALIFIED TAXPAYERS - Starting with taxable year 2010, a portion of the credit for increased research activities may be refundable to qualified taxpayers. Approval through the Arizona Department of Commerce is required. See Form 308 for details.

PAYROLL SERVICE COMPANIES REQUIRED TO REGISTER WITH THE DEPARTMENT - For withholding returns due from and after May 31, 2011, payroll service companies are required to file returns electronically and make payments electronically on behalf of their clients. Failing to do so will result in a penalty of $25 for each return not filed electronically and a penalty of $25 for each payment not made electronically, unless the failure is due to reasonable cause. For more information on this topic, visit the department's web site at www.azdor.gov.

EFT PENALTY - For reporting periods beginning from and after February 28, 2011, taxpayers required to make corporate estimated payments or withholding payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).

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ARIZONA FORM 120

Arizona Corporation Income Tax Return

2010

For the ☐ calendar year 2010 or ☐ fiscal year beginning M,M,D,D,Y,Y,Y,Y and ending M,M,D,D,Y,Y,Y,Y.

Business telephone number ( )	Please Type or Print	Name	Employer identification number (EIN)
Business activity code number (from federal Form 1120)		Number and street or PO Box	AZ transaction privilege tax number
		City, or town, state, and ZIP code	

68 Check box if: ☐ This is a first return ☐ Name change ☐ Address change

A Is FEDERAL return filed on a consolidated basis? ☐ Yes ☐ No
If yes, list EIN of common parent from consolidated return: _____

B ARIZONA filing method: (check only one) See instructions, page 2.
1 ☐ Separate company 2 ☐ Combined (unitary group) 3 ☐ Consolidated

C If ARIZONA filing method is combined or consolidated, *see Form 51 instructions.*
Is Form 51 attached? ☐ Yes ☐ No

D ARIZONA apportionment: (check only one) Multistate corporations only.
☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor

E Is this the corporation's final ARIZONA return? ☐ Yes ☐ No
If yes, check one: ☐ Dissolved ☐ Withdrawn ☐ Merged/Reorganized
List EIN of the successor corporation, if any: _____

82 CHECK BOX IF: Return filed under extension. 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

81 66

1	Taxable income - per attached federal return	1	00
2	Additions to taxable income - *from page 2, Schedule A, line A11*	2	00
3	Total taxable income - *add lines 1 and 2*	3	00
4	Subtractions from taxable income - *from page 2, Schedule B, line B12*	4	00
5	Adjusted income - *subtract line 4 from line 3.* WHOLLY ARIZONA CORPORATIONS GO TO LINE 13	5	00
6	Arizona adjusted income - *from line 5.* MULTISTATE CORPORATIONS ONLY	6	00
7	Nonapportionable or allocable amounts - *from page 3, Schedule D, line D8.* Multistate corporations only	7	00
8	Adjusted business income - *subtract line 7 from line 6.* Multistate corporations only	8	00
9	Arizona apportionment ratio - *from Schedule C or Schedule ACA* 9 .		
10	Adjusted business income apportioned to Arizona - *line 8 multiplied by line 9.* Multistate corporations only	10	00
11	Other income allocated to Arizona - *from page 3, Schedule E, line E7.* Multistate corporations only	11	00
12	Adjusted income attributable to Arizona - *add lines 10 and 11.* Multistate corporations only	12	00
13	Arizona income before NOL - *from line 5 or line 12*	13	00
14	Arizona basis net operating loss carryover - *attach computation schedule*	14	00
15	Arizona taxable income - *subtract line 14 from line 13*	15	00
16	Enter tax. Tax is 6.968 percent of line 15 or fifty dollars ($50), whichever is greater	16	00
17	Tax from recapture of tax credits - *from Form 300, Part II, line 23*	17	00
18	Subtotal - *add lines 16 and 17*	18	00
19	Clean Elections Fund Tax Reduction. *Check this box to send $5 to the fund and reduce the tax (line 18) by $5. Enter the amount of the tax reduction* 19A ☐	19	00
20	Nonrefundable tax credits - *from Arizona Form 300, Part II, line 45*	20	00
21	Credit type - *enter form number for each nonrefundable credit claimed* 21 3 3 3 3		
22	Tax liability - *subtract the sum of lines 19 and 20 from line 18*	22	00
23	Clean Elections Fund Tax Credit. *SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE*	23	00
24	Tax liability after Clean Elections Fund tax credit - *subtract line 23 from line 22*	24	00
25	Refundable tax credits. Check box(es) and enter amount(s) 25 ☐ 308 ☐ 342	25	00
26	Extension payment made with Form 120EXT or online - *see instructions*	26	00
27	Estimated tax payments - *see instructions*	27	00
28	Total payments - *see instructions*	28	00
29	Balance of tax due - *If line 24 is larger than line 28, enter balance of tax due. Skip line 30*	29	00
30	Overpayment of tax - *If line 28 is larger than line 24, enter overpayment of tax*	30	00
31	Penalty and interest	31	00
32	Estimated tax underpayment penalty. *If Form 220 is attached, check box* 32A ☐	32	00
33	Donation to Citizens Clean Elections Fund - *see instructions*	33	00
34	TOTAL DUE - *see instructions* Payment must accompany return	34	00
35	OVERPAYMENT - *see instructions*	35	00
36	Amount of line 35 to be applied to 2011 estimated tax	36	00
37	Amount to be refunded - *subtract line 36 from line 35*	37	00

Schedule A - Additions to Taxable Income

A1	Total federal depreciation	A1		00
A2	IRC § 179 expense in excess of allowable amount	A2		00
A3	Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments	A3		00
A4	Interest on obligations of other states, foreign countries, or political subdivisions	A4		00
A5	Special deductions claimed on federal return	A5		00
A6	Federal net operating loss deduction claimed on federal return	A6		00
A7	Commissions and other expenses paid or accrued to a Domestic International Sales Corporation (DISC)	A7		00
A8	Capital investment by certified defense contractor - *attach schedule*	A8		00
A9	Additions related to Arizona tax credits - *attach schedule*	A9		00
A10	Other additions to federal taxable income - *attach schedule*	A10		00
A11	Total - *add lines A1 through A10. Enter total here and on page 1, line 2*	A11		00

Schedule B - Subtractions From Taxable Income

B1	Recalculated Arizona depreciation - *see instructions*	B1		00
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year - *see instructions*	B2		00
B3	Adjustment for IRC § 179 expense not allowed	B3		00
B4	Dividends received from 50% or more controlled domestic corporations	B4		00
B5	Foreign dividend gross-up	B5		00
B6	Dividends received from foreign corporations	B6		00
B7	Dividends received from a DISC	B7		00
B8	Interest on U.S. obligations	B8		00
B9	Agricultural crops charitable contribution	B9		00
B10	Capital investment by certified defense contractor - *attach schedule*	B10		00
B11	Other subtractions from federal taxable income - *attach schedule*	B11		00
B12	Total - *add lines B1 through B11. Enter total here and on page 1, line 4*	B12		00

Schedule C - Apportionment Formula (Multistate Corporations Only)

See instructions, pages 13 through 15.

NOTE: Qualifying air carriers must use Schedule ACA

		Column A Total Within Arizona Round to the Nearest Dollar	Column B Total Everywhere Round to the Nearest Dollar	Column C Ratio Within Arizona A ÷ B
C1	Property Factor Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value)			
a.	Owned property (at original cost):			
	Inventories			
	Depreciable assets - (do not include Construction in Progress)			
	Land			
	Other assets - (describe) _____			
	Less: Nonbusiness property (if included in above totals)	( )	( )	
	Total of section a			
b.	Rented property (capitalize at 8 times net rental paid)			
c.	Total owned and rented property (section a total plus section b)			.
C2	Payroll Factor			
	Total wages, salaries, commissions and other compensation to employees (per federal Form 1120 or payroll reports)			.
C3	Sales Factor			
a.	Sales delivered or shipped to Arizona purchasers			
b.	Other gross receipts			
c.	Total sales and other gross receipts			
d.	Weight Arizona sales - *(STANDARD uses X 2; ENHANCED uses X 8)*	X 2 OR X 8		
e.	Sales factor (for column A - multiply item c by item d; for column B - enter the amount from item c)			.
C4	Total ratio - add C1(c), C2, and C3(e), in column C			.
C5	Average apportionment ratio - divide line C4, column C, by the denominator (*STANDARD divides by four (4); ENHANCED divides by ten (10)*). Enter the result in column C, and on page 1, line 9			.

Schedule D - Nonapportionable Income and Expenses (Multistate Corporations Only)

D1	Nonbusiness dividends and interest income:					
	a. Total nonbusiness dividends not deducted on page 2, Schedule B	D1a		00		
	b. Interest from nonbusiness sources	D1b		00		
	c. Total nonbusiness dividends and interest - *add lines D1a and D1b*				D1c	00
D2	Net royalties from nonbusiness patents and copyrights - *attach schedule*				D2	00
D3	Net income from rental of nonbusiness assets - *attach schedule*				D3	00
D4	Net gain or (loss) from sale or exchange of nonbusiness assets utilized for production of nonbusiness income - *attach schedule*				D4	00
D5	Other income or (loss) - *attach schedule*				D5	00
D6	Subtotal - *add lines D1c through D5*				D6	00
D7	Expenses attributable to income derived from a foreign corporation which is not itself subject to Arizona income tax - *attach schedule*				D7	00
D8	Total - *subtract line D7 from line D6. Enter total here and on page 1, line 7*				D8	00

Schedule E - Other Income Allocated to Arizona (Multistate Corporations Only)

E1	Gain or (loss) from sale or exchange of real estate and other tangible assets utilized for the production of nonbusiness income - *attach schedule*	E1	00
E2	Net income or (loss) from rental of nonbusiness assets - *attach schedule*	E2	00
E3	Net royalties from nonbusiness assets - *attach schedule*	E3	00
E4	Net income or (loss) from intangible property specifically allocable to Arizona - *attach schedule*	E4	00
E5	Federal income tax refunds received in the taxable year - *see instructions*	E5	00
E6	Other income or (loss) directly allocable to Arizona - *attach schedule*	E6	00
E7	Total - *add lines E1 through E6. Enter total here and on page 1, line 11*	E7	00

Schedule F - Schedule of Tax Payments

Name of corporation	EIN	Date of payment	Type of payment	Amount of payment
			Total	

Schedule G - Other Information

G1 Date business began in Arizona or date income was first derived from Arizona sources MM / DD / YYYY .

G2 Address at which tax records are located for audit purposes: _____

G3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. *(See instructions, page 16.)*

Name and title _____ Phone number ( ) _____

G4 List prior taxable years for which a federal examination has been finalized _____

NOTE: ARS § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. *(See instructions, pages 4 - 5.)*

G5 List the taxable years for which federal examinations are now in progress, or final determination of past examinations is still pending

G6 List the taxable years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire

G7 Amount of Arizona taxable income for prior taxable year (2009 Form 120, line 15.) _____

G8 Indicate tax accounting method: Cash ☐ Accrual ☐ Other ☐ (Specify method.) _____

Multistate taxpayers:

G9 Are the nonbusiness items reported on Schedule D, lines D1 through D5, and the apportionment factor items reported on Schedule C, column B, treated consistently on all state tax returns filed under the Uniform Division of Income for Tax Purposes Act?

Yes ☐ No ☐ If no, the taxpayer must disclose the nature and extent of the variance upon request by the department.

G10 Has the taxpayer changed the way income is apportioned or allocated to Arizona from prior taxable year returns?

Yes ☐ No ☐ If yes, attach explanation.

Consolidated Return Filers:

G11 Enter the year Form(s) 122 were filed to make the Arizona consolidated election _____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature	Date	Title
Officer's signature	Date	Title

Paid Preparer's Use Only

Preparer's signature	Date	Preparer's EIN, PTIN or SSN
Firm's name (or preparer's, if self-employed)		Firm's ☐ EIN or ☐ SSN
Firm's address	Zip code	( ) Firm's telephone number

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

Special Notice For 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that taxpayers may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect your 2009 return:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on your 2009 federal return.

If you have already filed your 2009 return and any of items 1 through 3 above apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

General Instructions

Which Corporations Must File a Return?

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return. This includes an IRC § 528 homeowners' association that files either federal Form 1120-H or Form 1120. However, certain homeowners' associations that are federally exempt are also exempt for Arizona income tax purposes, and may file the Arizona Form 99. Examples are social welfare organizations exempt under IRC § 501(c)(4) and clubs organized for pleasure or recreation exempt under IRC § 501(c)(7).

Which Form To Use

Use Form 120 if the corporation: (1) has income from business activity that is taxable in more than one state (a "multistate corporation"); (2) is a partner in a multistate partnership and/or a partnership that conducts no business in Arizona; (3) is a member of a unitary group of corporations that files an Arizona return on a combined basis; or (4) is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

The only type of corporation that may use Form 120A is one that files its return on a separate company (separate entity) basis and has income from business activity that is taxable entirely within Arizona (a "wholly Arizona corporation").

Entity Classification Under the Federal "Check-the-Box Rules"

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes.

Limited Liability Companies

Only a limited liability company that makes a valid federal election to be taxed as a corporation must file Form 120. A single member limited liability company that is disregarded as an entity is treated as a branch or division of the owner, and is included in the tax return of its owner. Refer to Arizona Corporate Tax Ruling CTR 97-2 for further information.

Electing Small Business Corporations

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code must file Form 120S.

Taxable Year Covered by Return

Indicate the period covered by the taxable year on page 1 of the return, and whether the taxable year is a calendar year or a fiscal year.

COMBINED RETURNS: A unitary group of corporations filing a combined return must determine income using the same accounting period.

Filing Original Returns

Returns are due by the 15th day of the fourth month following the close of the taxable year. If the taxpayer has a valid federal or Arizona extension, file the return by the extended due date. If the taxpayer files under extension, the taxpayer must check the extension box on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079. One or more officers (president, treasurer, or any other principal officer) must sign the return. The department requests that taxpayers attach a copy of the completed federal corporate income tax return to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Arizona Filing Methods

There are three filing methods for corporate income tax returns filed to Arizona: (1) separate company (separate entity); (2) combined; and (3) consolidated.

1. Separate Company

A corporation files on a separate company basis if: (1) it is not part of a group of corporations comprising a unitary business; or (2) it is not a member of an affiliated group that elected to file a consolidated return.

2. Combined Return

A corporation files on a combined basis when it is part of a unitary group of corporations, unless the affiliated group elects to file a consolidated return pursuant to ARS § 43-947.

A unitary business comprises those parts and components whose functions are integrated and interdependent at the basic operational level. The entities comprising the unitary business must be owned or controlled directly or indirectly by the same interests that collectively own more than 50 percent of the voting stock. Refer to Arizona Administrative Code rule AAC R15-2D-401 for additional requirements. Refer to Arizona Corporate Tax Ruling CTR 00-2 for additional information regarding whether a bond of direct or indirect ownership or control exists.

IRC § 351 reorganizations Activities conducted as part of a unitary business do not become a separate and unrelated business simply because those activities are subsequently conducted by a different affiliated corporate entity. An affiliated corporation resulting from an IRC § 351 reorganization is required to file a combined return as part of the unitary group if its activities are conducted as a part of the unitary business. See Arizona Corporate Tax Ruling CTR 01-1.

A unitary group of corporations required to file a combined return must complete Section I of Form 51 for the first taxable year the group files a combined return. Form 51 is the *Combined or Consolidated Return Affiliation Schedule*. In succeeding taxable years, complete Sections II (Additions) and III (Deletions) of Form 51 to report changes in the unitary group. Attach the completed Form(s) 51 immediately following page 4 of Form 120. Indicate that Form 51 is attached by checking the appropriate box for information question C on page 1 of Form 120.

Foreign corporation; water's edge limitation Do not allocate or apportion the income and expenses of a foreign corporation to Arizona if the foreign corporation is not itself subject to the Arizona corporate income tax. This provision does not apply if a foreign corporation is a member of an affiliated group that elects to file an Arizona consolidated tax return.

"Domestic corporation" means a corporation created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia.

"Foreign corporation" means:

- A corporation which is not a domestic corporation.
- A domestic corporation with less than 20 percent of its property, payroll, and sales in the United States. The percentage applies for the three year period immediately preceding the close of the taxable year, or for such part of that period as the corporation has been in existence. The sales factor is not double-weighted when making this determination.
- A domestic corporation that derived 80 percent or more of its federal gross income from sources in Puerto Rico or any other possession of the United States except the Virgin Islands. The corporation must also have derived 65 percent or more of its federal gross income from the active conduct of a trade or business in Puerto Rico or any other U.S. possession except the Virgin Islands. This determination is made for the three year period immediately preceding the close of the taxable year, or for such part of that period as the corporation has been in existence.

Arizona Corporate Tax Procedure CTP 02-1 illustrates sample calculations to determine whether a domestic corporation is considered a foreign (80/20) corporation for Arizona tax purposes.

3. Consolidated Returns

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The consolidated return includes all members of the affiliated group filing a federal consolidated return, regardless of whether each member is subject to Arizona income tax. The election made by the common parent is effective only if accompanied by written consents to the election signed by each of the members of the affiliated group. Form 122 is the written consent form. A current officer of each subsidiary in the affiliated group must sign the consent form. Attach the completed Form(s) 122 to the tax return for the first taxable year the affiliated group files a consolidated return. The common parent must make the election on or before the due date, including extensions, for filing the original return. The election is binding on the group for succeeding taxable years unless the department consents to a change of filing method. The election made by the Arizona affiliated group to file an Arizona consolidated return is binding on new members that become part of the federal affiliated group in subsequent tax periods. All members of an Arizona affiliated group are jointly and severally liable for the taxes, interest, and penalties of the Arizona affiliated group under Title 42 and Title 43 of the Arizona Revised Statutes. Arizona Corporate Tax Rulings CTR 94-10 through CTR 94-13 address consolidated tax returns.

An affiliated group that elects to file a consolidated return must complete Section I of Form 51 for the first taxable year the Arizona affiliated group files a consolidated return. Form 51 is the *Combined or Consolidated Return Affiliation Schedule*. In succeeding taxable years, complete Sections II (Additions) and III (Deletions) of Form 51 to report changes in the Arizona affiliated group. Attach the completed Form(s) 51 immediately following page 4 of Form 120. Indicate that Form 51 is attached by checking the appropriate box for information question C on page 1 of Form 120.

The Arizona gross income of an Arizona affiliated group is the consolidated federal taxable income of the affiliated group. A multistate Arizona affiliated group is a single taxpayer, and must allocate and apportion its income to Arizona using a single apportionment formula. A multistate Arizona affiliated group apportions its income by means of a single apportionment formula.

Arizona Apportionment Methods

There are three apportionment methods for multistate corporate income tax returns filed to Arizona: (1) air carrier apportionment; (2) standard sales factor; and (3) enhanced sales factor.

Air carriers are required to use revenue miles. All other taxpayers may select between the standard or the enhanced sales factor.

1. Air Carrier Apportionment

An air carrier is required to use revenue miles to calculate its apportionment ratio. Check the box for information question D on page 1, fill out Schedule ACA, and attach it to your return. Do not complete Schedule C.

2. Standard Sales Factor

All non-air carrier taxpayers are allowed to continue to use Arizona's standard apportionment formula, which double-weights the sales factor. Check the box for information question D on page 1 and complete Schedule C using the number on the left-hand side of line C3d, Column A, to double-weight the sales factor. Divide the total ratio by four.

3. Enhanced Sales Factor

All non-air carrier taxpayers may use Arizona's enhanced sales factor formula, which weights the sales factor at eighty percent for tax years after 2008. By selecting to use the enhanced sales factor, the taxpayer agrees to the release of its name to the Joint Legislative Budget Committee and to participate in an Economic Impact Analysis. Check the box for information question D on page 1 and complete Schedule C using the number on the right-hand side of line C3d, Column A, to weight the sales factor at eight. Divide the total ratio by ten.

Detailed instructions for the enhanced sales factor begin on page 14 of these instructions.

Treatment of Installment Obligations When Corporation Activities Cease

If a corporation elects to report income from the sale or other disposition of property on the installment method and some of that income remains unreported on the year the corporation ceases to be subject to Arizona corporation income tax, the corporation must report the unreported income in the last year in which the corporation is subject to the tax. This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax as the transferee. The transferee may not use its capital losses to offset income from the installment obligation transferred from a corporation no longer subject to the tax.

Payment of Tax

The entire amount of tax is due by the original due date of the return. Payments can be made via check, electronic check, money order, or credit card. Visit www.aztaxes.gov to register and make payments via the internet.

Estimated Tax Payments

Corporations that expect an Arizona income tax liability for the taxable year of $1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*. A corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid. For exceptions, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and the claim of right adjustment, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustment, if applicable) for the prior taxable year, if the taxpayer's prior year return was for a period of twelve months, and showed at least some amount of tax liability.

Use 2011 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments.

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was $20,000 or more must make Arizona corporate estimated tax payments via electronic funds transfer ("EFT"). Taxpayers whose preceding taxable year's Arizona corporate income tax liability was less than $20,000 may elect voluntary participation in the EFT program. If the taxpayer makes its estimated tax payments by EFT, the taxpayer should not submit Form 120ES to the department. Taxpayers required to make estimated tax payments via EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information.

NOTE: *For reporting periods beginning from and after February 28, 2011, taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).*

ESTIMATED TAX PAYMENTS VIA THE INTERNET.

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make estimated tax payments over the internet. If a taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.

Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the

specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Extension of Time To File a Return

File a completed Form 120EXT by the original due date of the return in order to make a request for an extension of time to file an Arizona corporate income tax return, or use a valid federal extension. If the taxpayer files under extension, do not attach a copy of the extension to the return, but be sure to check the extension box on page 1 of the return. The Form 120EXT must be used to transmit extension payments via check or money order, whether the taxpayer uses a valid federal extension or requests an Arizona extension. Taxpayers that make extension payments over the internet need not file Form 120EXT, unless an Arizona extension is being requested. Although six months is the maximum extension of time to file that the department itself may grant, the department accepts a valid federal extension for the same period of time covered by the federal extension.

The taxpayer must pay 90 percent of the tax liability (including the $50 minimum tax) by the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The taxpayer must pay 90 percent of the tax liability disclosed by the taxpayer's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25 percent of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department compounds interest annually and applies it in the same manner and at the same time as prescribed by IRC § 6621, except that the Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2). On January 1 of each year, any interest outstanding as of that date is added to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

E. Underpayment of Estimated Tax Penalty. The department imposes the ARS § 43-582 underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details.

Furnishing Data

The department requests that taxpayers attach a copy of the completed federal return and all its schedules and attachments to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

Do not send in a blank Arizona return with a copy of the federal return. Taxpayers must furnish complete data. Answer all questions on the return. Complete all applicable schedules and attach all appropriate supplementary schedules.

Filing Amended Returns

Any taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return on Form 120X within 90 days of final determination of the federal amended return by the IRS.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States

to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The taxpayer must provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report changes. The department may require the taxpayer to file an amended return if the department does not have this information.

Do not file an amended return until the original return has been processed.

Records

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See Arizona General Tax Ruling GTR 96-1 for more information about record retention requirements.

Use of Federal Figures

CALCULATION OF ARIZONA TAXABLE INCOME: each corporation must compute its federal taxable income and make the adjustments required by Arizona law. (Refer to Article 3, Chapter 11, Title 43, of the Arizona Revised Statutes.)

IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Consolidated return filers, enter the common parent corporation's name, address, and employer identification number. The name for a consolidated return should include the phrase "and affiliates." If this is a combined return, enter the name, address, and employer identification number of the corporation under which the group is filing. The name for a combined return should include the phrase "and unitary affiliates."

Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year. Enter the Arizona transaction privilege tax number for the corporation listed on the top of page 1. If the corporation does not have an Arizona transaction privilege tax number, leave the box blank.

All returns, statements, and other documents filed with the department require the corporation's employer identification number (taxpayer identification number or TIN). Taxpayers and their paid preparers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number, preparer identification number, or the employer identification number of their business.

Arizona Taxable Income Computation

Line 1 - Taxable Income per Federal Return

Enter taxable income as reported on the federal income tax return filed with the Internal Revenue Service.

Line 2 - Additions to Taxable Income

Enter total adjustments from page 2, Schedule A, line A11. See instructions for Schedule A.

Line 4 - Subtractions From Taxable Income

Enter total adjustments from page 2, Schedule B, line B12. See instructions for Schedule B.

Line 5 - Adjusted Income

Subtract line 4 from line 3 and enter the difference. Wholly Arizona corporations, skip lines 6 through 12.

Lines 6 through 12 - Apportionment Computation

These lines apply to multistate corporations only. Complete lines 6 through 12 as instructed on the form. Wholly Arizona corporations should skip these lines and go directly to line 13.

A multistate taxpayer must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), ARS §§ 43-1131 through 43-1150. Refer to the instructions for Schedules ACA, C, D, and E for more detailed information. Compute the apportionment ratio itself on Schedule C or ACA, and enter the average apportionment ratio on line 9. Carry out the decimal on line 9 to six places.

Line 14 - Arizona Basis Net Operating Loss Carryover

If the corporation incurred losses in prior taxable years, the corporation can apply these losses against current Arizona income. A net operating loss carryforward applies to the next five succeeding taxable years, subject to certain adjustments and rules. The amount entered on line 14 cannot exceed the amount on line 13. Attach a separate computation schedule.

Information about the Arizona net operating loss carryforward calculation can be found in ARS § 43-1123, Arizona Administrative Code rule AAC R15-2D-302, and Arizona Corporate Tax Rulings CTR 91-2, CTR 94-11 and CTR 99-3.

Arizona Tax Liability Computation

Line 16 - Arizona Tax

Multiply the Arizona taxable income (page 1, line 15) by 6.968 percent. If the result is less than $50, enter the minimum tax of $50. Every corporation required to file a return shall pay a $50 minimum tax in accordance with A.R.S. § 43-1111.

A taxpayer filing a combined or consolidated return is considered a single taxpayer, subject to one minimum tax.

Line 17 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the environmental technology facility and healthy forest enterprises credits from Form 300, Part II, line 23.

Line 18 - Subtotal

Add lines 16 and 17. This is the amount of tax to which the Clean Elections Fund Tax Reduction and the total amount of tax credits claimed by the taxpayer may be applied.

Line 19 - Clean Elections Fund Tax Reduction

Check box 19A to send five dollars to the Clean Elections Fund and reduce the tax amount on line 18 by five dollars. Enter the amount of the tax reduction (five dollars) on line 19.

Line 20 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Form 300, Part II, line 45. This amount cannot be larger than the amount on line 18 less the amount on line 19.

- **Defense Contracting Credits.** Taxpayers may claim carryovers of unused tax credits from taxable years 2006 and prior. The carryovers may be carried forward until tax year 2011. Complete Form 302 to claim the carryover of these tax credits.
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a credit for net increases in qualified employment positions. Complete Form 304 to claim this tax credit.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Department of Commerce. Be sure to enter only the nonrefundable portion on line 20. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the taxpayer paid the Arizona use tax to the department, the seller passed the Arizona transaction privilege tax through to the taxpayer as an added charge, or the seller collected the Arizona use tax from the taxpayer. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** This tax credit is for net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 to claim this tax credit.
- **Credit for Employing National Guard Members.** This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Motion Picture Credits.** Two transferable tax credits exist related to motion pictures. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a tax credit for production costs. Only qualified production costs incurred by December 31, 2010, qualify to be included in the calculation of the income tax credit. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to claim these credits.
- **Credit for Corporate Contributions to School Tuition Organizations.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This tax credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this credit.

- **Credit for Water Conservation System Plumbing Stub Outs.** This tax credit is for the installation of water conservation system plumbing stub outs in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 337 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this credit.

Complete the appropriate credit form for each tax credit. Attach the completed credit form to the tax return with Form 300.

Line 21 - Credit Type

Indicate which nonrefundable tax credits were claimed on line 20 by writing the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Motion Picture Credits	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Water Conservation System Plumbing Stub Outs	337
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341

Line 22 - Tax Liability

Subtract the sum of lines 19 and 20 from line 18. Line 22 cannot be a negative amount.

Line 23 - Clean Elections Fund Tax Credit

A taxpayer may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax liability on line 22 or six hundred forty dollars, whichever is higher. Any donation to the fund made with the original 2010 tax return must be claimed on the taxpayer's 2011 tax return. The unused portion of the tax credit may not be carried forward.

Calculation of 2010 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 120.	$	00
2.	Enter tax from 2010 Form 120, line 22.	$	00
3.	Multiply amount on line 2 by 20 percent (.20).	$	00
4.		$ 640	00
5.	Enter the larger of line 3 or line 4.	$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 120, line 23.	$	00

Tax Payments

Line 25 - Refundable Tax Credits

Check the box marked 308 or 342 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 25.

Credit for Increased Research Activities. A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Department of Commerce. The refundable credit applies to taxable years beginning from and after December 31, 2009. Attach your "Certificate of Qualification" from the Department of Commerce and Form 308 to your return. Enter the amount from Form 308, Part V, line 37.

Credit for Renewable Energy Industry. This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Preapproval and postapproval are required through the Department of Commerce. Attach your "Certificate of Qualification" from the Department of Commerce and Form 342 to your tax return to claim this credit. Enter the amount from Form 342, Part IV, line 12.

If you are claiming both tax credits, check both boxes and add the amounts from the credit forms together and enter the total on line 25.

Lines 26 and 27 - Extension and Estimated Payments

Complete Schedule F, Schedule of Tax Payments. Enter totals on page 1, lines 26 and 27. See instructions for Schedule F.

Line 28 - Total Payments

Add lines 25, 26 and 27. Enter the total.

NOTE FOR CLAIM OF RIGHT RESTORATION: *If the tax for the taxable year 2010 was computed under the provisions for a claim of right restoration, line 28 also includes the credit for the tax reduction for prior taxable year(s). Refer to Arizona Corporate Tax Procedure CTP 95-3 for further information. Write "ARS § 43-1130.01" and the total amount of the tax reduction for prior taxable year(s) in the space to the left of the total payment amount entered on line 28. The amount entered on line 28 is the total of lines 25, 26 and 27 and the tax reduction for prior taxable year(s). Attach a schedule computing the tax reduction for the prior taxable year(s).*

Computation of Total Due or Overpayment

Line 29 - Balance of Tax Due

If the amount on line 24 is **larger** than the amount on line 28, there is a balance of tax due. Subtract line 28 from line 24 and enter the difference.

Line 30 - Overpayment of Tax

If the amount on line 28 is **larger** than the amount on line 24, there is an overpayment of tax. Subtract line 24 from line 28 and enter the difference.

Line 31 - Penalty and Interest

Calculate any penalty and interest due as a result of late filing, late payment of tax, or extension underpayment of tax. Calculate interest on the amount shown on line 29 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on page 4 of these instructions. Do not include or enter the amount from Form 220.

Line 32 - Estimated Tax Underpayment Penalty

The taxpayer must complete Form 220, *Underpayment of Estimated Tax by Corporations*, if it made its estimated tax payments based on either the annualized income installment or adjusted seasonal installment methods, or if it is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year. This is required even if no penalty is due.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box 32A.

The taxpayer does not have to complete Form 220 if the taxpayer made its estimated tax payments in four equal installments based on an amount equal to either 90 percent of the current taxable year's tax liability or 100 percent of the prior year's tax liability. "Tax liability" here means the liability reduced by the claim of right adjustment, if applicable.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 32A or enter an amount on line 32.

Line 33 - Donation to Citizens Clean Elections Fund

Enter the amount of the donation to the fund made on this return.

Line 34 - Total Due

If the taxpayer had a balance of tax due on line 29, add lines 29, 31, 32, and 33, and enter the total on line 34. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 35 - Overpayment

If the taxpayer had an overpayment of tax on line 30, subtract the total of lines 31, 32, and 33 from line 30. Enter a positive difference on line 35. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 34.

Line 36 - Overpayment Applied to Estimated Tax

The taxpayer may apply part or all of an overpayment reported on line 35 as a 2011 estimated tax payment. Enter the applicable amount on line 36.

Line 37 - Refund

Subtract line 36 from line 35 and enter the result. This is the net refund amount.

Schedule A - Additions to Taxable Income

On lines A1 through A10 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

Line A1 - Total Federal Depreciation

Enter the total amount of depreciation deducted on the federal return. Do not include depreciation included on line A8.

Line A2 - IRC § 179 Expense in Excess of Allowable Amount

Enter the amount of IRC § 179 expense deducted on the federal return that exceeds $25,000.

Line A3 - Taxes Based on Income

Enter the amount of taxes based on income paid to states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

Line A4 - Interest on Obligations

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona). All taxpayers except

ARS § 6-101 financial institutions must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that was not otherwise deducted or subtracted in the computation of Arizona gross income.

Line A5 - Federal Special Deductions

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 244, and 245.

Line A6 - Federal Net Operating Loss

Enter the federal net operating loss deduction claimed on the federal tax return.

Line A7 - Domestic International Sales Corporations

Enter the total amount of commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the DISC by the payor corporation.

No addition is required if:

- The payor corporation files an Arizona combined return with the DISC; or
- The DISC transactions comply with the IRC § 994 inter-company pricing provisions.

Line A8 - Capital Investment by Certified Defense Contractor

- **Federal Depreciation or Deduction for Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount of IRC § 167 depreciation or IRC § 179 expense deducted in calculating federal taxable income that was not already included on line A1. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain from the sale or other disposition of a capital investment which a certified defense contractor elected to amortize pursuant to ARS § 43-1024.

Line A9 - Additions Related to Arizona Tax Credits

Enter the following additions to federal taxable income that are related to Arizona tax credits. Attach a schedule detailing these additions.

A. Environmental Technology Facility Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed a tax credit under ARS § 43-1169.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit under ARS § 43-1169 was sold or otherwise disposed of during the taxable year.

B. Pollution Control Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit under ARS § 43-1170 was sold or otherwise disposed of during the taxable year.

C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power

Enter the amount of expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona, under ARS § 43-1178. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona credit is claimed.

D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit under ARS § 43-1176.

E. Credit for Employment of TANF Recipients

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed a tax credit for employment of TANF recipients under ARS § 43-1175.

F. Agricultural Pollution Control Equipment Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.01.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which

the taxpayer claimed a tax credit under ARS § 43-1170.01 was sold or otherwise disposed of during the taxable year.

G. Credit for Donation of School Site

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which the taxpayer claimed a tax credit under ARS § 43-1181.

H. Motion Picture Credits

These credits are in lieu of any allowance for deduction of expenses related to the production, the infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal taxable income for which a tax credit was claimed or transferred under ARS §§ 43-1163 or 43-1163.01.

I. Credit for Corporate Contributions to School Tuition Organizations

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1183.

J. Credit for Water Conservation System Plumbing Stub Outs

Enter the amount of expenses deducted in computing federal taxable income for the installation of water conservation system plumbing stub outs for which the taxpayer claimed a tax credit under ARS § 43-1182.

K. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1184.

Line A10 - Other Additions to Federal Taxable Income

Enter on line A10 the following "other additions" to federal taxable income. Attach a schedule detailing these additions.

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

Enter the excess of a partner's share of partnership taxable income included under ARS §§ 43-1401 through 43-1413 over the partner's share of income reported under IRC § 702(a)(8). Enter the excess of a partner's share of partnership losses determined according to IRC § 702(a)(8) over the losses allowable under ARS §§ 43-1401 through 43-1413.

Wholly Arizona corporation - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is positive, enter that amount here.

Multistate corporation - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), from a *wholly Arizona partnership* is positive, enter that amount here. For a *multistate partnership*, add the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (a), to the amount of any nonapportionable income or (loss) included in the schedule (for Part II, line 17, column (a)). If the total is positive, enter that amount here.

B. Federal Exploration Expenses

Enter the amount of IRC § 617 exploration expenses in excess of $75,000 and the amount of such expenses deferred not in excess of $75,000.

C. Contributions

Enter the amount of IRC § 170 contributions to an educational institution which denies admission, enrollment, or board and room accommodations on the basis of race, color, or ethnic background. Do not include contributions to institutions primarily established for the education of American Indians.

D. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law

Enter the amount of amortization or depreciation deducted pursuant to the Internal Revenue Code for the following:

- **Pollution Control Devices** - If the taxpayer made an election to amortize pursuant to ARS § 43-1129.
- **Child Care Facilities** - If the taxpayer made an election to amortize pursuant to ARS § 43-1130.

E. Expenses and Interest Relating to Income Not Taxed by Arizona

Enter expenses and interest relating to income not taxed by Arizona. Refer to ARS § 43-961(5) or ARS § 43-1121(4).

F. Arizona Income Tax Refunds

If Arizona income tax refunds are not included in Arizona gross income and a tax benefit was derived by the deduction of the taxes in a prior taxable year, enter the amount of refunds received.

G. Tax Exempt Insurance Company Loss

Enter the loss of an insurance company exempt under ARS § 43-1201 to the extent included in computing Arizona gross income on a consolidated return pursuant to ARS § 43-947.

H. Amounts Repaid in Current Taxable Year

Enter the amount of the deduction claimed under IRC § 1341(a)(4), for restoration of a substantial amount held under a claim of right, which was included in the computation of Arizona gross income.

I. Excess Federal Capital Loss Carryover Under a Claim of Right Restoration

Enter the amount by which a capital loss carryover allowable pursuant to IRC § 1341(b)(5) exceeds the capital loss carryover allowable pursuant to ARS § 43-1130.01(F).

J. Federal Income Tax Refunds

Enter the amount of any federal income tax refund for a prior taxable year that resulted in an Arizona income tax benefit. This item is applicable to wholly Arizona corporations who received federal income tax refunds for taxable years beginning before January 1, 1990.

Multistate corporations see Schedule E, line E5.

K. **Deferred Discharge of Indebtedness Income**

Enter the addition to income resulting from Arizona not adopting the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument elected by the taxpayer under IRC § 108(i). In years when the

Internal Revenue Code requires the inclusion of this income, a subtraction from income will be allowed in "other subtractions" to prevent the income from being taxed twice.

NOTE: *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other addition", the taxpayer must file an amended return and make this adjustment on the "additions" line of the Arizona amended return (2009 Arizona Form 120X).*

L. Exclusion of Deduction for Original Issue Discount

Enter the amount of the federal allowance of the original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American Recovery and Reinvestment Act of 2009. For Arizona, the deduction was allowed in 2009 and 2010. The taxpayer is required to add back the federal inclusion to prevent taking the deduction twice.

Schedule B - Subtractions From Taxable Income

On lines B1 through B11 of Schedule B, enter all income that is exempt from Arizona tax that is taxable under federal law. Also, enter any deduction allowed under Arizona law that is not deductible for federal tax purposes.

Line B1 - Recalculated Arizona Depreciation

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes. Do not include amortization included on Line B10.

Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter 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.

Line B3 - Adjustment for IRC § 179 Expense Not Allowed

Enter the total of 20% of the amount entered on line A2 and 20% of each addition made for IRC § 179 expense in 2006, 2007, 2008 and 2009.

Line B4 - Dividends From Controlled Domestic Corporations

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316. Do not include IRC § 78 dividends.

Line B5 - Foreign Dividend Gross-up

Enter IRC § 78 ("Gross-up") dividends.

Line B6 - Dividends From Foreign Corporations

Enter the dividend income received from foreign corporations as defined in ARS § 43-1101. Refer to Arizona Corporate Tax Ruling CTR 02-3 for information regarding the treatment of income from a qualified electing fund.

Line B7 - DISC Dividends

Enter any income from a Domestic International Sales Corporation (DISC) which federal law requires its shareholders to include in income. Refer to IRC § 995.

Line B8 - Interest on U.S. Obligations

Enter the interest on U.S. obligations not taxed by Arizona, but subject to federal tax.

Line B9 - Agricultural Crops Contributed to Charitable Organizations

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to Arizona Individual Income Tax Procedure ITP 93-2 for information on how to determine if the contribution qualifies for the subtraction.

Line B10 - Capital Investment by Certified Defense Contractor

- **Arizona Amortization of Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount allowed by ARS § 43-1024 that was not already included on line B1, for assets placed in service while certified. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain included in federal taxable income on the sale or other disposition of a capital investment. Make this adjustment if a certified defense contractor elected to amortize the capital investment pursuant to ARS § 43-1024.

Line B11 - Other Subtractions From Federal Taxable Income

Enter on line B11 the following "other subtractions" from federal taxable income. Attach a schedule detailing these subtractions.

A. Arizona Capital Losses

Enter net capital losses up to $1,000 which are deductible for Arizona tax purposes but are not deductible for federal tax purposes.

B. Refunds of Taxes Based on Income

Enter any refunds from states (INCLUDING ARIZONA) and from foreign governments or their political subdivisions included in federal taxable income.

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

Enter the excess of a partner's share of income included under IRC § 702(a)(8) over the income included under ARS §§ 43-1401

through 43-1413. Enter the excess of a partner's share of partnership losses determined according to ARS §§ 43-1401 through 43-1413, over the losses allowable under IRC § 702(a)(8).

Wholly Arizona corporation - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is negative, enter that amount here.

Multistate corporation - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), from a *wholly Arizona partnership* is negative, enter that amount here. For a *multistate partnership,* add the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (a), to the amount of any nonapportionable income or (loss) included in the schedule (for Part II, line 17, column (a)) attached to the Schedule K-1(NR). If the total is negative, enter that amount here.

D. Expense Recapture, Mine Explorations

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

E. Deferred Exploration Expenses

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A10, item B (refer to ARS § 43-1121(8)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to ARS § 43-1021(7) or to ARS § 43-1022(11).

F. Exploration Expenses; Oil, Gas or Geothermal Resources

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A10, item B, and line B11, items D and E. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

G. Arizona Amortization of Facilities and Equipment

- **Pollution Control Devices**

  Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months. If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

  Refer to Arizona Administrative Code rule AAC R15-2D-306 for detailed information regarding additional requirements.

- **Cost of Child Care Facilities**

  Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

  Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

  The amortization is in lieu of federal depreciation or amortization on the facilities.

  Refer to Arizona Administrative Code rule AAC R15-2D-307 for detailed information regarding additional requirements.

H. Interest on Federally Taxable Arizona Obligations

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, included in federal taxable income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income or (loss). The partnership makes this adjustment on Form 165. The adjustment to Arizona basis from Form 165, Schedule K-1(NR), Part II, line 17, already includes this adjustment.

I. Expenses and Interest Relating to Tax Exempt Income

Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in ARS § 6-101. Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income.

J. Tax Exempt Insurance Company Income

Enter the income of an insurance company exempt under ARS § 43-1201 to the extent included in computing Arizona gross income on a consolidated return pursuant to ARS § 43-947.

K. Employer Contributions to Medical Savings Accounts

Enter the amount of contributions made by the taxpayer during the taxable year to medical savings accounts established on behalf of the taxpayer's employees as provided by ARS § 43-1028. The subtraction is allowed for such contributions to the extent that the contributions are not deductible by the taxpayer under the Internal Revenue Code.

L. Expenses Related to Certain Federal Tax Credits

This subtraction applies to taxable years beginning from and after December 31, 1996. Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received the federal work opportunity credit, the empowerment zone employment credit, the credit for employer-paid social security taxes on employee cash tips, and/or the Indian employment credit.

M. Claim of Right Adjustment

Enter the amount by which an Arizona capital loss carryover allowable pursuant to ARS § 43-1130.01(F), exceeds the federal capital loss carryover allowable pursuant to IRC § 1341(b)(5).

N. Deferred Deduction for Original Issue Discount

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the Internal Revenue Code permits this deduction, "other additions" will

include an addition to income to prevent the taxpayer from taking the deduction twice.

NOTE: *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other subtraction", the taxpayer must file an amended return and make this adjustment on the "subtractions" line of the Arizona amended return (2009 Arizona Form 120X).*

O. Inclusion of Discharge of Indebtedness Income

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

P. Deduction for Cash Contributions for Haiti Earthquake Relief Made After January 11, 2010, and Before March 1, 2010

On the 2009 federal income tax return, corporations could elect to treat cash contributions for relief of victims of the earthquake in Haiti on January 12, 2010, that were made to qualified charities after January 11, 2010 and before March 1, 2010, as if the contributions were made on December 31, 2009, and not in 2010. Arizona did not adopt this federal provision; therefore, any contributions made in 2010 and deducted on the 2009 federal corporate income tax return must be added back on the 2009 Arizona corporate income tax return and the contributions will be allowed as 2010 contributions for Arizona income tax purposes.

Enter the amount of contributions made in 2010 that the taxpayer deducted on their 2009 federal return and added to Arizona income in 2009.

NOTE: *Do not take this deduction twice. If the taxpayer elected to take the contributions made in 2010 on the 2009 federal return, they must have included the amount of the contributions as an "other addition" on the original Arizona return or on the "additions" line on the amended Arizona return (2009 Arizona Form 120X).*

Schedule ACA - Air Carrier Apportionment Formula
(Multistate Air Carriers Only)

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must complete Schedule ACA. Check the box for information question D on page 1 of the return. Do not complete Schedule C.

The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50 percent or more of the taxpayer’s gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Schedule C - Apportionment Formula
(Non-Air Carrier Multistate Corporations Only)

ARS §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

For tax years beginning from and after December 31, 2006, non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulae for calculating the apportionment ratio. Non-air carrier multistate corporations may select the enhanced sales factor formula in exchange for participating in an economic impact analysis conducted by the Joint Legislative Budget Committee. The department is required to provide the identity of corporations that use the enhanced sales factor formula to the Joint Legislative Budget Committee. The standard sales factor formula must be used by non-air carrier multistate corporations not selecting to use the enhanced sales factor formula.

The numerator of the fraction of the standard sales factor formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor plus the payroll factor plus eight times the sales factor. The denominator of the fraction is ten.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under ARS § 43-1201.

Taxpayers apportioning income shall complete lines 6 through 12 on page 1 of Arizona Form 120.

NOTE: *When computing the factors of the apportionment ratio, round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

Line C1 - Property Factor

Refer to AAC R15-2D-601 through R15-2D-607 and R15-2D-902. The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Refer to Arizona Corporate Tax Ruling CTR 01-2 regarding the treatment of computer software in the property factor (whether to include it and attribution to particular state(s) in the numerator).

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

Compute the property factor on line C1(c) by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The property factor on line C1(c), column C, will never exceed 100 percent.

Line C2 - Payroll Factor

Refer to AAC R15-2D-701 through R15-2D-705. Report salaries, wages, or other compensation of officers, employees, etc., as within Arizona if performance of the services occurs here. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

Compute the payroll factor on line C2 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The payroll factor on line C2, column C, will never exceed 100 percent.

Instructions for the standard sales factor formula are below. If you have selected the enhanced sales factor formula, skip ahead to the section titled "Enhanced Sales Factor".

Standard Sales Factor

Check the box for information question D on page 1 of the return to indicate that the standard double-weighting of the sales factor will be used to calculate the apportionment ratio on the corporation's return. Use the number located on the left-hand side of Schedule C, line C3(d), column A, to double-weight the sales factor.

Line C3 - Standard Sales Factor

Refer to AAC R15-2D-801 through R15-2D-807 and R15-2D-903. "Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Determine sales within Arizona on a destination sales basis.

Refer to Arizona Corporate Tax Ruling CTR 07-1 regarding the treatment of income from the investment and reinvestment of short-term securities in the sales factor. Refer to Arizona Corporate Tax Ruling CTR 02-2 regarding the apportionment ratio treatment of a gain on an installment sale apportioned to Arizona.

Compute the sales factor numerator by multiplying the total amount of Arizona sales (line C3(c), column A) by two. Do not multiply the sales factor denominator by two. Next, on line C3(e), divide column A by column B and enter the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The sales factor on line C3(e), column C, may exceed 100 percent. However, the average apportionment ratio (line C5, column C) will never exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio here and on page 1, line 9.

NOTE: *The taxpayer must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Check the box for information question D on page 1 of the return to indicate that the enhanced sales factor formula will be used to calculate the apportionment ratio on the corporation's return. Use the number located on the right-hand side of Schedule C, line C3(d), column A, to weight the sales factor at eight times.

Line C3 - Enhanced Sales Factor

Refer to AAC R15-2D-801 through R15-2D-807 and R15-2D-903. "Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Determine sales within Arizona on a destination sales basis.

Refer to Arizona Corporate Tax Ruling CTR 07-1 regarding the treatment of income from the investment and reinvestment of short-term securities in the sales factor. Refer to Arizona Corporate Tax Ruling CTR 02-2 regarding the apportionment ratio treatment of a gain on an installment sale apportioned to Arizona.

Compute the sales factor numerator by multiplying the total amount of Arizona sales (line C3(c), column A) by eight. Do not multiply the sales factor denominator by eight. Next, for line C3(e), divide column A by column B and enter the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The sales factor on line C3(e), column C, may exceed 100 percent. However, the average apportionment ratio (line C5, column C) will never exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C by ten. Express the ratio as a decimal carried out to six places. Enter the average ratio here and on page 1, line 9.

NOTE: *The taxpayer must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Schedule D - Nonapportionable Income and Expenses
(Multistate Corporations Only)

Nonbusiness income is nonapportionable and specifically allocable to a particular state. Use Schedule D to compute the amount of nonapportionable income (and expenses) to subtract on page 1, line 7.

"Business income" under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Refer to ARS § 43-1131(1). "Nonbusiness income" means all income other than business income. Refer to ARS § 43-1131(4).

On lines D1 through D5, enter all income or (loss) which is nonapportionable or specifically allocable to Arizona. Refer to ARS §§ 43-1134 through 43-1138 and AAC R15-2D-501 through R15-2D-508 for the methods of allocating certain types of nonbusiness income. Refer to the specific line instructions listed below.

Line D1 - Nonbusiness Dividends and Interest Income

- Enter all nonbusiness dividend income not deducted in Schedule B.
- Enter nonbusiness interest income.

Line D2 - Nonbusiness Net Royalties

Enter any net royalties from nonbusiness properties. Attach a separate schedule to the return showing each royalty.

Line D3 - Nonbusiness Net Rental Income

Enter any net rental income from nonbusiness properties. Attach a separate schedule to the return showing each rental property.

Line D4 - Gain or (Loss) From Sale(s) of Nonbusiness Assets

Enter any gain or (loss) recognized on the disposal of nonbusiness property. Identify each item of nonbusiness property and the gain or (loss) recognized on such property on a separate schedule. Do not include any gain or (loss) recognized on the disposal of property used in connection with the unitary business or the business activities of the Arizona affiliated group. Such income is business income and is subject to apportionment.

Line D5 - Other Income or (Loss)

Enter any other nonapportionable or wholly allocable items.

Attach a schedule detailing the items. Enter the amount of any nonapportionable income or (loss) from the schedule attached to the Form 165, Schedule K-1(NR) for Part II, line 17, column (a), from a multistate partnership.

Treatment of a nonbusiness partnership on line D5

Wholly Arizona nonbusiness partnership - Enter the total amount of income or (loss) from the partnership. This is the amount included in the corporation's Arizona gross income plus the amount included in Schedule A or B. This amount is nonapportionable income and it is specifically allocable to Arizona.

Multistate nonbusiness partnership - Enter only the amount of income or (loss) from the partnership included in the corporation's Arizona gross income as nonapportionable income. Line D5 of Schedule D already includes the nonapportionable income or (loss) from the partnership on the Form 165, Schedule K-1(NR).

Line D7 - Foreign Income Expenses

Enter any expenses attributable to foreign income producing activities. Refer to ARS § 43-1132. Attach a schedule showing the expenses included on this line.

Line D8 - Total Nonapportionable Income and Expense

This is the total amount of nonapportionable income (loss) on lines D1 through D5 net of expenses on line D7. Enter this amount here and on page 1, line 7.

NOTE: *If this amount is negative, enter the amount here and on page 1, line 7. To calculate the amount for page 1, line 8, remember to add line 6 to line 7 instead of subtracting, as the instructions indicate.*

Schedule E - Other Income Allocated to Arizona
(Multistate Corporations Only)

On lines E1 through E6, enter all income or (loss) which is allocable to Arizona. ARS §§ 43-1134 through 43-1138 specify the methods for allocating certain types of income to Arizona. The specific line instructions below summarize the provisions of these statutes.

Line E1 - Gain or (Loss) From Sale(s) of Arizona Nonbusiness Assets

Capital gains and losses from sales of nonbusiness real property located in Arizona are allocable to Arizona. Gains or losses from sales of nonbusiness tangible personal property are allocable to Arizona if the property had a situs in Arizona at the time of sale. Such nonbusiness gains or losses are also allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not taxable in the state in which the property had a situs.

Line E2 - Net Rental Income of Arizona Nonbusiness Assets

Net rents from nonbusiness real property located in Arizona are allocable to Arizona. Net rents from nonbusiness tangible personal property are allocable to Arizona to the extent that the taxpayer uses the property in Arizona. Such nonbusiness net rents are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net rents is determined by Arizona law. Refer to ARS § 43-1135(C).

Line E3 - Net Royalties From Arizona Nonbusiness Assets

Net royalties from nonbusiness real property located in Arizona are allocable to Arizona.

Net royalties from nonbusiness tangible personal property are allocable to Arizona to the extent that the taxpayer uses the property in Arizona. Such nonbusiness net royalties are entirely allocable to Arizona if the taxpayer's commercial domicile is in Arizona and the taxpayer is not organized under the laws of or taxable in the state in which the taxpayer uses the property. The extent of use for net royalties is determined by Arizona law. Refer to ARS § 43-1135(C).

Nonbusiness patent and copyright royalties are allocable to Arizona to the extent that:

- The payor uses the patent or copyright in Arizona.
- The payor uses the patent or copyright in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in Arizona. The extent of use for patents and copyrights is determined by Arizona law. Refer to ARS § 43-1138(B) and ARS § 43-1138(C).

Line E4 - Net Income From Arizona Nonbusiness Intangibles

Capital gains and losses from sales of nonbusiness intangible personal property are allocable to Arizona if the taxpayer's commercial domicile is in Arizona, unless the gains (losses) constitute business income.

Line E5 - Federal Income Tax Refund

This applies to refunds of federal income tax from taxable years beginning before January 1, 1990, in which the federal income tax subtraction was claimed in the computation of Arizona taxable income. Enter any prior taxable year federal income tax refund that resulted in a tax benefit for Arizona income tax purposes.

Line E6 - Other Income or (Loss)

Enter any other income or (loss) directly allocable to Arizona. Attach a schedule detailing the items. Enter any income or (loss) which is specifically allocable to Arizona from the schedule (for Part II, line 17, column (c)) attached to Form 165, Schedule K-1(NR), from a multistate partnership.

Treatment of a nonbusiness partnership on line E6

Wholly Arizona nonbusiness partnership - Enter the total amount of income or (loss) from the partnership (the amount from Schedule D, line D5) as income specifically allocable to Arizona.

Multistate nonbusiness partnership - Enter only the amount of income or (loss) from the partnership included in the corporation's Arizona gross income as income specifically allocable to Arizona. Schedule E, line E6, already includes the income or (loss) from the partnership on Form 165, Schedule K-1(NR), which is specifically allocable to Arizona.

ADMINISTRATIVE RELIEF REQUESTS

ARS § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. **The taxpayer may petition for or the department may require,** in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in ARS § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. ARS § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

Schedule F - Schedule of Tax Payments

Use this schedule to list any corporate estimated tax payments or extension payments made which the taxpayer is applying to this return. Attach additional sheets if necessary.

DO NOT include the claim of right credit computed under ARS § 43-1130.01 on this schedule.

NOTE: ***The total estimated payments and extension payments reported on this schedule must equal the amounts reported on page 1, lines 26 and 27.***

Schedule G - Other Information

All taxpayers must complete lines G1 through G8. Multistate taxpayers must also complete lines G9 and G10. Consolidated return filers must also complete line G11. If the answers are lengthy, continue the answers on a separate sheet of paper.

Question G3: List the name, title and telephone number of the individual who Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to Arizona General Tax Ruling GTR 02-1 for additional information on the definition of a controlled subsidiary. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.

ARIZONA FORM 120A Arizona Corporation Income Tax Return (Short Form) **2010**

For the ☐ calendar year 2010 or ☐ fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Business telephone number ( )	Please Type or Print	Name	Employer identification number (EIN)
Business activity code number (from federal Form 1120)		Number and street or PO Box	AZ transaction privilege tax number
		City, or town, state, and ZIP code	

68 Check box if: ☐ This is a first return ☐ Name change ☐ Address change

A Is FEDERAL return filed on a consolidated basis? ☐ Yes ☐ No

If yes, list EIN of common parent from consolidated return: _____

NOTE: Use Form 120 to file an ARIZONA consolidated return. Taxpayers cannot use Form 120A to file an Arizona consolidated return.

B Is this the corporation's final ARIZONA return? ☐ Yes ☐ No

If yes, check one: ☐ Dissolved ☐ Withdrawn ☐ Merged/Reorganized

List EIN of the successor corporation, if any: _____

82 CHECK BOX IF: Return filed under extension. 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

81 66

Arizona Taxable Income Computation

1	Taxable income - per attached federal return	1	00
2	Additions to taxable income - *from page 2, Schedule A, line A11*	2	00
3	Total taxable income - *add lines 1 and 2*	3	00
4	Subtractions from taxable income - *from page 2, Schedule B, line B12*	4	00
5	Adjusted income - *subtract line 4 from line 3*	5	00
6	Arizona basis net operating loss carryforward - *attach computation schedule*	6	00
7	Arizona taxable income - *subtract line 6 from line 5*	7	00

Arizona Tax Liability Computation

8	Enter tax. Tax is 6.968 percent of line 7 or fifty dollars ($50), whichever is greater	8	00
9	Tax from recapture of tax credits - *from Form 300, Part II, line 23*	9	00
10	Subtotal - *add lines 8 and 9*	10	00
11	Clean Elections Fund Tax Reduction. *Check this box to send $5 to the fund and reduce the tax (line 10) by $5. Enter the amount of the tax reduction* 11A ☐	11	00
12	Nonrefundable tax credits - *from Form 300, Part II, line 45*	12	00
13	Credit type - *enter form number for each nonrefundable credit claimed*... 13 3 3 3 3		
14	Tax liability - *subtract the sum of lines 11 and 12 from line 10*	14	00
15	Clean Elections Fund Tax Credit. SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE	15	00
16	Tax liability after Clean Elections Fund tax credit - *subtract line 15 from line 14*	16	00

Tax Payments

17	Refundable tax credits. Check box(es) and enter amount(s) 17 ☐ 308 ☐ 342	17	00	
18	Extension payment made with Form 120EXT or online - *see instructions*	18	00	
19	Estimated tax payments - *see instructions*	19	00	
20	Total payments - *see instructions*	20		00

Computation of Total Due or Overpayment

21	Balance of tax due - *If line 16 is larger than line 20, enter balance of tax due. Skip line 22*	21		00
22	Overpayment of tax - *If line 20 is larger than line 16, enter overpayment of tax*	22		00
23	Penalty and interest	23		00
24	Estimated tax underpayment penalty - *If Form 220 is attached, check box* 24A ☐	24		00
25	Donation to Citizens Clean Elections Fund - *see instructions*	25		00
26	TOTAL DUE - *see instructions* Payment must accompany return	26		00
27	OVERPAYMENT - *see instructions*	27		00
28	Amount of line 27 to be applied to 2011 estimated tax	28	00	
29	Amount to be refunded - *subtract line 28 from line 27*	29		00

Schedule A - Additions to Taxable Income

A1	Total federal depreciation	A1		00
A2	IRC § 179 expense in excess of allowable amount	A2		00
A3	Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments	A3		00
A4	Interest on obligations of other states, foreign countries, or political subdivisions	A4		00
A5	Special deductions claimed on federal return	A5		00
A6	Federal net operating loss deduction claimed on federal return	A6		00
A7	Commissions and other expenses paid or accrued to a Domestic International Sales Corporation (DISC)	A7		00
A8	Capital investment by certified defense contractor - *attach schedule*	A8		00
A9	Additions related to Arizona tax credits - *attach schedule*	A9		00
A10	Other additions to federal taxable income - *attach schedule*	A10		00
A11	Total - *add lines A1 through A10. Enter total here and on page 1, line 2*	A11		00

Schedule B - Subtractions From Taxable Income

B1	Recalculated Arizona depreciation - *see instructions*	B1		00
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year - *see instructions*	B2		00
B3	Adjustment for IRC § 179 expense not allowed	B3		00
B4	Dividends received from 50% or more controlled domestic corporations	B4		00
B5	Foreign dividend gross-up	B5		00
B6	Dividends received from foreign corporations	B6		00
B7	Dividends received from a DISC	B7		00
B8	Interest on U.S. obligations	B8		00
B9	Agricultural crops charitable contribution	B9		00
B10	Capital investment by certified defense contractor - *attach schedule*	B10		00
B11	Other subtractions from federal taxable income - *attach schedule*	B11		00
B12	Total - *add lines B1 through B11. Enter total here and on page 1, line 4*	B12		00

Schedule C - Additional Information

C1 Date business began in Arizona MM / DD / YYYY

C2 Address at which tax records are located for audit purposes: _____

C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. *(See instructions, page 11.)*
Name and title _____ Phone number ( ) _____

C4 List prior taxable years for which a federal examination has been finalized _____

NOTE: ARS § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. *(See instructions, page 3.)*

C5 Amount of Arizona taxable income for prior taxable year (2009 Form 120A, line 7.) _____

C6 Indicate tax accounting method: Cash ☐ Accrual ☐ Other ☐ (Specify method.) _____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature	Date	Title
Officer's signature	Date	Title

Paid Preparer's Use Only

Preparer's signature	Date	Preparer's EIN, PTIN or SSN
Firm's name (or preparer's, if self-employed)		Firm's ☐ EIN or ☐ SSN
Firm's address	Zip code	( ) Firm's telephone number

ADOR 10949 (10)
Previous ADOR 91-0023

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

2010 Arizona Corporation Income Tax Return (Short Form)

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

Special Notice For 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that taxpayers may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect your 2009 return:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on your 2009 federal return.

If you have already filed your 2009 return and any of items 1 through 3 above apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

General Instructions

Which Corporations Must File a Return

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

NOTE: *Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201 [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120. However, certain homeowners associations are federally tax exempt under IRC § 501(c)(4), as social welfare organizations or under IRC § 501(c)(7), as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes. These organizations may file Form 99.*

Which Corporations May Use Form 120A

The short form, Form 120A, is designed for corporate taxpayers with less complex filing requirements.

A corporation may use Form 120A if it files its return on a separate company (separate entity) basis and it is a "wholly Arizona corporation". A corporation that has income from business activity that is taxable entirely within Arizona is a "wholly Arizona corporation". A corporation files on a separate company (separate entity) basis if: (1) it is not part of a group of corporations comprising a unitary business; or (2) it is not a member of an affiliated group that elected to file an Arizona consolidated return.

A corporation MUST USE Form 120 if: (1) it is a multistate corporation; or (2) it is a member of a unitary group of corporations that files an Arizona return on a combined basis; or (3) it is a member of an affiliated group of corporations that elected to file an Arizona consolidated return. A "multistate corporation" is a corporation that has income from business activity that is taxable in more than one state.

NOTE: *The corporation must file Form 120 if the corporation is: (1) a partner in a multistate partnership; or (2) a partner in a partnership with business activity conducted entirely outside Arizona.*

Entity Classification Under the Federal "Check-the-Box Rules"

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to Arizona Corporate Tax Ruling CTR 97-1 for further information. An entity that is disregarded as an entity separate from its owner is included in the tax return of its owner.

Limited Liability Companies

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company (LLC) is classified as a partnership, or as a corporation, or is disregarded as an entity as determined under the Internal Revenue Code as defined in ARS § 43-105. An LLC would file a return appropriate to its classification as a partnership, corporation, or a branch or division of its owner. Refer to Arizona Corporate Tax Ruling CTR 97-2 for further information.

Electing Small Business Corporations

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code must file Form 120S.

Taxable Year Covered by Return

File returns for the calendar year or fiscal year. Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year.

Filing Original Returns

Returns are due by the 15th day of the fourth month following the close of the taxable year. If the taxpayer has a valid federal or Arizona extension, file the return by the extended due date. If the taxpayer uses an extension, the taxpayer must check the extension box on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079. One or more of the following officers (president, treasurer, or any other principal officer) must sign the return. The department requests that taxpayers attach a copy of the completed federal return to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal

Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Treatment of Installment Obligations When Corporation Activities Cease

If a corporation elects to report income from the sale or other disposition of property on the installment method, and does not report the entire amount of income from the sale before the year the corporation ceases to be subject to Arizona corporation income tax, the corporation must report the unreported income in the last year in which the corporation is subject to the tax. This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax as the transferee. The transferee may not use its capital losses to offset income from the installment obligation transferred from a corporation no longer subject to the tax.

Estimated Tax Payments

Corporations that expect an Arizona income tax liability for the taxable year of $1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*. The required installments may be computed on Form 120W, *Estimated Tax Worksheet for Corporations.*

For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

A corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year.

NOTE: *In order for the taxpayer to base its Arizona corporate estimated tax payments on the prior taxable year's tax liability:*

- *The taxpayer's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and*
- *The taxpayer's return filed for the prior taxable year must have been for a period of twelve months.*

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER.

Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information regarding electronic funds transfer.

Effective for taxable years beginning on or after January 1, 1997, taxpayers whose Arizona corporate income tax liability for the preceding taxable year was $20,000 or more must make Arizona corporate estimated tax payments via the electronic funds transfer program. If the taxpayer makes its estimated tax payments by electronic funds transfer (EFT), the taxpayer should not submit Form 120ES to the department.

Taxpayers required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than $20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

NOTE: *For reporting periods beginning from and after February 28, 2011, taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).*

ESTIMATED TAX PAYMENTS VIA THE INTERNET.

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make estimated tax payments over the internet. If a taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.

Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Extension of Time to File a Return

A request for an Arizona extension of time to file a corporate income tax return is made by filing a completed Form 120EXT by the original due date of the return. The taxpayer can use a valid federal extension rather than applying for an Arizona extension. Form 120EXT must be used to transmit extension payments via check or money order, whether the taxpayer uses a valid federal extension or requests an Arizona extension. Taxpayers that make extension payments over the internet need not file Form 120EXT unless an Arizona extension is being requested. If the taxpayer files under extension, the taxpayer must check the extension box on page 1 of the return.

The taxpayer must pay 90 percent of the tax liability (including the $50 minimum tax) by the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments.

The department grants an Arizona extension for a period of six months. Arizona law provides that six months is the maximum extension of time to file that the department may grant. However, Arizona law provides that the department may accept the federal extension for the same period of time as covered by the federal extension.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The taxpayer must pay 90 percent of the tax liability disclosed by the taxpayer's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25 percent of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by IRC § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points]. On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

E. Underpayment of Estimated Tax Penalty. The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by ARS § 43-582 for the applicable period.

Furnishing Data

The department requests that taxpayers attach a copy of the completed federal return (along with all schedules and attachments) to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

Do not send in a blank Arizona return with a copy of the federal return; the return will not process accurately. Taxpayers must furnish complete data. Answer all questions on the return. Complete all applicable schedules. Also, attach all appropriate supplementary schedules.

Filing Amended Returns

Any taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return on Form 120X within 90 days of its final determination by the IRS.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The taxpayer must include additional schedules that provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report changes. The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

Do not file an amended return until the original return has been processed.

Records

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. Arizona General Tax Ruling GTR 96-1 discusses the general requirements for the maintenance and retention of books, records, and other sources of information received, created, maintained, or generated through various computer, electronic, and imaging processes and systems. Refer to this tax ruling for further information.

Use of Federal Figures

CALCULATION OF ARIZONA TAXABLE INCOME: a corporation must compute its federal taxable income and make the adjustments required by Arizona law. (Refer to Article 3, Chapter 11, Title 43, of the Arizona Revised Statutes.)

IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year.

Enter the corporation's employer identification number, which is the taxpayer identification number (TIN). Enter the corporation's Arizona transaction privilege tax number. If the corporation does not have an Arizona transaction privilege tax number, leave the box blank.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Arizona Taxable Income Computation

Line 1 - Taxable Income per Federal Return

Enter taxable income as reported on the federal income tax return filed with the Internal Revenue Service.

Line 2 - Additions to Taxable Income

Enter total adjustments from page 2, Schedule A, line A11. See instructions for Schedule A.

Line 4 - Subtractions From Taxable Income

Enter total adjustments from page 2, Schedule B, line B12. See instructions for Schedule B.

Line 5 - Adjusted Income

Subtract line 4 from line 3 and enter the difference.

Line 6 - Arizona Basis Net Operating Loss Carryforward

If the corporation incurred net operating losses in prior taxable years, the corporation can apply these losses against current Arizona income. A net operating loss carryforward applies to the next five succeeding taxable years, subject to certain adjustments and rules. This amount should not exceed the amount on line 5. Attach a separate schedule showing the computation of the net operating loss carried forward.

Arizona Tax Liability Computation

Line 8 - Arizona Tax

Multiply the Arizona taxable income (page 1, line 7) by 6.968 percent. If the computed amount of tax is less than $50, enter the minimum tax of $50. Every corporation required to file a return shall pay a $50 minimum tax in accordance with A.R.S. § 43-1111.

Line 9 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the environmental technology facility and healthy forest enterprises tax credits from Form 300, Part II, line 23.

Line 10 - Subtotal

Add lines 8 and 9. This is the amount of tax to which the Clean Elections Fund tax reduction and the total amount of tax credits claimed by the taxpayer may be applied.

Line 11 - Clean Elections Fund Tax Reduction

Check box 11**A** to send five dollars to the Clean Elections Fund and reduce the tax amount on line 10 by five dollars. Enter the amount of the tax reduction (five dollars) on line 11.

Line 12 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Form 300, Part II, line 45. This amount cannot be larger than the amount on line 10 less the amount on line 11.

- **Defense Contracting Credits.** Taxpayers may claim carryovers of unused tax credits from taxable years 2006 and prior. The carryovers may be carried forward until tax year 2011. Complete Form 302 to claim the carryover of these tax credits.
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a credit for net increases in qualified employment positions. Complete Form 304 to claim this tax credit.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Department of Commerce. Be sure to enter only the nonrefundable portion on line 12. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment of Arizona resident recipients of the federal Temporary Assistance for Needy Families. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** This tax credit is for net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 to claim this tax credit.
- **Credit for Employing National Guard Members.** This credit is for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to claim this tax credit.
- **Motion Picture Credits.** Two transferable tax credits exist related to motion pictures. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a tax credit for production costs. Only qualified production costs incurred by December 31, 2010, qualify to be included in the calculation of the income tax credit. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to claim these credits.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to claim this tax credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** This tax credit is for the installation of water conservation system plumbing stub outs in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 337 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this credit.

Complete the appropriate credit forms for each credit. Attach the completed credit forms to the tax return with Form 300.

Line 13 - Credit Type

Indicate which nonrefundable tax credits were claimed on line 12 by writing the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Motion Picture Credits	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Water Conservation System Plumbing Stub Outs	337
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341

Line 14 - Arizona Tax Liability

Subtract the sum of lines 11 and 12 from line 10. Line 14 cannot be a negative amount.

Line 15 - Clean Elections Fund Tax Credit

A taxpayer may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax on line 14 or six hundred forty dollars, whichever is higher.

A taxpayer may not claim a tax credit on the 2010 tax return for a donation to the fund made with the 2010 tax return. If a taxpayer makes a donation to the fund on the 2010 tax return, the taxpayer may only claim a tax credit for the donation on the taxpayer's 2011 tax return. The tax credit is nonrefundable and cannot be carried forward.

Calculation of 2010 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 120A.	$	00
2.	Enter tax from 2010 Form 120A, line 14.	$	00
3.	Multiply amount on line 2 by 20 percent (.20).	$	00
4.		$ 640	00
5.	Enter the larger of line 3 or line 4.	$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 120A, line 15.	$	00

Tax Payments

Line 17 - Refundable Tax Credits

Check the box marked 308 or 342 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 17.

Credit for Increased Research Activities. A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Department of Commerce. The refundable credit applies to taxable years beginning from and after December 31, 2009. Attach your "Certificate of Qualification" from the Department of Commerce and Form 308 to your return. Enter the amount from Form 308, Part V, line 37.

Credit for Renewable Energy Industry. This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal annual installments. Preapproval and postapproval are required through the Department of Commerce. Attach your "Certificate of Qualification" from the Department of Commerce and Form 342 to your tax return to claim this credit. Enter the amount from Form 342, Part IV, line 12.

If you are claiming both tax credits, check both boxes and add the amounts from the credit forms together and enter the total on line 17.

Line 18 - Extension Payment

Enter the amount of the extension payment made by check or money order with Form 120EXT or made over the internet at www.aztaxes.gov.

Line 19 - Estimated Tax Payments

Enter the total amount of estimated tax payments made during the taxable year (including the application of overpayment from 2009).

Line 20 - Total Payments

Add lines 17, 18 and 19. Enter the total.

NOTE FOR CLAIM OF RIGHT RESTORATION: *If the tax for the taxable year 2010 was computed under the provisions for a claim of right restoration, line 20 also includes the credit for the tax reduction for prior taxable year(s). See Arizona Corporate Tax Procedure CTP 95-3 for further information. Write "ARS § 43-1130.01" and the total amount of the tax reduction for prior taxable year(s) in the space to the left of the total payment amount entered on line 20. The amount entered on line 20 is the total of lines 17, 18 and 19 and the tax reduction for prior taxable year(s). Attach a schedule computing the tax reduction for the prior taxable year(s).*

Computation of Total Due or Overpayment

Line 21 - Balance of Tax Due

If the amount on line 16 is **larger** than the amount on line 20, there is a balance of tax due. Subtract line 20 from line 16 and enter the difference.

Line 22 - Overpayment of Tax

If the amount on line 20 is **larger** than the amount on line 16, there is an overpayment of tax. Subtract line 16 from line 20 and enter the difference.

Line 23 - Penalty and Interest

Calculate any penalty and interest due as a result of late filing, late payment of tax or extension underpayment of tax. Calculate interest on the amount shown on line 21 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 3 of these instructions.

Do not include or enter the amount from Form 220.

Line 24 - Estimated Tax Underpayment Penalty

The taxpayer does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90 percent of the current taxable year's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100 percent of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 24**A** or enter an amount on line 24.

The taxpayer must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box 24**A**.

Line 25 - Donation to Citizens Clean Elections Fund

Enter the amount of the donation to the fund made with this return.

Line 26 - Total Due

If the taxpayer had a balance of tax due on line 21, add lines 21, 23, 24, and 25, and enter the total on line 26. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 27 - Overpayment

If the taxpayer had an overpayment of tax on line 22, subtract the total of lines 23, 24, and 25 from line 22. Enter a positive difference on line 27. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 26.

Line 28 - Overpayment Applied to Estimated Tax

The taxpayer may apply part or all of an overpayment reported on line 27 as a 2011 estimated tax payment. Enter the applicable amount on line 28.

Line 29 - Refund

Subtract line 28 from line 27 and enter the difference. This is the net refund amount.

Schedule A - Additions to Taxable Income

On lines A1 through A10 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

Line A1 - Total Federal Depreciation

Enter total amount of depreciation deducted on the federal return. Do not include depreciation included on line A8.

Line A2 - IRC § 179 Expense in Excess of Allowable Amount

Enter the amount of IRC § 179 expense deducted on the federal return that exceeds $25,000.

Line A3 - Taxes Based on Income

Enter the amount of taxes based on income paid to states (INCLUDING ARIZONA), to foreign governments, or to their political subdivisions included in federal taxable income.

Line A4 - Interest on Obligations

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona).

All taxpayers, except financial institutions as defined in ARS § 6-101, must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

Line A5 - Federal Special Deductions

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 244, and 245.

Line A6 - Federal Net Operating Loss

Enter the federal net operating loss deduction claimed on the federal tax return.

Line A7 - Domestic International Sales Corporations

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the DISC by the payor corporation.

No addition is required if the DISC transactions comply with the IRC § 994 inter-company pricing provisions.

Line A8 - Capital Investment by Certified Defense Contractor

- **Federal Depreciation or Deduction for Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount of IRC § 167 depreciation or IRC § 179 expense deducted in calculating federal taxable income that was not already included on line A1. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain from the sale or other disposition of a capital investment which a certified defense contractor elected to amortize pursuant to ARS § 43-1024.

Line A9 - Additions Related to Arizona Tax Credits

Enter on line A9 the following additions to federal taxable income that are related to Arizona tax credits. Attach a schedule detailing these additions.

A. Environmental Technology Facility Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or

amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed a tax credit under ARS § 43-1169.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit under ARS § 43-1169 was sold or otherwise disposed of during the taxable year.

B. Pollution Control Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit under ARS § 43-1170 was sold or otherwise disposed of during the taxable year.

C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power

Enter the amount of expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona, under ARS § 43-1178. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which a tax credit is claimed.

D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit under ARS § 43-1176.

E. Credit for Employment of TANF Recipients

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed a tax credit under ARS § 43-1175.

F. Agricultural Pollution Control Equipment Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit under ARS § 43-1170.01.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit under ARS § 43-1170.01 was sold or otherwise disposed of during the taxable year.

G. Credit for Donation of School Site

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which the taxpayer claimed a tax credit for donation of school site under ARS § 43-1181.

H. Motion Picture Credits

These credits are in lieu of any allowance for deduction of expenses related to the production, infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal taxable income for which a tax credit was claimed or transferred under ARS §§ 43-1163 or 43-1163.01.

I. Credit for Corporate Contributions to School Tuition Organizations

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1183.

J. Credit for Water Conservation System Plumbing Stub Outs

Enter the amount of expenses deducted in computing federal taxable income for the installation of water conservation system plumbing stub outs for which the taxpayer claimed a tax credit under ARS § 43-1182.

K. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1184.

Line A10 - Other Additions to Federal Taxable Income

Enter on line A10 the following "other additions" to federal taxable income. Attach a schedule detailing these additions.

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

Enter the excess of a partner's share of partnership taxable income included under ARS §§ 43-1401 through 43-1413 over the partner's share of income reported under IRC § 702(a)(8). Enter the excess of a partner's share of partnership losses determined according to IRC § 702(a)(8) over the losses allowable under ARS §§ 43-1401 through 43-1413.

Wholly Arizona partnership - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is positive, enter that amount here.

Multistate partnership or partnership with business activity conducted entirely outside Arizona - THE CORPORATION MUST FILE FORM 120.

B. Federal Exploration Expenses

Enter the amount of IRC § 617 exploration expenses in excess of $75,000 and the amount of such expenses deferred not in excess of $75,000.

C. Contributions

Enter the amount of IRC § 170 contributions to an educational institution which denies admission, enrollment, or board and room accommodations on the basis of race, color, or ethnic background. Do not include contributions to institutions primarily established for the education of American Indians.

D. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law

Enter the amount of amortization or depreciation deducted pursuant to the Internal Revenue Code for the following:

- **Pollution Control Devices** - if the taxpayer made an election to amortize pursuant to ARS § 43-1129.
- **Child Care Facilities** - if the taxpayer made an election to amortize pursuant to ARS § 43-1130.

E. Expenses and Interest Relating to Income Not Taxed by Arizona

Enter expenses and interest relating to income not taxed by Arizona. Refer to ARS § 43-961(5) or ARS § 43-1121(4).

F. Arizona Income Tax Refunds

Enter the amount of any Arizona income tax refunds received, to the extent that the refunds are not included in Arizona gross income, if a tax benefit was derived by the deduction of the taxes in a prior taxable year.

G. Federal Income Tax Refund

Enter the amount of any federal income tax refund for a prior taxable year that resulted in a tax benefit for Arizona income tax purposes. Include any federal Form 1139 refunds received that resulted in a tax benefit for Arizona tax purposes. This applies to refunds of federal income tax from taxable years beginning before January 1, 1990, in which the federal income tax subtraction was claimed in the computation of Arizona taxable income.

H. Claim of Right Adjustments

- **Amounts Repaid in Current Taxable Year**

  Enter the amount of the deduction claimed under IRC § 1341(a)(4), for restoration of a substantial amount held under a claim of right, which was included in the computation of Arizona gross income.

- **Excess Federal Capital Loss Carryover Under a Claim of Right Restoration**

  Enter the amount by which a capital loss carryover allowable pursuant to IRC § 1341(b)(5) exceeds the capital loss carryover allowable pursuant to ARS § 43-1130.01(F).

I. Deferred Discharge of Indebtedness Income

Enter the addition to income resulting from Arizona not adopting the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument elected by the taxpayer under IRC § 108(i). In years when the Internal Revenue Code requires the inclusion of this income, a subtraction from income will be allowed in "other subtractions" to prevent the income from being taxed twice.

NOTE: *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other addition", the taxpayer must file an amended return and make this adjustment on the "additions" line of the Arizona amended return (2009 Arizona Form 120X).*

J. Exclusion of Deduction for Original Issue Discount

Enter the amount of the federal allowance of the original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American Recovery and Reinvestment Act of 2009. For Arizona, the deduction was allowed in 2009 and 2010. The taxpayer is required to add back the federal inclusion to prevent taking the deduction twice.

Schedule B - Subtractions From Taxable Income

On lines B1 through B11 of Schedule B, enter all income which is exempt from Arizona tax which is taxable under federal law. Also, enter any deduction allowed under Arizona law which is not deductible for federal tax purposes.

Line B1 - Recalculated Arizona Depreciation

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes. Do not include amortization included on Line B10.

Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

When property is sold or otherwise disposed of during the taxable year and the taxpayer who has complied with the requirement to add back all depreciation with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter 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 B3 - Adjustment for IRC § 179 Expense Not Allowed

Enter the total of 20% of the amount entered on line A2 and 20% of each addition made for IRC § 179 expense in 2006, 2007, 2008, and 2009.

Line B4 - Dividends From Controlled Domestic Corporations

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation.

"Control" means direct or indirect ownership or control of 50 percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316.

NOTE: *Do not include IRC § 78 dividend income on line B4.*

Line B5 - Foreign Dividend Gross-up

Enter IRC § 78 ("gross-up") dividends.

Line B6 - Dividends From Foreign Corporations

Enter the dividend income received from foreign corporations as defined in ARS § 43-1101(5).

Line B7 - Dividends From DISC

Enter any income from a Domestic International Sales Corporation (DISC) which federal law requires its shareholders to include in income. Refer to IRC § 995.

Line B8 - Interest on U.S. Obligations

Enter the interest on U.S. obligations not taxed by Arizona, but subject to federal tax.

Line B9 - Agricultural Crops Contributed to Charitable Organizations

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to Arizona Individual Income Tax Procedure ITP 93-2 for information on how to determine if the contribution qualifies for the subtraction.

Line B10 - Capital Investment by Certified Defense Contractor

- **Arizona Amortization of Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount allowed by ARS § 43-1024 that was not already included on line B1, for assets placed in service while certified. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain included in federal taxable income on the sale or other disposition of a capital investment. Make this adjustment if a certified defense contractor elected to amortize the capital investment pursuant to ARS § 43-1024.

Line B11 - Other Subtractions From Federal Taxable Income

Enter on line B11 the following "other subtractions" from federal taxable income. Attach a schedule detailing these subtractions.

A. Arizona Capital Losses

Enter net capital losses up to $1,000 which are deductible for Arizona tax purposes but are not deductible for federal tax purposes. Arizona law allows this subtraction for an Arizona capital loss carryover only from taxable years beginning before January 1, 1988.

B. Refunds of Taxes Based on Income

Enter any refunds from states (INCLUDING ARIZONA) and from foreign governments or their political subdivisions included in federal taxable income.

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

Enter the excess of a partner's share of income included under IRC § 702(a)(8) over the income included under ARS §§ 43-1401 through 43-1413. Enter the excess of a partner's share of partnership losses determined according to ARS §§ 43-1401 through 43-1413, over the losses allowable under IRC § 702(a)(8).

Wholly Arizona partnership - If the amount on Form 165, Schedule K-1(NR), Part II, line 17, column (c), is negative, enter that amount here.

Multistate partnership or partnership with business activity conducted entirely outside Arizona - THE CORPORATION MUST FILE FORM 120.

D. Expense Recapture, Mine Explorations

Enter any expense recapture for mine exploration expenses included in income under federal law (see IRC § 617).

E. Deferred Exploration Expenses

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A10, item B (refer to ARS § 43-1121(8)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to ARS § 43-1021(7) or to ARS § 43-1022(11).

F. Exploration Expenses; Oil, Gas or Geothermal Resources

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A10, item B, and line B11, items D and E. Refer to Arizona Administrative Code rule AAC R15-2D-305 for detailed information regarding additional requirements.

G. Arizona Amortization of Facilities and Equipment

- **Pollution Control Devices**

  Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months.

  If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

  Refer to Arizona Administrative Code rule AAC R15-2D-306 for detailed information regarding additional requirements.

- **Cost of Child Care Facilities**

  Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

  Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to Arizona Administrative Code rule AAC R15-2D-307 for detailed information regarding additional requirements.

H. Interest on Federally Taxable Arizona Obligations

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, included in federal taxable income. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in Arizona gross income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income (loss). The partnership makes this adjustment on Form 165. The adjustment to Arizona basis from Form 165, Schedule K-1(NR), Part II, line 17, already includes this adjustment.

I. Expenses and Interest Relating to Tax Exempt Income

Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income. Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in ARS § 6-101.

J. Employer Contributions to Medical Savings Accounts

Enter the amount of contributions made by the taxpayer during the taxable year to medical savings accounts established on behalf of the taxpayer's employees as provided by ARS § 43-1028. The subtraction is allowed for such contributions to the extent that the contributions are not deductible by the taxpayer under the Internal Revenue Code.

K. Expenses Related to Certain Federal Tax Credits

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received certain federal tax credits. The specific federal tax credits are the 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. This subtraction applies to taxable years beginning from and after December 31, 1996.

L. Claim of Right Adjustment

Enter the amount by which an Arizona capital loss carryover allowable pursuant to ARS § 43-1130.01(F), exceeds the federal capital loss carryover allowable pursuant to IRC § 1341(b)(5).

M. Deferred Deduction for Original Issue Discount

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the Internal Revenue Code permits this deduction, "other additions" will include an addition to income to prevent the taxpayer from taking the deduction twice.

NOTE: *If the taxpayer had this adjustment for 2009 and did not include it on the taxpayer's original corporate income tax return as an "other subtraction", the taxpayer must file an amended return and make this adjustment on the "subtractions" line of the Arizona amended return (2009 Arizona Form 120X).*

N. Inclusion of Discharge of Indebtedness Income

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

O. Deduction for Cash Contributions for Haiti Earthquake Relief Made After January 11, 2010, and Before March 1, 2010

On the 2009 federal income tax return, corporations could elect to treat cash contributions for relief of victims of the earthquake in Haiti on January 12, 2010, that were made to qualified charities after January 11, 2010 and before March 1, 2010, as if the contributions were made on December 31, 2009, and not in 2010. Arizona did not adopt this federal provision; therefore, any contributions made in 2010 and deducted on the 2009 federal corporate income tax return must be added back on the 2009 Arizona corporate income tax return and the contributions will be allowed as 2010 contributions for Arizona income tax purposes.

Enter the amount of contributions made in 2010 that the taxpayer deducted on their 2009 federal return and added to Arizona income in 2009.

NOTE: *Do not take this deduction twice. If the taxpayer elected to take the contributions made in 2010 on the 2009 federal return, they must have included the amount of the contributions as an "other addition" on the original Arizona return or on the "additions" line on the amended Arizona return (2009 Arizona Form 120X).*

Schedule C - Additional Information

Complete lines C1 through C6. Continue the answers on a separate sheet of paper if the answers are lengthy.

Question C3: List the name, title and telephone number of the individual who Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.

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ARIZONA FORM
120ES

Corporation Estimated Tax Payment

2011

This estimated payment is for taxable year ending MM DD YYYY.

Check box if: This is the first year you are filing a tax return under this name and EIN ☐
Name, address, or EIN has changed ☐
If EIN has changed, list prior number _____

The enclosed amount is payment number ☐

Name of firm - exactly as it will appear on the return	Employer identification number (EIN)
1	
Address - *number and street or PO Box*	Business telephone number
2	( )
Address continued	REVENUE USE ONLY. DO NOT MARK IN THIS AREA.
2	
City State ZIP code	
3	

You must round your estimated payment to a whole dollar (no cents).

PAYMENT ENCLOSED $ _____.00

Make check payable to:
Arizona Department of Revenue
Include EIN on Payment.

Mail to: Arizona Department of Revenue
PO Box 29085
Phoenix, AZ 85038-9085

NOTE: *To ensure proper application of this payment, this form must be completed in its entirety.*

General Instructions

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

Who Should Use Form 120ES

This form should be used by entities filing Forms 99T, 120, 120A, and 120S that are required to make Arizona estimated tax payments. Payments can be made via check, electronic check, money order, or credit card. The taxpayer should not use Form 120ES if the taxpayer makes its required installments of estimated tax by electronic funds transfer (EFT) or over the internet. Visit www.aztaxes.gov to register and make payments via the internet.

S corporations and partnerships must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Form 140NR.

Refer to Arizona Individual Income Tax Ruling ITR 97-1 for additional information regarding composite returns.

Estimated Tax Payments by Electronic Funds Transfer

Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information regarding electronic funds transfer.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was $20,000 or more must make Arizona corporate estimated tax payments via the electronic funds transfer program. **If the taxpayer makes its estimated tax payments by electronic funds transfer (EFT), the taxpayer should not submit Form 120ES to the department.**

NOTE: Beginning for reporting periods from and after February 28, 2011, taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).

Taxpayers required to make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than $20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

Estimated Tax Payments via the Internet.

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make estimated tax payments over the internet. **If the taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.**

Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Who is Required to Make Estimated Tax Payments

Entities filing Forms 99T, 120, 120A, and 120S that expect an Arizona tax liability for the taxable year of at least $1,000 are required to make Arizona estimated tax payments.

A unitary group of corporations filing a combined return on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

When to Make Estimated Tax Payments

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Computation of Required Installments of Estimated Tax on Form 120W

Taxpayers should use Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the amount of the required installments of estimated tax.

Underpayment of Required Installments of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, a penalty will be imposed on any required installment that is late or underpaid.

Recomputing Required Installments of Estimated Tax

If the taxpayer, after paying one or more required installments of estimated tax, finds that its tax liability for the taxable year will be more or less than originally estimated, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to a penalty for underpayment of estimated tax.

If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted. An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Completing Form 120ES

Complete the form in its entirety to ensure the proper application of the estimated tax payment.

Enter the following information on Form 120ES:

- ending date of the taxable year for which the payment is made;
- sequence number of the estimated tax payment;
- taxpayer name, address and employer identification number (EIN) as it will appear on the tax return;
- amount of the estimated tax payment (in whole dollars).

Check the applicable box on the form if the estimated tax payment applies to a taxable year for which:

- the taxpayer will file an initial return under the name and EIN listed; or
- the name, address or EIN listed is different from the name, address or EIN under which the preceding taxable year's return was filed. If the EIN has changed, list the prior EIN.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

ARIZONA FORM
120EXT

Application for Automatic Extension of Time to File Corporation, Partnership, and Exempt Organization Returns

2010

For the ☐ calendar year 2010 or ☐ fiscal year beginning MMDDYYYY and ending MMDDYYYY.

Check box if: This is the first tax return filed under this name and EIN ☐
Name, address, or EIN has changed ☐
If EIN has changed, list prior number _____

Please Type or Print	Name	Employer identification number (EIN)
	Number and street or PO Box	Business telephone number ( )
	City, or town, state, and ZIP code	REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

Check type of return to be filed:
Form **120** ☐ Form **120A** ☐ Form **120S** ☐ Form **99T** ☐ Form **99** ☐ Form **165** ☐

All applications for an extension of time to file **must be postmarked** on or before the original due date of the return, unless the original due date falls on Saturday, Sunday, or a legal holiday. In that case, the application must be postmarked on or before the business day following such Saturday, Sunday, or legal holiday.

S corporations and partnerships: Use Form 204 to request an extension of time to file a composite return for nonresident individual shareholders or nonresident individual partners on Form 140NR.

81 66

AN ARIZONA EXTENSION CANNOT BE GRANTED FOR MORE THAN SIX MONTHS BEYOND THE ORIGINAL DUE DATE OF THE RETURN. ARIZONA WILL ACCEPT A VALID FEDERAL EXTENSION FOR THE SAME PERIOD OF TIME COVERED BY THE FEDERAL EXTENSION. THE FEDERAL EXTENSION FOR PARTNERSHIPS IS FIVE MONTHS FOR RETURNS DUE ON OR AFTER JANUARY 1, 2009.

Check one:

☐ **Form 120, Form 120A, Form 120S, Form 99T, Form 99:** This is a request for an automatic six-month extension of time until MM/DD/YYYY, to file the tax return for the taxable year ending MM/DD/YYYY.

☐ **Form 165 only:** This is a request for an automatic five-month extension of time until MM/DD/YYYY, to file the tax return for the taxable year ending MM/DD/YYYY.

☐ A federal extension will be used to file this tax return. This form is being used to transmit the Arizona extension payment.

Extension Payment Computation ***(For Forms 120, 120A, 120S, and 99T only)***

1	Amount of tax for the taxable year. *See instructions*	**1**		**00**
2	Less estimated tax payments	**2**		**00**
3	Balance of tax - *line 1 less line 2*	**3**		**00**
4	Enter amount of payment enclosed. *See instructions* ..... PAYMENT ENCLOSED	**4**		**00**

Make check payable to: **ARIZONA DEPARTMENT OF REVENUE. Include EIN on Payment.**
Send application and payment to: **Arizona Department of Revenue, PO Box 29085, Phoenix AZ 85038-9085**
Send application without payment to: **Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079**

THE TAXPAYER WILL BE LIABLE FOR THE EXTENSION UNDERPAYMENT PENALTY IF AT LEAST 90 PERCENT OF THE TAX LIABILITY DISCLOSED BY THE RETURN HAS NOT BEEN PAID BY THE ORIGINAL DUE DATE OF THE RETURN. TAXPAYERS SUBJECT TO THE EXTENSION UNDERPAYMENT PENALTY ARE NOT SUBJECT TO THE LATE PAYMENT PENALTY PRESCRIBED BY A.R.S. § 42-1125(D). INTEREST ACCRUES ON ANY ADDITIONAL TAX DUE FROM THE ORIGINAL DUE DATE OF THE RETURN UNTIL PAID.

SIGNATURE AND VERIFICATION

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature of officer or agent	Title	Date
Printed Name	( ) Business Phone Number	Agent's TIN

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2010 Application for Automatic Extension of Time to File Corporation, Partnership, and Exempt Organization Returns

Arizona Form 120EXT

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Use of Form

- **Use Form 120EXT only to apply for an extension of time to file Forms 99, 99T, 120, 120A, 120S, and 165.**
- *Form 120S and Form 165 filers:* Use Form 204 to apply for an extension of time to file a composite return for nonresident individual shareholders or nonresident individual partners on Form 140NR.
- The department may grant an automatic Arizona extension if: (a) the taxpayer pays at least 90 percent of the tax liability by the original due date of the return, and (b) Form 120EXT is postmarked or received by the original due date of the return. The extension application will be denied if the extension application is postmarked after the original due date of the return. A copy of Form 120EXT will be returned to the taxpayer only if the extension application is denied.

NOTE: *Effective for returns due for taxable years beginning January 1, 2009 and later, the automatic extension for partnerships filing Form 165 is five months. Refer to Arizona Partnership Tax Ruling PTR 09-1.*

- The taxpayer must use Form 120EXT to remit an extension payment via check or money order, whether the taxpayer uses a valid federal extension or requests an Arizona extension. Internet payments can be made by electronic check or credit card at www.aztaxes.gov and do not require the filing of this form, unless the taxpayer is requesting an Arizona extension.
- Form 120EXT or a valid federal extension provides an extension of time to file, but does not provide an extension of time to pay.

Acceptance of Federal Extension

The taxpayer can use a valid federal extension rather than applying for an Arizona extension. The taxpayer must pay at least 90 percent of the tax liability by the original due date of the return. Refer to the instructions for line 1 (extension payment computation) for further information on the payment amount. A taxpayer that uses a federal extension of time to file must use Form 120EXT to remit an extension payment via check or money order. Mail Form 120EXT and the extension payment to the payment address shown on the form.

NOTE: *Federal extensions are valid for a period of time (i.e. three, five or six months) and extend an original Arizona due date by the same period of time. In some cases, the Arizona extended due date will take place after the federal extended due date.*

Tax Return Original Due Dates

Form 99:
15th day of **fifth** month following close of taxable year.

Form 99T:
15th day of **fifth** month following close of taxable year.

Form 120:
15th day of **fourth** month following close of taxable year.

Form 120A:
15th day of **fourth** month following close of taxable year.

Form 120S:
15th day of **third** month following close of taxable year.

Form 165:
15th day of **fourth** month following close of taxable year.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the taxpayer has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The taxpayer must pay at least 90 percent of the tax liability disclosed by its return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the taxpayer paid the tax. The maximum penalty is 25 percent of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Information Return Penalty. An information return that is incomplete or filed after its due date (including extensions) is subject to a $100 penalty for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500. This applies to Form 99 and Form 165. It also applies to Form 120S when no tax liability is due.

E. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by Internal Revenue Code § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points]. On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Extension Payment Computation

(Form 99T, 120, 120A, and 120S filers only)

NOTE: *Refer to the tax form and its instructions for information regarding the computation of the tax liability (including the $50 minimum tax).*

Line 1 -

Form 120 filers: Begin the tax liability computation on page 1, line 16 of the 2010 Form 120. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2010 Form 120, page 1, line 24. Reduce this amount by the claim of right adjustments, if applicable. If the amount of the claim of right adjustment is larger than the amount computed for line 24, enter zero.

Form 120A filers: Begin the tax liability computation on page 1, line 8 of the 2010 Form 120A. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2010 Form 120A, page 1, line 16, reduced by the claim of right adjustments, if applicable. If the amount of the claim of right adjustment is larger than the amount computed for line 16, enter zero.

Form 120S filers: The S corporation itself is subject to tax (including the $50 minimum tax) *only* if it has income (or loss) subject to tax at the corporate level on the federal Form 1120-S. Income subject to tax is excess net passive income, capital gains, or certain built-in gains, reported on Form 120S, page 1, lines 2 and 3.

Begin the tax liability computation on page 1, line 12 of the 2010 Form 120S. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2010 Form 120S, page 1, line 20.

Form 99T filers: The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2010 Form 99T, page 1, line 7.

Line 4 -

Form 120, 120A, 120S and 99T filers: The taxpayer must pay at least 90 percent of its tax liability by the original due date of the return. If the estimated tax payments reported on line 2 are less than 90 percent of the amount on line 1, the taxpayer must make an extension payment. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the extension request.

Internet Payments

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Who May Sign Form 120EXT

The person authorized to sign Form 120EXT may be:

- a duly authorized agent holding a power of attorney;
- a principal officer of the organization for Form 99 and Form 99T filers;
- a principal officer of the corporation for Form 120, 120A, and 120S filers; and
- a general partner authorized to file the partnership return for Form 165 filers.

Mailing Arizona Extension Requests

If you are including a payment with the Arizona extension request, mail the request and payment to: Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085. If you are mailing the request without a payment, mail the request to: Arizona Department of Revenue, PO Box 29079, Phoenix, AZ 85038-9079.

The extension request must be postmarked by the original due date of the return. Mark "Extension Request" on the envelope. No copy will be returned to the taxpayer unless the request is denied. Keep a copy of Form 120EXT for the taxpayer's records.

ARIZONA FORM 120S

Arizona S Corporation Income Tax Return

2010

For the ☐ calendar year 2010 or ☐ fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Business telephone number ( )	Please Type or Print	Name	CHECK ONE: Original ☐ Amended ☐
Business activity code number (from federal Form 1120-S)		Number and street or PO Box	Employer identification number (EIN)
		City, or town, state, and ZIP code	AZ transaction privilege tax number

69 **Check box if:** ☐ **This is a first return** ☐ **Name change** ☐ **Address change**

A Arizona apportionment: (check only one) Multistate S corporations only.
☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor

B Is this the corporation's final Arizona return? ☐ Yes ☐ No
If yes, check one: ☐ Dissolved ☐ Withdrawn ☐ Merged/Reorganized
List EIN of the successor corporation, if any: _____

C Does the S corporation conduct business within and without Arizona? ☐ Yes ☐ No

D Will a composite return be filed on Form 140NR? ☐ Yes ☐ No

E Total number of nonresident individual shareholders _____

F Total number of resident individual shareholders _____

G Total number of entity shareholders (See instructions, page 3) _____

82 **CHECK BOX IF: Return filed under extension.** 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

81 66

1	**Total distributive income (loss) - from federal Form 1120-S, Schedule K**	1	00

Complete lines 2-11 only if the S corporation has excess net passive income or capital gains/built-in gains. An S corporation that is not required to complete lines 2-11 must complete lines 12-34 if the S corporation has a tax liability from the recapture of tax credits.

2	Excess net passive income	2	00		
3	Capital gains/built-in gains	3	00		
4	Total federal income subject to corporate income tax - *add lines 2 and 3.* WHOLLY ARIZONA S CORPORATIONS GO TO LINE 11			4	00
5	Nonapportionable or allocable income - *attach schedule.* MULTISTATE S CORPORATIONS ONLY			5	00
6	Apportionable income - *subtract line 5 from line 4.* Multistate S corporations only			6	00
7	Arizona apportionment ratio - *from Schedule A or Schedule ACA*	7 .			
8	Income apportioned to Arizona - *line 6 multiplied by line 7.* Multistate S corporations only			8	00
9	Other income allocated to Arizona - *attach schedule.* Multistate S corporations only			9	00
10	Total income attributable to Arizona - *add lines 8 and 9*			10	00
11	Net income subject to Arizona corporate income tax. Wholly Arizona S corporations - *enter the amount from line 4.* Multistate S corporations - *enter the amount from line 10*			11	00
12	Enter tax - *see instructions before completing this line*			12	00
13	Tax from recapture of tax credits - *from Form 300, Part II, line 23*			13	00
14	Subtotal - *add lines 12 and 13*			14	00
15	Clean Elections Fund Tax Reduction. *Check this box to send $5 to the fund and reduce the tax (line 14) by $5. Enter the amount of the tax reduction* 15A ☐			15	00
16	Nonrefundable tax credits - *from Arizona Form 300, Part II, line 45*			16	00
17	Credit type - *enter form number for each credit claimed* 17 3 3 3 3				
18	Tax liability - *subtract the sum of lines 15 and 16 from line 14*			18	00
19	Clean Elections Fund Tax Credit. *SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE*			19	00
20	Tax liability after Clean Elections Fund tax credit - *subtract line 19 from line 18*			20	00
21	Refundable tax credits. Check box(es) and enter amount(s) 21 ☐ 308 ☐ 342	21	00		
22	Extension payment made with Form 120EXT or online - *see instructions*	22	00		
23	Estimated tax payments - *see instructions*	23	00		
24	Total payments - *add lines 21 through 23. Amended returns - see instructions*			24	00
25	Balance of tax due - *If line 20 is larger than line 24, enter balance of tax due. Skip line 26*			25	00
26	Overpayment of tax - *If line 24 is larger than line 20, enter overpayment of tax*			26	00
27	Penalty and interest			27	00
28	Estimated tax underpayment penalty. ***If Form 220 is attached, check box*** 28A ☐			28	00
29	Donation to Citizens Clean Elections Fund - *see instructions*			29	00
30	Information return penalty - *see instructions*			30	00
31	**TOTAL DUE -** *see instructions* Payment must accompany return			31	00
32	**OVERPAYMENT -** *see instructions*			32	00
33	Amount of line 32 to be applied to 2011 estimated tax	33	00		
34	Amount to be refunded - *subtract line 33 from line 32*			34	00

Schedule A - Apportionment Formula (Multistate S Corporations Only)

See instructions, pages 7 through 9.

NOTE: Qualifying air carriers must use Schedule ACA

	Column A Total Within Arizona Round to the Nearest Dollar	Column B Total Everywhere Round to the Nearest Dollar	Column C Ratio Within Arizona A ÷ B
A1 Property Factor			
Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value)			
a. Owned property (at original cost):			
Inventories			
Depreciable assets - (do not include Construction in Progress)			
Land			
Other assets - (describe) _____			
Less: Nonbusiness property (if included in above totals)	( )	( )	
Total of section a			
b. Rented property (capitalize at 8 times net rental paid)			
c. Total owned and rented property (section a total plus section b)			•
A2 Payroll Factor			
Total wages, salaries, commissions and other compensation to employees (per federal Form 1120-S or payroll reports)			•
A3 Sales Factor			
a. Sales delivered or shipped to Arizona purchasers			
b. Other gross receipts			
c. Total sales and other gross receipts			
d. Weight Arizona sales - *(STANDARD uses X 2; ENHANCED uses X 8)*	X 2 OR X 8		
e. Sales factor (for column A - multiply item c by item d; for column B - enter the amount from item c)			•
A4 Total ratio - add A1(c), A2, and A3(e), in column C			•
A5 Average apportionment ratio - divide line A4, column C, by the denominator (*STANDARD divides by four (4); ENHANCED divides by ten (10)*). Enter the result in column C, and on page 1, line 7			•

Schedule B - Other Information

B1 Date business began in Arizona or date income was first derived from Arizona sources MM / DD / YYYY.

B2 Address at which tax records are located for audit purposes: _____

B3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. *(See instructions, page 9.)*
Name and title _____ Phone number ( )

B4 List prior taxable years for which a federal examination has been finalized _____

NOTE: ARS § 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. *(See instructions, page 1.)*

B5 Amount of net income subject to Arizona corporate income tax for prior taxable year (2009 Form 120S, line 11.) _____

B6 Indicate tax accounting method: Cash ☐ Accrual ☐ Other ☐ (Specify method.) _____

Schedule C - Shareholder Information

Prepare a schedule that lists each shareholder's name, address, TIN, and pro rata share of the amount shown on line 1. Label the listing as "Schedule C - Shareholder Information" and attach the schedule immediately after page 2 of Form 120S.

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature | Date | Title

Officer's signature | Date | Title

Paid Preparer's Use Only

Preparer's signature | Date | Preparer's EIN, PTIN or SSN

Firm's name (or preparer's, if self-employed) | Firm's ☐ EIN or ☐ SSN

Firm's address | Zip code | Firm's telephone number ( )

ADOR 10337 (10)
Previous ADOR 91-0025

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Who Must Use Form 120S

Corporations taxed as S corporations under Subchapter S of the Internal Revenue Code must file Form 120S. Qualified subchapter S subsidiaries are not treated as entities separate from the parent corporation, and would be included on a single Form 120S filed by the parent S corporation.

Entity Classification Under the Federal "Check-the-Box Rules"

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes.

Limited Liability Companies

Only a limited liability company that makes a valid federal election to be taxed as an S corporation must file Form 120S. A single member limited liability company that is disregarded as an entity is treated as a branch or division of the owner, and is included in the tax return of its owner. Refer to Arizona Corporate Tax Ruling CTR 97-2 for further information.

Taxable Year Covered by Return

The S corporation must have the same taxable year for Arizona purposes as it has for federal purposes. Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year.

Filing Original Returns

Returns are due by the 15th day of the third month following the close of the taxable year. If the taxpayer has a valid federal or Arizona extension, file the return by the extended due date. If the taxpayer files under extension, the taxpayer must check the extension box on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079. One or more of the S corporation's officers (president, treasurer, or any other principal officer) must sign the return. The department requests that taxpayers attach a copy of the completed federal Form 1120-S to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Filing Amended Returns

Any taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return within 90 days of its final determination by the IRS.

The taxpayer must report changes or corrections of the taxpayer's income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The taxpayer must include additional schedules that provide sufficient information for the department to recompute the taxpayer's net income subject to Arizona corporate income tax based on the Revenue Agent Report changes. The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

NOTE: *File amended returns for prior taxable years on the respective Form 120S for those taxable years. Use the 2010 Form 120S to amend only the taxable year 2010.*

Do not file an amended return until the original return has been processed.

Payment of Tax

The entire amount of any tax for which the S corporation itself is liable is due by the original due date of the return. Payments can be made via check, electronic check, money order, or credit card. Visit www.aztaxes.gov to register and make payments via the internet.

Estimated Tax Payments

S corporations that expect an Arizona corporate income tax liability for the taxable year of $1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*.

The Arizona estimated tax payment calculation should include any tax from the recapture of tax credits. This requirement applies whether or not the S corporation itself is subject to tax at the corporate level.

An S corporation that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment which is late or underpaid. For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*.

The Arizona required annual payment of corporate estimated tax for an S corporation is the **smaller** of:

(a) Ninety percent of the taxpayer's Arizona tax liability for the current taxable year; OR

(b) An amount equal to the sum of:

(i) Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

(ii) One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

NOTE: *In order for the taxpayer to base its estimated tax payments on the tax liability described in (b) above, the taxpayer's return filed for the prior taxable year must have been for a period of twelve months.*

Taxpayers required to make Arizona corporate estimated tax payments should use the 2011 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments.

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER.

Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was $20,000 or more must make Arizona corporate estimated tax payments via electronic funds transfer. Taxpayers whose Arizona corporate income tax liability for the preceding taxable year was less than $20,000 may elect voluntary participation in the electronic funds transfer program. If a taxpayer makes its estimated tax payments by electronic funds transfer (EFT), the taxpayer should not submit Form 120ES to the department. Taxpayers who make estimated tax payments via electronic funds transfer must complete the department's electronic funds transfer authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information.

NOTE: *For reporting periods beginning from and after February 28, 2011, taxpayers required to make corporate estimated payments via EFT that fail to do so will be subject to a penalty of 5%. See ARS § 42-1125(O).*

ESTIMATED TAX PAYMENTS VIA THE INTERNET.

Taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make estimated tax payments over the internet. If a taxpayer makes its estimated tax payments via the internet, the taxpayer should not submit Form 120ES to the department.

Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Estimated tax payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Extension of Time to File a Return

The S corporation can apply for an Arizona extension by filing a completed Form 120EXT by the original due date of the return. The S corporation can use a valid federal extension rather than applying for an Arizona extension. Form 120EXT must be used to transmit extension payments via check or money order, whether the S corporation uses a valid federal extension or requests an Arizona extension. Taxpayers that make extension payments over the internet need not file Form 120EXT, unless an Arizona extension is being requested. The S corporation must pay at least 90 percent of the tax liability (including the $50 minimum tax) by the original due date of the return.

The department grants an Arizona extension for a period of six months. Arizona law provides that six months is the maximum extension of time to file that the department may grant. However, Arizona law provides that the department may accept the federal extension for the same period of time as covered by the federal extension.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the S corporation has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the S corporation filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is each 30 day period or fraction thereof between the original due date of the return and the date the S corporation paid the tax. The maximum penalty is 25 percent of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax which may be claimed on the return. The late payment penalty is one-half of one percent (.005) of

the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Information Return Penalty. This form is an information return when no tax liability is due. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is $100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500.

E. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same time as prescribed by IRC § 6621, except that the Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2). On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

F. Underpayment of Estimated Tax Penalty. The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by ARS § 43-582, for the applicable period.

Furnishing Data

The department requests that S corporations attach a copy of the federal return (along with all schedules and attachments) to the Arizona return. ARS § 42-1112 prescribes the schedules required to be included.

Do not send in a blank Arizona return with a copy of the federal return; the return will not process accurately. The taxpayer must furnish complete data. Answer all questions on the return. Complete all applicable schedules and attach all appropriate supplementary schedules.

Records

Every S corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. Refer to Arizona General Tax Ruling GTR 96-1 for more information about record retention requirements.

IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1.

Information question A: (Multistate S Corporations only) check one box to indicate the apportionment formula used by the taxpayer. Air carriers must check the air carrier box and complete Schedule ACA. All non-air carrier taxpayers may choose between the standard sales factor formula or the enhanced sales factor formula, and complete Schedule A. See pages 7 through 9 of these instructions for more information.

Information question G*:* Enter the total number of entity shareholders (exempt organizations, trusts, estates).

NOTE: *The total of the amounts entered for information questions E, F, and G should equal the total number of shareholders.*

Indicate the period covered by the taxable year on page 1 of the return and whether the taxable year is a calendar year or a fiscal year. Indicate whether this return is an original or an amended return.

Enter the S corporation's employer identification number, and Arizona transaction privilege tax number. Subsidiaries would enter the parent S corporation's TIN.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). Taxpayers and paid preparers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number, preparer identification number or the employer identification number of their business.

Line 1 - Total Distributive Income (Loss)

Enter the net total of the pro rata share items of nonseparately computed income (loss) and separately stated income (loss) and deductions (from federal Form 1120-S, Schedule K).

Income Subject to Federal and Arizona Corporate Income Taxes

Was the S corporation subject to the FEDERAL excess net passive income tax, capital gains tax, or built-in gains tax on its federal Form 1120-S? If so, the S corporation is subject to Arizona corporate income tax on this income.

Enter the amount of income which was subject to the federal excess net passive or capital/built-in gains income tax from the federal worksheet included in the instructions for Form 1120-S. (Refer to the instructions for the computation of these taxes in the federal Form 1120-S.)

Lines 5 through 10 - Apportionment Computation (Multistate S Corporations Only)

An S corporation that has income from business activity taxable in more than one state is a multistate S corporation. An S corporation that has income from business activity that is taxable entirely within Arizona is a wholly Arizona S corporation. Wholly Arizona S corporations should skip lines 5 through 10 and go directly to line 11.

Any S corporation that has income from business activity that is taxable both within and without Arizona must allocate and apportion its net income according to the Uniform Division of

Income for Tax Purposes Act (UDITPA), ARS §§ 43-1131 through 43-1150. The instructions for Schedules ACA and A have more detailed information regarding apportionment of income. Carry out the decimal on line 7 to six places.

Line 5 - Nonapportionable or Allocable Income (Multistate S Corporations Only)

Nonbusiness income is nonapportionable and specifically allocable to a particular state. "Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. (ARS § 43-1131(1)).

"Nonbusiness income" means all income other than business income. (ARS § 43-1131(4)). Refer to ARS §§ 43-1134 through 43-1138 for the methods of allocating certain types of nonbusiness income.

Enter the total amount of all income (loss) which is nonapportionable or specifically allocable to Arizona. Attach a schedule that details the amount of nonapportionable income subtracted on page 1, line 5.

Line 7 - Arizona Apportionment Ratio (Multistate S Corporations Only)

Compute the apportionment factors according to the instructions for Schedule ACA or A. Enter the average apportionment ratio from Schedule ACA, line 3, or from Schedule A, line A5, column C, on page 1, line 7.

Line 9 - Other Income Allocated to Arizona (Multistate S Corporations Only)

Enter the total amount of all income (loss) that is specifically allocable to Arizona. DO NOT include the amount of any nonbusiness income which is allocable to another state on this line. Attach a schedule that details the amount of income that is allocable to Arizona.

Arizona Tax Liability Computation

Is the S corporation subject to federal and Arizona corporate income tax, or subject to Arizona corporate income tax from the recapture of the Arizona credits for environmental technology facilities or healthy forest enterprises? If the answer for any of this is yes, the S corporation must complete lines 12 through 34.

Line 12 - Arizona Tax

The S corporation is subject to the tax computed on line 12 only if it has income subject to tax at the corporate level on the federal Form 1120-S, even if line 11 is zero or a negative amount. Pursuant to A.R.S. § 43-1111, the amount of the tax is the greater of $50 or 6.968 percent of the net income subject to Arizona corporate income tax (line 11).

Line 13 - Tax From Recapture of Tax Credits

Enter the amount of tax due from the recapture of tax credits from Form 300, Part II, line 23.

Line 14 - Subtotal

Add lines 12 and 13. This is the amount of tax to which the Clean Elections Fund Tax Reduction and the total amount of tax credits claimed by the taxpayer may be applied.

Line 15 - Clean Elections Fund Tax Reduction

Check box 15**A** to send five dollars to the Clean Elections Fund. Enter the amount of the tax reduction on line 15.

Line 16 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Form 300, Part II, line 45. This amount cannot be larger than the amount on line 14 less the amount on line 15. Attach the completed credit forms to the tax return with Form 300.

- **Defense Contracting Credits.** Taxpayers may claim carryovers of unused tax credits from taxable years 2006 and prior. The carryovers may be carried forward until tax year 2011. Complete Form 302 to claim the carryover of these tax credits.
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a credit for net increases in qualified employment positions. Complete Form 304 to claim this tax credit.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this tax credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Department of Commerce. Be sure to enter only the nonrefundable portion on line 16. Complete Form 308 to claim this tax credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. Complete Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this tax credit.

- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this tax credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** This tax credit is for net increases in qualified employment positions in a healthy forest enterprise. Use Form 332 to claim this tax credit.
- **Credit for Employing National Guard Members.** This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Motion Picture Credits.** Two transferable tax credits exist related to motion pictures. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a tax credit for production costs. Only qualified production costs incurred by December 31, 2010, qualify to be included in the calculation of the income tax credit. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to claim these credits.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this credit.
- **Credit for Water Conservation System Stub Outs.** This tax credit is for the installation of water conservation system stub outs in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 337 to claim this tax credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this credit.

Complete the appropriate credit form for each tax credit. Attach the completed credit form to the tax return with Form 300.

Line 17 - Credit Type

Indicate which nonrefundable tax credits were claimed on line 16 by writing the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Motion Picture Credits	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Water Conservation System Plumbing Stub Outs	337
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341

Line 18 - Arizona Tax Liability

Subtract the sum of lines 15 and 16 from line 14. Line 18 cannot be a negative amount.

Line 19 - Clean Elections Fund Tax Credit

A taxpayer may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax on line 18 or six hundred forty dollars, whichever is higher. Any donation to the fund made with the original 2010 tax return must be claimed on the taxpayer's 2011 tax return. The unused portion of the tax credit may not be carried forward.

Calculation of 2010 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 120S.	$	00
2.	Enter tax from 2010 Form 120S, line 18.	$	00
3.	Multiply amount on line 2 by 20 percent (.20).	$	00
4.		$ 640	00
5.	Enter the larger of line 3 or line 4.	$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 120S, line 19.	$	00

Tax Payments

Line 21 - Refundable Tax Credits

Check the box marked 308 or 342 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 21.

Credit for Increased Research Activities. A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Department of Commerce. The refundable credit applies to taxable years beginning from and after December 31, 2009. Attach your "Certificate of Qualification" from the Department of Commerce and Form 308 to your return. Enter the amount from Form 308, Part V, line 37.

Credit for Renewable Energy Industry. This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Preapproval and postapproval are required through the Department of Commerce. Attach your "Certificate of Qualification" from the Department of Commerce and Form 342 to your tax return to claim this credit. Enter the amount from Form 342, Part IV, line 12.

If you are claiming both tax credits, check both boxes and add the amounts from the credit forms together and enter the total on line 21.

Line 22 - Extension Payments

Original Returns: Enter any payment made with the request for extension of time to file the income tax return or made online by the original due date.

Amended Returns: Enter any payment made with the request for an extension of time to file the original return or made online by the original due date. DO NOT include or enter the amount of any penalties or interest paid.

Line 23 - Estimated Payments

Original Returns: Enter the total amount paid by the S corporation for the taxable year. Attach a schedule listing dates and payments made.

Amended Returns: Enter the total amount of estimated tax payments made by the S corporation for the taxable year. Do not include the amount of any penalties paid, or any reduction for the amount of an overpayment that was designated as an estimated tax payment for 2010 on a prior return.

Line 24 - Total Payments

Original Returns: Add lines 21, 22 and 23. Enter the total.

Amended Returns: Enter the total amount of tax payments made for the taxable year. Compute the total as follows:

- Add the amounts entered on lines 21, 22 and 23.
- Add the amount of a payment sent with the original return (if any);
- Add the amount of any payments made after the original return was filed; and
- Subtract the amount of any overpayment of tax (from the original return, line 26) and the total amount of any overpayments from a Department of Revenue correction notice, a prior amended return, or an audit.
- Do not include or enter the amount of any penalties or interest paid.

Computation of Total Due or Overpayment

Line 25 - Balance of Tax Due

If the amount on line 20 is **larger** than the amount on line 24, there is a balance of tax due. Subtract line 24 from line 20, and enter the difference. Skip line 26.

Line 26 - Overpayment of Tax

If the amount on line 24 is **larger** than the amount on line 20, there is an overpayment of tax. Subtract line 20 from line 24, and enter the difference.

Line 27 - Penalty and Interest

Calculate any penalty and interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 25 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on page 2 of these instructions. Do not include or enter the amount from Form 220. Do not include or enter the amount of the information return penalty for late or incomplete filing on this line.

Line 28 - Estimated Tax Underpayment Penalty

Original returns: The S corporation DOES NOT HAVE TO COMPLETE Form 220, *Underpayment of Estimated Tax by Corporations*, if the S corporation made estimated tax payments equal to 90 percent of the current taxable year's tax liability, and paid in four equal installments. The department will compute the underpayment of estimated tax penalty based on this method and notify the S corporation of any amount due. If the S corporation elects to have the department compute the penalty, do not check box 28**A** or enter an amount on line 28.

The S corporation MUST COMPLETE Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method;
- The adjusted seasonal installment method; or
- An amount, paid in four equal installments, that is equal to the sum of:

  Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

  One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box 28**A**.

Amended returns: Do not recompute the estimated tax underpayment penalty. Enter the amount from line 28 of the original return or the amount from a Department of Revenue correction notice.

Line 29 - Donation to Citizens Clean Elections Fund

Original Returns: Enter the amount of the donation to the fund made on this return.

Amended Returns: Enter the amount of the donation to the fund made on the original return. The amount of the donation cannot be adjusted on an amended return.

Line 30 - Information Return Penalty

Original Returns: If no tax liability is due, and this return is filed late (including extension) or incomplete, enter the amount of the information return penalty on this line. The information return penalty is $100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500.

Amended Returns: Do not recompute the information return penalty. Enter the amount from line 30 of the original return or the amount from a Department of Revenue correction notice.

Line 31 - Total Due

If the taxpayer had a balance of tax due on line 25, add line 25 and lines 27 through 29. Enter the total on line 31. S corporations that do not have a tax liability, enter the amount from line 30. This is the total amount due. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Visit www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Visit www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Visit www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 32 - Overpayment

If the taxpayer had an overpayment of tax on line 26, subtract the total of lines 27 through 29 from line 26. Enter a positive difference on line 32. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 31.

Line 33 - Overpayment Applied to Estimated Tax

Original Returns: The taxpayer may apply part or all of an overpayment reported on line 32 as a 2011 estimated tax payment. Enter the applicable amount on line 33.

Amended Returns: The taxpayer may apply part or all of an overpayment reported on line 32 as a 2011 estimated tax payment, if this amended return is filed during the taxpayer's taxable year 2011. Enter the applicable amount on line 33.

Line 34 - Refund

Subtract line 33 from line 32. Enter the difference. This is the net refund amount.

Schedule ACA - Air Carrier Apportionment Formula

(Multistate S Corporation Air Carriers Only)

ARS §§ 43-1131 through 43-1150 govern the apportionment of income. An S corporation that engages in activities both within and without Arizona must apportion its business income.

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139(B) requires a taxpayer that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. The taxpayer must complete Schedule ACA. Check the box for information question A on page 1. Do not complete Schedule A.

Schedule A - Apportionment Formula

(Non-Air Carrier Multistate S Corporations Only)

ARS §§ 43-1131 through 43-1150 govern the apportionment of income. An S corporation that engages in activities both within and without Arizona must apportion its business income. The S corporation (other than a multistate air carrier) must base the apportionment on property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole unitary business. Complete Schedule A as directed on the form.

For tax years beginning from and after December 31, 2006, non-air carrier multistate S corporations have the opportunity to choose one of two apportionment formulae for calculating the apportionment ratio. Non-air carrier multistate S corporations may select the enhanced sales factor formula in exchange for participating in an economic impact analysis conducted by the Joint Legislative Budget Committee. The department is required to provide the identity of S corporations that use the enhanced sales factor formula to the Joint Legislative Budget Committee. The standard sales factor formula must be used by non-air carrier multistate S corporations not selecting to use the enhanced sales factor formula.

The numerator of the fraction of the standard sales factor formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor plus the payroll factor plus eight times the sales factor. The denominator of the fraction is ten.

Taxpayers using any of the aforementioned apportionment methods shall complete lines 5 through 10 on page 1.

NOTE: *When computing the factors of the apportionment ratio, round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

Line A1 - Property Factor

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate, less the aggregate annual subrental rates paid by subtenants of the taxpayer.

Report real property situated and tangible personal property permanently located in Arizona, if connected with the business, as property within Arizona. Allocate the value of mobile property to Arizona based on the total time that the property was within Arizona.

Compute the property factor on line A1(c) by dividing column A by column B, and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The property factor on line A1(c), column C, will never exceed 100 percent.

Line A2 - Payroll Factor

Report salaries, wages, or other compensation of officers, employees, etc. as within Arizona, if performance of the services occurs here. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state, but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

Compute the payroll factor on line A2 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The payroll factor on line A2, column C, will never exceed 100 percent.

Detailed instructions for the standard sales factor begin at the top of the next column. If you have selected the enhanced sales factor formula, skip ahead to the section titled "Enhanced Sales Factor".

Standard Sales Factor

Check the box for information question A on page 1 of the return to indicate that the standard double weighting of the sales factor will be used to calculate the apportionment ratio on the S corporation's return. Use the number located on the left-hand side of Schedule A, line A3(d), column A, to double weight the sales factor.

Line A3 - Standard Sales Factor

The term "sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income.

Determine sales within Arizona on a destination sales basis.

NOTE: *Multiply the amount entered on line A3(c), column A, of Schedule A (total Arizona sales) by two (double weighted sales factor) on line A3(d), column A. Enter the amount on line A3(e), column A. Do not double the amount on line A3(c), column B, when carrying it down to line A3(e), column B, of Schedule A (everywhere sales of the S corporation).*

The sales factor on line A3(e), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by four, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by four. Enter the average ratio here and on page 1, line 7. Express the ratio as a decimal carried out to six places.

NOTE: *If both the numerator and denominator of a factor are zero, the taxpayer must exclude the factor from the apportionment ratio. Do not exclude a factor if the numerator is zero and the denominator is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Check the box for information question A on page 1 to indicate that the enhanced sales factor formula will be used to calculate the apportionment ratio on the S corporation's return. Use the number located on the right-hand side of line A3(d), column A, to weight the sales factor at eight times.

Line A3 - Enhanced Sales Factor

The term "sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income.

Determine sales within Arizona on a destination sales basis.

NOTE: *Multiply the amount entered on line A3(c), column A, of Schedule A (the total Arizona sales) by eight (enhanced sales factor) on line A3(d), column A. Enter the amount on line A3(e), column A. Do not multiply the amount on line A3(c), column B, by eight when carrying the number down to line A3(e), column B, of Schedule A (the everywhere sales of the S corporation).*

The sales factor on line A3(e), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by ten, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by ten. Enter the average ratio here and on page 1, line 7. Express the ratio as a decimal carried out to six places.

NOTE: *If both the numerator and denominator of a factor are zero, the taxpayer must exclude the factor from the apportionment ratio. Do not exclude a factor if the numerator is zero and the denominator is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Schedule B - Other Information

Answer all questions (B1 through B6) as accurately and completely as possible.

Question B3: List the name, title and telephone number of the individual who Department of Revenue employees may contact to schedule an audit of this return. Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative in a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. If this individual is not a principal officer, or is not designated as an authorized representative in a valid power of attorney, the taxpayer understands and agrees that confidential information may be disclosed to this individual.

ADMINISTRATIVE RELIEF REQUESTS

ARS § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in Arizona. The taxpayer may petition for an alternative method of computing its income attributable to Arizona, or the department may require an alterative method.

A departure from the allocation and apportionment provisions is allowed only in limited cases. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN, the individual preparer's social security number, or preparer identification number.

Schedule K-1(NR) - S Corporation Instructions

Use this schedule for nonresident individual shareholders, nonresident estate shareholders, and nonresident trust shareholders.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 120S, Schedule K-1(NR). Indicate the period covered by the taxable year on the schedule and whether the S corporation's taxable year is a calendar year or a fiscal year. Indicate whether this is an original or an amended schedule.

Column (a) - Distributive Share Amount

Wholly Arizona S corporations - in column (a), enter the distributive share amount for each line item from the federal Form 1120-S, Schedule K-1.

Multistate S corporations - in column (a), enter the nonresident shareholder's distributive share of the multistate S corporation's income (loss) that is subject to apportionment from the federal Form 1120-S, Schedule K-1.

Column (b) - Arizona Apportionment Ratio

Wholly Arizona S corporations - enter 100 percent.

Multistate S corporations - enter the average ratio amount from Form 120S, Schedule A, line A5, column C, or Schedule ACA, line 3. (Refer to Schedule A or Schedule ACA instructions.)

Column (c) - Arizona Source Income

Wholly Arizona S corporations - multiply column (a) by column (b). Enter the result in column (c).

Multistate S corporations - attach a schedule that details (for each line item) the following computation:

Step 1 The shareholder's distributive share of the S corporation's income subject to apportionment multiplied by the average ratio in column (b).

Step 2 The shareholder's distributive share of the S corporation's income (loss) which is specifically allocable to Arizona.

Step 3 The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

NOTE: *Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).*

All S corporations - Column (c) is the shareholder's Arizona source income from the S corporation. Shareholders should refer to the instructions for Form 120S, Schedule K-1(NR), for information on completing their Arizona tax returns.

Shareholder Reporting Requirements are Located on the Following Page

Shareholder Reporting Requirements for 2009

Special Notice For 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that S corporation shareholders may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect the 2009 return of an S corporation shareholder:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on the S corporation's 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on the S corporation's 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on the S corporation's 2009 federal return.

If you have already filed your 2009 return and any of items 1 through 3 above apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

Shareholder Reporting Requirements for 2010

Exempt Organization Shareholders

Exempt organization shareholders must file Form 99T, *Arizona Exempt Organization Business Income Tax Return*, to report the income (loss) from the S corporation. This income (loss) is included in the organization's unrelated business taxable income from the federal Form 990-T.

Resident Individual Shareholders

Resident shareholders are taxable on their entire distributive share of income from the S corporation. The distributive share of income reported on the federal return will flow through to Form 140, *Resident Personal Income Tax Return*.

Nonresident Individual Shareholders

Nonresident shareholders of S corporations operating in Arizona are subject to Arizona income tax on their distributive share of the income (loss) earned by the S corporation in Arizona. Refer to the Form 120S, Schedule K-1(NR). Nonresident shareholders must file Form 140NR, *Nonresident Personal Income Tax Return*, to report this income (loss).

Composite return: The Arizona Department of Revenue will accept a composite return on Form 140NR for nonresident individual shareholders so long as the return includes ten or more participating members.

Estate and Trust Shareholders

Shareholders that are trusts or estates are taxable on their entire distributive share of income from the S corporation. Resident trust or estate distributive share income will flow through to Form 141AZ, *Arizona Fiduciary Income Tax Return*. Nonresident trust or estate distributive share income should be reported on Schedule A of Form 141AZ, *Arizona Fiduciary Income Tax Return*.

ARIZONA FORM
120S
Schedule K-1(NR)

Nonresident Shareholder's Share of Income and Deductions

2010

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

CHECK ONE: Original ☐ Amended ☐

CHECK ONE: Calendar year ☐ Fiscal year ☐

Shareholder's identifying number	S corporation's employer identification number
Shareholder's name, address, and ZIP code	S corporation's name, address, and ZIP code

Shareholder's percentage of stock ownership for the taxable year _____%

	Pro Rata Share Items From Federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers Enter the Amount in Column (c) on:
1	Ordinary income (loss) from trade or business activities				
2	Net income (loss) from rental real estate activities				
3	Net income (loss) from other rental activities				
4	Total - *Add lines 1, 2 and 3*				Line B11
5	Interest				Line B6
6	Dividends				Line B7
7	Royalties				Line B11
8	Net short-term capital gain (loss)				Line B10
9	Net long-term capital gain (loss)				Line B10
10	Net IRC Section 1231 gain (loss)				Line B10
11	Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i)				Line B11
12	Other income (loss)				Line B12
13	IRC Section 179 expense				Line B11
14	Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)				Line B11
15	Other deductions - *attach schedule*				

2010 Nonresident Shareholder's Share of Income and Deductions

Arizona Form
120S
Schedule K-1(NR)

Instructions for Individuals and Fiduciaries

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on Form 140NR line numbers indicated on Form 120S, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 12, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 120S, Schedule K-1(NR), shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trusts and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from an S corporation that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of your Form 120S, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Form 120S, Schedule K-1(NR), has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

Note: The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.

ARIZONA FORM
120W

Estimated Tax Worksheet for Corporations

2011

(Taxpayers Filing Forms 99T, 120, 120A, and 120S)

1	**Arizona tax liability -** *see instructions before completing this line*		1	00
2	**Required annual payment.**			
a	Enter 90 percent of line 1	2a		00
b	Forms 99T, 120, and 120A - *enter the tax as shown on the 2010 return. See instr.*	2b		00
c	Form 120S. *See instructions*	2c		00
d	Forms 99T, 120, and 120A - *enter the smaller of line 2a or line 2b.* Form 120S - *enter the smaller of line 2a or line 2c*	2d		00

		Required Installments - Due Dates and Amounts			
		(a)	(b)	(c)	(d)
3 **Installment due dates.** *See instructions*	3				
4 **Required installments.** Enter 25 percent of line 2d in columns (a) through (d) unless the taxpayer uses the annualized income installment method, the adjusted seasonal installment method or is a "large corporation". *See instr.*	4				

Schedule A - Required Installments Using the Annualized Income or Adjusted Seasonal Installment Methods Under IRC § 6655(e)

Part I - Annualized Income Installment Method

		(a)	(b)	(c)	(d)
1 Annualization periods. *See instructions*	1	First____ Months	First____ Months	First____ Months	First____ Months
2 Enter taxable income for each annualization period	2				
3 Annualization amounts. *See instructions*	3				
4 Annualized taxable income. *Multiply line 2 by line 3*	4				
5 Calculate the tax on the amount in each column on line 4. *See instructions*	5				
6 Enter tax from recapture of tax credits for each payment period - *see instr.*	6				
7 Subtotal tax. *Add lines 5 and 6*	7				
8 Clean Elections Fund Tax Reduction ($5). *See instructions*	8				
9 For each period, enter the amount of nonrefundable tax credits. *See instr.*	9				
10 Arizona tax liability - *subtract the sum of lines 8 and 9 from line 7. If zero or less, enter zero*	10				
11 Clean Elections Fund Tax Credit. *See instructions*	11				
12 Tax liability after Clean Elections Fund tax credit. *Subtract line 11 from line 10*	12				
13 Refundable tax credits - *see instructions*	13				
14 Claim of right adjustment - *see instructions*	14				
15 Net liability - *subtract the sum of line 13 and line 14 from line 12. If less than zero, enter zero*	15				
16 Applicable percentage	16	22.5%	45%	67.5%	90%
17 Multiply line 15 by line 16	17				
18 Add the amounts in all preceding columns from page 2, Part III, line 54 - *see instr.*	18				
19 **Annualized income installments.** Subtract line 18 from line 17. If zero or less, enter zero	19				

Part II - Adjusted Seasonal Installment Method

(**Caution:** *Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.)*

		(a)	(b)	(c)	(d)
		First 3 Months	First 5 Months	First 8 Months	First 11 Months
20 Enter taxable income for the following periods:					
a Taxable year beginning in 2008	20a				
b Taxable year beginning in 2009	20b				
c Taxable year beginning in 2010	20c				
21 Enter taxable income for each period for taxable year beginning in 2011	21				

		(a) First 4 Months	(b) First 6 Months	(c) First 9 Months	(d) Entire Year
22 Enter taxable income for the following periods:					
a Taxable year beginning in 2008	**22a**				
b Taxable year beginning in 2009	**22b**				
c Taxable year beginning in 2010	**22c**				
23 Divide the amount in each column on line 20a by the amount in column (d) on line 22a	**23**				
24 Divide the amount in each column on line 20b by the amount in column (d) on line 22b	**24**				
25 Divide the amount in each column on line 20c by the amount in column (d) on line 22c	**25**				
26 Add lines 23 through 25	**26**				
27 Divide line 26 by three (3)	**27**				
28 Divide line 21 by line 27	**28**				
29 Calculate the tax on the amount in each column on line 28 - *see instructions*	**29**				
30 Divide the amount in columns (a) through (c) on line 22a by the amount in column (d) on line 22a	**30**				
31 Divide the amount in columns (a) through (c) on line 22b by the amount in column (d) on line 22b	**31**				
32 Divide the amount in columns (a) through (c) on line 22c by the amount in column (d) on line 22c	**32**				
33 Add lines 30 through 32	**33**				
34 Divide line 33 by three (3)	**34**				
35 Multiply the amount in columns (a) through (c) of line 29 by the amount in the corresponding column of line 34. In column (d), enter the amount from line 29, column (d)	**35**				
36 Enter tax from recapture of tax credits for each payment period - *see instr.*	**36**				
37 Subtotal tax - *add lines 35 and 36*	**37**				
38 Clean Elections Fund Tax Reduction ($5). *See instructions*	**38**				
39 For each period, enter the amount of nonrefundable tax credits. *See instr.*	**39**				
40 Arizona tax liability - *subtract the sum of lines 38 and 39 from line 37. If less than zero, enter zero*	**40**				
41 Clean Elections Fund Tax Credit. *See instructions*	**41**				
42 Tax liability after Clean Elections Fund tax credit. *Subtract line 41 from line 40*	**42**				
43 Refundable tax credits - *see instructions*	**43**				
44 Claim of right adjustment - *see instructions*	**44**				
45 Net liability - *subtract the sum of line 43 and line 44 from line 42. If less than zero, enter zero*	**45**				
46 Multiply line 45 by 90%	**46**				
47 Add the amounts in all preceding columns from Part III, line 54 - *see instr.*	**47**				
48 **Adjusted seasonal installments.** Subtract line 47 from line 46. If zero or less, enter zero	**48**				

Part III - Required Installments

		(a) 1st Installment	(b) 2nd Installment	(c) 3rd Installment	(d) 4th Installment
49 If only one of the above parts is completed, enter the amount in each column from line 19 or line 48. (If both parts are completed, enter the **smaller** of the amounts in each column from line 19 or line 48.)	**49**				
50 Enter 25% of line 2d on Form 120W in each column. **NOTE:** "Large corporations" see instr. for line 4, found on page 2 of the instructions, for the amount to enter	**50**				
51 Enter the amount from line 53 of this schedule for the preceding column	**51**				
52 Add lines 50 and 51. Enter the total	**52**				
53 If line 52 is more than line 49, subtract line 49 from line 52. Otherwise, enter zero	**53**				
54 **Required Installments.** Enter the **smaller** of line 49 or line 52 here and on Form 120W, page 1, line 4	**54**				

2011 Estimated Tax Worksheet for Corporations

Arizona Form 120W

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Who Is Required To Make Arizona Estimated Tax Payments

Entities filing Forms 99T, 120, 120A, or 120S that expect an Arizona tax liability for the taxable year of at least $1,000 are required to make Arizona estimated tax payments.

A unitary group of corporations filing a combined return on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Specific Instructions

All taxpayers who are required to make estimated tax payments should use Form 120W to compute the required annual payment of estimated tax and the required installments.

Line 1 - Arizona Tax Liability

This amount is the taxpayer's estimated tax liability for the current taxable year. The Arizona tax liability is determined as follows:

(a) Form 120, 120A, and 120S filers – [income tax plus tax from recapture of tax credits] less [the Clean Elections Fund Tax Reduction, nonrefundable tax credits, the Clean Elections Fund Tax Credit, and any refundable tax credits]; or

(b) Form 99T filers – [income tax] less [the Clean Elections Fund Tax Reduction and Clean Elections Fund Tax Credit].

Claim of right adjustments (Forms 120 and 120A): A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 2 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of:

(a) *All taxpayers* - Ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the current taxable year; **or**

(b) *Forms 99T, 120, and 120A* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the prior taxable year.

Form 120S - an amount equal to the sum of: (a) ninety per cent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income and (b) one hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

NOTE: *Forms 99T, 120, and 120A filers must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)*

Form 120S filers may not use one hundred percent of the prior taxable year's tax liability. In addition, Form 120S filers must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (b) above. (See instructions for line 2c.)

Line 2a - (All Taxpayers)

Multiply line 1 by 90 percent. Enter the result on line 2a.

Line 2b - (Forms 99T, 120 and 120A)

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credits and the claim of right adjustment, if applicable). Enter this amount on line 2b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the 2010 taxable year showing at least some amount of tax liability (an amount greater than zero); OR (2) the 2010 taxable year was a period of less than twelve months. Skip line 2b and enter the amount from line 2a on line 2d.

Line 2c - (Form 120S)

Enter an amount on line 2c that is the sum of:

- Ninety percent of the portion of the 2011 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; plus
- One hundred percent of the portion of the 2010 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2010 taxable year was a period of less than twelve months. Skip line 2c and enter the amount from line 2a on line 2d.

Line 2d - (All Taxpayers)

Forms 99T, 120, and 120A: Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

Form 120S: Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

Line 3 - Installment Due Dates

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Note for short period returns: *Enter the installment due dates and number of installments required by the Internal Revenue Service.*

Line 4 - Required Installments

When making estimated tax payments, be sure to take into account any 2010 overpayment that the taxpayer chose to credit against its 2011 Arizona tax liability.

Annualized Income Installment Method and/or Adjusted Seasonal Installment Method

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Schedule A to calculate the amount of one or more required installments using one or both of these methods. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to arrive at the amount of each required installment and to select the lesser of:

- the annualized income installment;
- the adjusted seasonal installment (if applicable); or
- the regular installment (25% of the required annual payment) increased by any reduction recapture under IRC § 6655(e)(1)(B).

Instructions for "Large Corporations" (Forms 120 and 120A)

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 is treated as a single corporation for purposes of applying the large corporation definition.

A. If the taxpayer DOES NOT USE the annualized income installment method or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Form 120W, line 4.

If line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of line 4.

If line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of line 4.
- Determine the amount to enter in column (b) as follows:
  (i) Subtract line 2b from line 2a,
  (ii) Add the result to the amount on line 2a, and
  (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d).

B. If the taxpayer DOES USE the annualized income installment method and/or the adjusted seasonal installment method, use the following instructions to determine the amounts to enter on the Form 120W, Schedule A, Part III, line 50, columns (a) through (d). Then complete the remainder of the lines in Part III of Schedule A. Enter the amounts from Schedule A, Part III, line 54, columns (a) through (d) on Form 120W, line 4, columns (a) through (d).

If Form 120W, line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of Schedule A, Part III, line 50.

If Form 120W, line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of Schedule A, Part III, line 50.
- Determine the amount to enter in column (b) of Schedule A, Part III, line 50 as follows:
  (i) Subtract line 2b from line 2a,
  (ii) Add the result to the amount on line 2a, and
  (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d) of Schedule A, Part III, line 50.

Form 120W, Schedule A

Follow the steps below to determine which parts of the Form 120W, Schedule A, to complete.

- If only the annualized income installment method is used, complete Parts I and III of Schedule A.
- If only the adjusted seasonal installment method is used, complete Parts II and III of Schedule A.
- If both methods are used, complete all three parts of Schedule A.
- All taxpayers: In each column on Form 120W, line 4, enter the amounts from the corresponding column of line 54 of Schedule A.

CAUTION: *Do not compute any required installment until after the end of the month preceding the due date for that installment.*

Part I - Annualized Income Installment Method

Line 1 - Annualization Periods

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Line 3 - Annualization Amounts

Enter the annualization amounts for the option used on line 1.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Line 5 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for 2010 Form 99T, line 4; or 2010 Form 120, line 16; or 2010 Form 120A, line 8; or 2010 Form 120S, line 12.

Line 6 - Tax from Recapture of Tax Credits

Enter the amount of tax due from recapture of the environmental technology facility, healthy forest enterprises and renewable energy industry tax credits .

Line 8 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund Tax Reduction, if applicable. Refer to the instructions for 2010 Form 99T, line 5; or 2010 Form 120, line 19; or 2010 Form 120A, line 11; or 2010 Form 120S, line 15.

Line 9 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2010 Form 120, line 20; or 2010 Form 120A, line 12; or 2010 Form 120S, line 16. Form 99T filers, enter zero.

Line 11 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund Tax Credit, if applicable. Refer to the instructions for 2010 Form 99T, line 6; or 2010 Form 120, line 23; or 2010 Form 120A, line 15; or 2010 Form 120S, line 19.

Line 13 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2010 Form 120, line 25; or 2010 Form 120A, line 17; or 2010 Form 120S, line 21. Form 99T filers, enter zero.

Line 14 - Claim of Right Adjustment (Forms 120 and 120A)

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 18 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 18 *in columns (b) through (d)*, complete the following items in each of the preceding columns: line 19; Part II (if applicable); and Part III.

EXAMPLE: Complete line 19, Part II (if using the adjusted seasonal installment method), and Part III, *in column (a)* before completing line 18 *in column (b)*.

Part II - Adjusted Seasonal Installment Method

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 per cent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six consecutive month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

Line 29 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for 2010 Form 99T, line 4; or 2010 Form 120, line 16; or 2010 Form 120A, line 8; or 2010 Form 120S, line 12.

Line 36 - Tax From Recapture of Tax Credits

Calculate the tax from the recapture of the environmental technology facility credit, the credit for healthy forest enterprises, and the credit for renewable energy industry.

Line 38 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund Tax Reduction, if applicable. Refer to the instructions for 2010 Form 99T, line 5; or 2010 Form 120, line 19; or 2010 Form 120A, line 11; or 2010 Form 120S, line 15.

Line 39 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 20. Calculate this amount using the instructions for 2010 Form 120, line 20; or 2010 Form 120A, line 12; or 2010 Form 120S, line 16. Form 99T filers, enter zero.

Line 41 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund Tax Credit, if applicable. Refer to the instructions for 2010 Form 99T, line 6; or 2010 Form 120, line 23; or 2010 Form 120A, line 15; or 2010 Form 120S, line 19.

Line 43 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate taxable income for the period. Calculate this amount using the instructions for 2010 Form 120, line 25; or 2010 Form 120A, line 17; or 2010 Form 120S, line 21. Form 99T filers, enter zero.

Line 44 - Claim of Right Adjustment (Forms 120 and 120A)

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 47 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 47 in columns (b) through (d), complete lines 48 through 54 in each of the preceding columns.

EXAMPLE: Complete lines 48 through 54 in column (a) before completing line 47 in column (b).

ARIZONA FORM 120X

Arizona Amended Corporation Income Tax Return

2010

For the ☐ calendar year 2010 or ☐ fiscal year beginning M,M,D,D,Y,Y,Y,Y and ending M,M,D,D,Y,Y,Y,Y.

Business telephone number ( )	Please Type or Print	Name	Employer identification number (EIN)
Business activity code number (from federal Form 1120)		Number and street or PO Box	AZ transaction privilege tax number
		City, or town, state, and ZIP code	

65 **Check box if:** ☐ **Name change** ☐ **Address change**

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

A Correction of failure to check correct box on Form 120, question B to: (See instructions)
1 ☐ Separate company **2** ☐ Combined (unitary group) **3** ☐ Consolidated

B Reason for filing Form 120X: **1** ☐ Finalized federal audit (attach copy)
2 ☐ Amended federal return (attach copy) **3** ☐ Arizona adjustments only (See instructions)

C If this amended return includes a capital loss carryback, check the box and write in the year the capital loss originated. ☐ MM / DD / YYYY

D This amended return changes Arizona filing method to: (See instructions)
☐ Separate company ☐ Combined (unitary group)

E Arizona apportionment: (check only one) Multistate corporations only.
☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor

81 66

DO NOT USE THE 2010 FORM 120X TO AMEND A PRIOR TAXABLE YEAR. USE THE FORM 120X FOR THE TAXABLE YEAR BEING AMENDED.

	(a) As originally reported or adjusted	(b) Net change increase or (decrease)		(c) Correct amount	
1 Taxable income	00	00	1		00
2 Additions to taxable income	00	00	2		00
3 Total taxable income - *add lines 1 and 2*	00	00	3		00
4 Subtractions from taxable income	00	00	4		00
5 Arizona adjusted income - *subtract line 4 from line 3.* WHOLLY ARIZONA CORPORATIONS GO TO LINE 13	00	00	5		00
6 Arizona adjusted income - *from line 5.* MULTISTATE CORPORATIONS ONLY	00	00	6		00
7 Nonapportionable or allocable amounts. Multistate corporations only	00	00	7		00
8 Adjusted business income - *subtract line 7 from line 6.* Multistate corporations only	00	00	8		00
9 Arizona apportionment ratio - *from Schedule C or Schedule ACA*	•		9	•	
10 Income apportioned to Arizona - *multiply line 8 by line 9.* Multistate corporations only	00	00	10		00
11 Other income allocated to Arizona. Multistate corporations only	00	00	11		00
12 Income attributable to Arizona - *add lines 10 and 11.* Multistate corporations only	00	00	12		00
13 Arizona income before NOL - *from line 5 or line 12*	00	00	13		00
14 Arizona basis net operating loss carryforward - **attach computation schedule**	00	00	14		00
15 Arizona taxable income - *subtract line 14 from line 13*	00	00	15		00
16 Enter tax. *Tax is 6.968 percent of line 15 or $50, whichever is greater*	00	00	16		00
17 Tax from recapture of tax credits - *from Form 300, Part II, line 23*	00	00	17		00
18 Subtotal - *add lines 16 and 17*	00	00	18		00
19 Clean Elections Fund Tax Reduction claimed on original return	00	00	19		00
20 Nonrefundable tax credits - *from Form 300, Part II, line 45*	00	00	20		00
21 Credit type - *enter form number for each nonrefundable credit claimed* 21 3 3 3 3					
22 Tax liability - *subtract the sum of lines 19 and 20 from line 18*	00	00	22		00
23 Clean Elections Fund Tax Credit. *See instructions before completing this line*	00	00	23		00
24 Tax liability after Clean Elections Fund tax credit - *subtract line 23 from line 22*	00	00	24		00
25 Refundable tax credits. Check box(es) and enter amount(s) 25 ☐ 308 ☐ 342	25	00			
26 Payments (extension, estimated)	26	00			
27 Payment with original return **plus** all payments after it was filed - *from page 2, Schedule D*	27	00			
28 Total payments - *see instructions*			28		00
29 Overpayment, if any, as shown on original return or as later adjusted - *see instructions*			29		00
30 Total payments applied to amended tax liability - *subtract line 29 from line 28*			30		00
31 **TOTAL DUE -** *if line 24(c) is larger than line 30, enter the total due*			31		00
32 Penalty and Interest			32		00
33 Payment enclosed			33		00
34 **OVERPAYMENT -** *if line 30 is larger than line 24(c), enter the overpayment*			34		00
35 Amount of line 34 to be applied to 2011 estimated tax	35	00			
36 Amount to be refunded - *subtract line 35 from line 34*			36		00

ADOR 10341 (10)
Previous ADOR 91-0029

Schedule C - Apportionment Formula (Multistate Corporations Only)

See instructions, pages 5 and 6.

NOTE: Qualifying air carriers must use Schedule ACA

	Column A Total Within Arizona Round to the Nearest Dollar	Column B Total Everywhere Round to the Nearest Dollar	Column C Ratio Within Arizona A ÷ B
C1 Property Factor			
Value of real and tangible personal property (by averaging the value of owned property used at the beginning and end of the tax period; rented property at capitalized value)			
a. Owned property (at original cost):			
Inventories			
Depreciable assets - (do not include Construction in Progress)			
Land			
Other assets - (describe) _____			
Less: Nonbusiness property (if included in above totals)	( )	( )	
Total of section a			
b. Rented property (capitalize at 8 times net rental paid)			
c. Total owned and rented property (section a total plus section b)			.
C2 Payroll Factor			
Total wages, salaries, commissions and other compensation to employees (per federal Form 1120 or payroll reports)			.
C3 Sales Factor			
a. Sales delivered or shipped to Arizona purchasers			
b. Other gross receipts			
c. Total sales and other gross receipts			
d. Weight Arizona sales - *(STANDARD uses X 2; ENHANCED uses X 8)*	X 2 OR X 8		
e. Sales factor (for column A - multiply item c by item d; for column B - enter the amount from item c)			.
C4 Total ratio - add C1(c), C2, and C3(e), in column C			.
C5 Average apportionment ratio - divide C4, column C, by the denominator (*STANDARD divides by four (4); ENHANCED divides by ten (10)*). Enter the result in column C, and on page 1, line 9(c)			.

Schedule D - Schedule of Payments (List payment date and amount).

1 Payment with original return _____

2 Payment after original return filed _____

3 Payment after original return filed _____

4 Total - *add lines 1, 2 and 3* _____

Schedule E - Explanation of Changes (See instructions, page 6).

_____

_____

_____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Officer's signature | Date | Title

Officer's signature | Date | Title

Paid Preparer's Use Only

Preparer's signature | Date | Preparer's EIN, PTIN or SSN

Firm's name (or preparer's, if self-employed) | Firm's ☐ EIN or ☐ SSN

Firm's address | Zip code | ( ) Firm's telephone number

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Use of 2010 Form 120X

Use the 2010 form to amend only the 2010 Form 120 or Form 120A, as originally filed, or as it was later adjusted by an amended return, Department of Revenue correction notice, or an audit, whichever is latest.

File an amended return for a prior taxable year on the Form 120X for that taxable year. Do not use the 2010 Form 120X to file an amended return for a prior taxable year.

NOTE: *If you need to amend a year prior to 2010, Form 120X for prior years are available on the department's website at* www.azdor.gov/Forms/Corporate.aspx.

If an amended return is filed for a taxable year prior to 2003, attach a copy of the original Arizona return.

When to File Form 120X

Form 120X may be filed only after the taxpayer has filed its original tax return (Form 120 or Form 120A) for the taxable year 2010. Generally, Form 120X must be filed within four years after the date the original return was due or after the date that the taxpayer filed it, whichever was later.

Do not file an amended return until the original return has been processed.

Reporting of Federal Amended Return Changes or Finalized Revenue Agent Report (RAR)

A taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return within 90 days of its final determination by the IRS.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

Consolidated Return Election

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The common parent must make the election by the due date, including extensions, for filing the original return. A taxpayer may file the 2010 Form 120X to change its method of filing to consolidated for the taxable year 2010 only if the 2010 Form 120X is filed by the due date, including extensions, of the taxpayer's 2010 Form 120.

Refer to the 2010 Form 120 instructions for more information about the requirements for the election to file on a consolidated basis.

Required Attachments to Form 120X

Attach any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s).

CHANGING THE ARIZONA APPORTIONMENT RATIO (FOR AIR CARRIERS)? Attach Schedule ACA.

REPORTING FEDERAL AMENDED RETURN CHANGES? Attach a copy of the amended return with all applicable schedules.

REPORTING FINALIZED RAR CHANGES? Attach a copy of the RAR with all applicable schedules.

CHANGING THE ARIZONA METHOD OF FILING (INFORMATION QUESTION D)? Complete Form 51, *Combined or Consolidated Return Affiliation Schedule,* according to the Form 51 instructions and attach it to Form 120X.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. If this is a consolidated return, enter the common parent corporation's name and address. The name for a consolidated return should include the phrase "and affiliates." If this is a combined return, enter the name and address of the corporation under which the group is filing. The name for the combined return should include either the phrase "and unitary affiliates" or "and unitary subsidiaries," whichever is applicable.

Indicate the period covered by the taxable year, and whether the taxable year is a calendar year or a fiscal year.

Information question A: If the correct box WAS NOT CHECKED on the 2010 Form 120, information question B, indicate the correct method of filing by checking the appropriate box. Explain the correction on the 2010 Form 120X, Schedule E.

If the correct box WAS CHECKED on the 2010 Form 120, information question B: (i) do not check any boxes for information question A and (ii) answer information question D, if Form 120X is being filed to change the Arizona method of filing.

Information question B: Check the Arizona adjustments only box if the amended return is being filed to report only state changes. State change examples include adjustments to the apportionment ratio and adjustments to either additions to or subtractions from federal taxable income.

Information question C: If this amended return is filed to incorporate a capital loss carryback, check the box and write in the month, day and year the capital loss originated.

Information question D: If this amended return is filed to change the Arizona method of filing, check the appropriate box. Complete the Form 120X, Schedule E, to explain the changes. Attach a completed Form 51 to Form 120X.

Information question E: If this amended return includes changes to the Arizona apportionment ratio, check the appropriate box. Complete Form 120X, Schedule C, (or attach a revised Schedule ACA, if applicable) and explain the changes on Schedule E.

Enter the corporation's employer identification number, which is the taxpayer identification number (TIN). If this is a consolidated return, enter the TIN of the common parent corporation. If this is a combined return, enter the TIN of the corporation under which the group is filing.

Enter the corporation's Arizona transaction privilege tax number.

- If this is a consolidated return, enter the common parent corporation's Arizona transaction privilege tax number. If the common parent does not have an Arizona transaction privilege tax number, leave the box blank.
- If this is a combined return, enter the Arizona transaction privilege tax number of the corporation under which the group is filing. If this corporation does not have an Arizona transaction privilege tax number, leave the box blank.

All returns, statements, and other documents filed with the department require a TIN. Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Lines 1 through 8, lines 10 through 18, line 20, and lines 22 through 24 -

NOTE: *Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for a particular line.*

- **Column (a)**: Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice, whichever is latest.
- **Column (b)**: Enter the amount(s) of any change(s). Attach any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Bracket all decreases entered in column (b).
- **Column (c)**: Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result here. If the line has not been changed, enter the amount from column (a) in column (c).

Line 9 - Apportionment Ratio
(Multistate Taxpayers Only)

If the apportionment ratio is being amended, enter the amended apportionment ratio in column (c) from page 2, Schedule C, line C5, or from Schedule ACA, line 3. If the apportionment ratio is not being amended, enter the apportionment ratio from the 2010 Form 120, page 1, line 9, or as adjusted by any prior audit or amended return, whichever is latest. The taxpayer must carry out the ratio on line 9 to six places.

Refer to the Schedule ACA or Schedule C instructions for more information. Do not enter an amount on page 1, line 9, before reading the Schedule ACA or Schedule C instructions.

Line 16 - Arizona Tax

Multiply Arizona taxable income [line 15(c)] by 6.968 percent. If the computed amount of tax is less than $50, enter the minimum tax of $50. Every corporation required to file a return shall pay a $50 minimum tax in accordance with A.R.S. § 43-1111.

Combined or consolidated returns - a unitary group or an Arizona affiliated group is considered a single taxpayer. The minimum tax is imposed on the single taxpayer rather than on each corporation within the group.

Line 17 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture tax credits from Form 300, Part II, line 23.

Line 18 - Subtotal

Add lines 16 and 17. This is the amount of tax to which the Clean Elections Fund tax reduction and the total amount of tax credits claimed by the taxpayer may be applied.

Line 19 - Clean Elections Fund Tax Reduction

Enter the amount of Clean Elections Fund tax reduction claimed on your original return in column (a) and in column (c).

Line 20 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Form 300, Part II, line 45. This amount cannot be larger than the amount on Form 120X, line 18, less the amount on Form 120X, line 19.

- **Defense Contracting Credits.** Taxpayers may claim carryovers of unused tax credits from taxable years 2006 and prior. The carryovers may be carried forward until tax year 2011. Complete Form 302 to claim the carryover of these tax credits
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a tax credit for net increases in qualified employment positions. Complete Form 304 to claim this credit.

- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this credit.
- **Military Reuse Zone Credit.** This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this credit.
- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009 may be refundable with approval from the Arizona Department of Commerce. Be sure to enter only the nonrefundable portion on line 20. Complete Form 308 to claim this credit.
- **Pollution Control Credit.** This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Form 315 to claim this credit.
- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power.** This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Form 318 to claim this credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets.** This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this credit.
- **Agricultural Pollution Control Equipment Credit.** This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 to claim this credit.
- **Credit for Donation of School Site.** This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** This tax credit is for net increases in qualified employment positions as a healthy forest enterprise. Use Form 332 to claim this tax credit.
- **Credit for Employing National Guard Members.** This credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Motion Picture Credits.** Two transferable tax credits exist related to motion pictures. Motion picture production companies that produce motion pictures, commercials, music videos, or television series completely or partially in Arizona may claim a tax credit for production costs. Only qualified production costs incurred by December 31, 2010, qualify to be included in the calculation of the income tax credit. A tax credit for investments in motion picture infrastructure projects in Arizona is also available. Use Form 334 to claim these credits.
- **Credit for Corporate Contributions to School Tuition Organizations.** This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Use Form 335 to claim this credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Use Form 336 to figure this credit.
- **Credit for Water Conservation System Plumbing Stub Outs.** This tax credit is for the installation of water conservation system plumbing stub outs in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 337 to claim this credit.
- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities.** This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Use Form 341 to claim this credit.

Complete the appropriate credit forms for each credit. Attach the completed credit forms to Form 120X with Form 300, whether or not the amount claimed on line 20 has been changed.

Line 21 - Credit Type

Indicate which tax credits were claimed on line 20 by writing the applicable form number(s) in the space provided. Complete this line whether or not the amount of tax credits claimed on line 20 has been changed.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Motion Picture Credits	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Water Conservation System Plumbing Stub Outs	337
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341

Line 23 - Clean Elections Fund Tax Credit

A taxpayer may claim a tax credit on the 2010 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2010; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2009 tax return.

The 2010 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax liability on line 22(c) or six hundred forty dollars, whichever is higher.

A taxpayer may not claim a tax credit on the 2010 tax return for a donation to the fund made with the 2010 tax return (Form 120 or Form 120A). If a taxpayer makes a donation to the fund on the 2010 tax return, the taxpayer may only claim a tax credit for the donation on the taxpayer's 2011 tax return. The tax credit is nonrefundable and the unused portion of the tax credit may not be carried forward.

Calculation of 2010 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2010 PLUS the amount donated to the fund with the 2009 Form 120 or 2009 Form 120A.	$	00
2.	Enter tax from 2010 Form 120X, line 22(c).	$	00
3.	Multiply amount on line 2 by 20 percent (.20).	$	00
4.		$ 640	00
5.	Enter the larger of line 3 or line 4.	$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2010 Form 120X, line 23(c).	$	00

Line 25 - Refundable Tax Credits

Check the box marked 308 or 342 to indicate which of these tax credits the taxpayer is claiming. Enter the amount of the credit claimed on line 25.

Credit for Increased Research Activities. A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Department of Commerce. The refundable credit applies to taxable years beginning from and after December 31, 2009. Attach your "Certificate of Qualification" from the Department of Commerce and Form 308 to your return. Enter the amount from Form 308, Part V, line 37.

Credit for Renewable Energy Industry. This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Preapproval and postapproval are required through the Department of Commerce. Attach your "Certificate of Qualification" from the Department of Commerce and Form 342 to your tax return to claim this credit. Enter the amount from Form 342, Part IV, line 12.

If you are claiming both tax credits, check both boxes and add the amounts from the credit forms together and enter the total on line 25.

Line 26 - Payments (Extension, Estimated)

Enter the total amount from the original return (2010 Form 120, lines 26 and 27; or 2010 Form 120A, lines 18 and 19).

Line 27 - Payment With Original Return (Plus All Additional Payments After It Was Filed)

Enter the amount from page 2, Schedule D, line 4.

Line 28 - Total Payments

Add lines 25, 26 and 27. Enter the total.

NOTE FOR CLAIM OF RIGHT RESTORATION: *If the tax for the taxable year 2010 was computed under the provisions for a claim of right restoration, line 28 also includes the credit for the tax reduction for prior taxable year(s). Refer to Arizona Corporate Income Tax Procedure CTP 95-3 for further information. Write "ARS § 43-1130.01" and the total amount of the tax reduction for prior taxable year(s) in the space to the left of the total payment amount entered on line 28. The amount entered on line 28 is the total of lines 25, 26 and 27 and the tax reduction for prior taxable year(s). Attach a schedule computing the tax reduction for the prior taxable year(s).*

Line 29 - Overpayment From Original Return or as Later Adjusted

Enter the amount of any overpayment of tax from the original return (2010 Form 120, line 35, or 2010 Form 120A, line 27), and the total amount of any overpayments of tax from a Department of Revenue correction notice, a previously filed amended return (2010 Form 120X, line 34), or an audit.

Line 31 - Total Due

If line 24(c) is **larger** than line 30, enter the difference. This is the amount of tax due.

Line 32 - Penalty and Interest

Calculate any penalty and interest due. Calculate interest on the amount shown on line 31 at the prevailing rate. The interest period is from the original due date of the return to the payment date, and is compounded annually.

Line 33 - Payment Enclosed

Add lines 31 and 32, and enter the total here. This amount must be paid with the amended return. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Corporate taxpayers must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 34 - Overpayment

If line 30 is **larger** than line 24(c), enter the difference. This amount is the overpayment from this amended return.

Line 35 - Amount to be Applied to 2011 Estimated Taxes

The taxpayer may apply part or all of an overpayment reported on line 34 as a 2011 estimated tax payment, if this amended return is filed during the taxpayer's taxable year 2011. Enter the applicable amount on line 35. If the taxpayer wants the entire line 34 amount to be refunded, enter zero.

Line 36 - Amount to be Refunded

Subtract line 35 from line 34, and enter the difference. This is the net refund amount.

Schedule ACA – Air Carrier Apportionment Formula
(Multistate Air Carriers Only)

Schedule ACA must be completed and attached only if the 2010 Form 120X is filed to amend the apportionment ratio. [The taxpayer must complete Schedule ACA to amend the apportionment ratio originally computed on Schedule ACA or if the taxpayer incorrectly used the Form 120, Schedule C, rather than Schedule ACA to compute the apportionment ratio.] If the apportionment ratio is not being amended, enter the apportionment ratio from the 2010 Form 120 or as adjusted by any prior audit or amended return, whichever is latest, on the Form 120X, page 1, line 9, in column (a) and column (c).

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139 requires a taxpayer that is a qualifying air carrier to use an alternate apportionment method to apportion its business income to Arizona.

The taxpayer must be engaged in air commerce. “Air commerce” means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50 percent or more of the taxpayer’s gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

Schedule C – Apportionment Formula
(Non-Air Carrier Multistate Taxpayers Only)

Schedule C must be completed only if the 2010 Form 120X is filed to amend the apportionment ratio (if the taxpayer was required to use Schedule C). If the apportionment ratio is not being amended, enter the apportionment ratio from the 2010 Form 120 or as adjusted by any prior audit or amended return, whichever is latest, on the Form 120X, page 1, line 9, in column (a) and column (c).

ARS § 43-1139 (Allocation of business income) provides that the apportionment ratio is a fraction. For taxable years beginning from and after December 31, 2006, non-air carrier taxpayers may choose between the standard sales factor formula and the enhanced sales factor formula. For the standard sales factor formula, the numerator of the fraction is the property factor, plus the payroll factor, plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor, plus the payroll factor, plus eight times the sales factor. The denominator of the fraction is ten.

Determine sales within Arizona on a destination sales basis.

NOTE: *When computing the factors of the apportionment ratio, round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

For more detailed instructions with respect to the Standard Sales Factor or the Enhanced Sales Factor, see the instructions for 2010 Form 120.

Standard Sales Factor

Line C3(e) -

NOTE: *Multiply the amount entered on line C3(c), column A, the total Arizona sales, by two (double weighted sales factor) on line C3(d), column A. Enter the result on line C3(e), column A. Do not double the amount entered on line C3(c), column B, the everywhere sales of the taxpayer.*

EXAMPLE: The taxpayer has total Arizona sales of $100,000 and total everywhere sales of $1,000,000. On line C3(e), column A, enter $200,000 of Arizona sales. On line C3(e), column B, enter $1,000,000 of everywhere sales for the taxpayer.

The sales factor ratio in column C of line C3(e) may, in certain circumstances, exceed 100 percent. However, since the total ratio (line C4) is divided by four, the average ratio (line C5) will not exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C, by four. Enter the average ratio amount here and on page 1, line 9, column (c). Express the ratio as a decimal carried out to six places.

NOTE: *The taxpayer must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor from the total ratio (line C4, column C) if the numerator of a factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Line C3(e) -

NOTE: *Multiply the amount entered on line C3(c), column A, the total Arizona sales, by eight on line C3(d), column A. Enter the result on line C3(e), column A. Do not multiply the amount entered on line C3(c), column B, the everywhere sales of the taxpayer, by eight.*

EXAMPLE: The taxpayer has total Arizona sales of $100,000 and total everywhere sales of $1,000,000. On line C3(e), column A, enter $800,000 of Arizona sales. On line C3(e), column B, enter $1,000,000 of everywhere sales for the taxpayer.

The sales factor ratio in column C of line C3(e) may, in certain circumstances, exceed 100 percent. However, since the total ratio (line C4) is divided by ten, the average ratio (line C5) will not exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C, by ten. Enter the average ratio amount here and on page 1, line 9, column (c). Express the ratio as a decimal carried out to six places.

NOTE: *The taxpayer must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor from the total ratio (line C4, column C) if the numerator of a factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Schedule D – Schedule of Payments

List the payment sent with the original return and all payments made by the taxpayer after the original return was filed.

If additional space is required to list all of the payments, prepare a schedule (in the same format) labeled "Schedule D – Schedule of Payments" and attach the schedule to Form 120X.

DO NOT include the claim of right credit computed under ARS § 43-1130.01 in this schedule.

DO NOT include amounts paid for penalties and interest or payments reported on page 1, line 26.

Enter the total on Schedule D, line 4, and on page 1, line 27.

Schedule E – Explanation of Changes

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled "Schedule E – Explanation of Changes" and attach the schedule to the Form 120X. Include any necessary supporting documentation with the return.

Certification

One or more of the following officers (president, treasurer, or any other principal officer) must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.

Interest

The department will calculate any interest due and will either include it in the refund or bill the taxpayer for the interest.

Obtain information and current interest rates by contacting one of the numbers listed on page 1 of these instructions. Interest rate tables are also available on the department's internet home page at the address listed on page 1 of these instructions.

ARIZONA FORM
122

Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Attach to your return.
(Please type or print.)

For the first taxable year a consolidated return is filed, this form must be completed by each subsidiary, and attached to the return.

Name	Employer identification number
Number and street or PO Box	
City or town, state, and ZIP code	
Name of common parent corporation	Employer identification number

The subsidiary corporation named above authorizes its common parent corporation to include it in a consolidated return for the taxable year indicated. The authorization also applies to each succeeding taxable year, unless the department consents to a change of filing method.

Signature

Under penalties of perjury, I declare that the subsidiary named above has authorized me to sign this form on its behalf, that I have examined this form and the information contained herein, and to the best of my knowledge and belief, it is correct and complete.

Signature of corporate officer	Title	Date
Name of corporate officer (print or type)		( ) Telephone number

Purpose of Form

The common parent of an affiliated group that files a federal consolidated return may elect to file an Arizona consolidated return. The election by the common parent is effective only if it is accompanied by written consents to the election signed by each of the members of the affiliated group. This form is used by each of the subsidiary corporations included in the affiliated group to consent to the election made by the common parent. The consent form must be signed by a current officer of each subsidiary in the affiliated group.

NOTE: Refer to ARS § 43-947 and Form 120 instructions for further information regarding the election to file an Arizona consolidated return.

Elections for Taxable Years Beginning From and After December 31, 1993

The election must be made by the common parent on or before the due date, including any extensions, for filing the original return (Form 120). The completed Form(s) 122 must be attached to Form 120 filed with the department for the first taxable year a consolidated return is filed. The consent form must be signed by a current officer of each subsidiary in the affiliated group.

How to Make an Election to File an Arizona Consolidated Return

- Complete a separate Form 122 for each subsidiary included in the federal affiliated group for the taxable year for which the election is made. The Form 122 for each subsidiary must be signed by a current officer of that subsidiary.

- File all of the completed Form(s) 122 (for each subsidiary included in the federal affiliated group) AND the tax return by the due date, including extensions, for filing the original return.

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ARIZONA FORM 165

Arizona Partnership Income Tax Return

2010

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

CHECK ONE: Original ☐ Amended ☐			CHECK ONE: Calendar year ☐ Fiscal year ☐
Business telephone number ( )	Please Type or Print	Name	Employer identification number (EIN)
		Number and street or PO Box	
Business activity code number (from federal Form 1065)		City, or town, state, and ZIP code	AZ transaction privilege tax number

68 Check box if: ☐ This is a first return ☐ Name change ☐ Address change

82 CHECK BOX IF: Return filed under extension. 82 E ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

81 66

A DBA _____

B Will a composite return be filed on Form 140NR? ☐ Yes ☐ No

C Total number of nonresident individual partners _____

D Total number of resident individual partners _____

E Total number of entity partners (see instructions, page 2) _____

F Date business commenced MM / DD / YYYY.

G Arizona apportionment - (check only one) Multistate partnerships only.
☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor

		YES	NO
H	Is this the partnership's final return?		
I	Did you file 2008 and 2009 Arizona partnership returns? If no, state reason _____		
J	Have you filed amended federal partnership returns for prior years?		
	If yes, list years _____		
K	Have you attached a copy of your federal Form 1065 and supporting schedules to this return, including Schedule(s) K-1?		
L	Has the Internal Revenue Service made any adjustments in any federal income tax return filed by the partnership not previously reported to the department? If yes, indicate year(s) _____ , and submit under separate cover a copy of the IRS report as finally determined		

M The partnership books are in care of: located at:

Adjustment of Partnership Income From Federal to Arizona Basis

1	Federal ordinary business and rental income - *from Form 1065, Schedule K. See instructions*				1	00
Schedule A - Additions to Partnership Income						
A1	Total federal depreciation	A1		00		
A2	Non-Arizona municipal bond interest	A2		00		
A3	Capital investment by certified defense contractor	A3		00		
A4	Additions related to Arizona tax credits	A4		00		
A5	Other additions to partnership income	A5		00		
2	Total additions to partnership income - *add lines A1 through A5*				2	00
3	Subtotal - *add lines 1 and 2*				3	00
Schedule B - Subtractions From Partnership Income						
B1	Recalculated Arizona depreciation - *see instructions*	B1		00		
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year - *see instructions*	B2		00		
B3	Interest from U.S. government obligations	B3		00		
B4	Difference in adjusted basis of property	B4		00		
B5	Agricultural crops charitable contribution - *see instructions*	B5		00		
B6	Capital investment by certified defense contractor	B6		00		
B7	Sale of new energy efficient residence(s) - *see instructions*	B7		00		
B8	Other subtractions from partnership income	B8		00		
4	Total subtractions from partnership income - *add lines B1 through B8*				4	00
5	Partnership income adjusted to Arizona basis - *subtract line 4 from line 3*				5	00
6	Net adjustment of partnership income from federal to Arizona basis - *subtract line 1 from line 5*				6	00

Penalty

7	Penalty for late filing or incomplete filing - *see instructions*	7	00

Schedule C - Apportionment Formula (Multistate Partnerships Only)

See instructions, pages 7 and 8.

NOTE: Qualifying air carriers must use Schedule ACA

	Column A Total Within Arizona Round to the Nearest Dollar	Column B Total Everywhere Round to the Nearest Dollar	Column C Ratio Within Arizona A ÷ B
C1 Property Factor			
Value of real and tangible personal property (by averaging the value of owned property used at the beginning and end of the tax period; rented property at capitalized value)			
a. Owned property (at original cost):			
Inventories			
Depreciable assets - (do not include Construction in Progress)			
Land			
Other assets - (describe) _____			
Less: Nonbusiness property (if included in above totals)	( )	( )	
Total of section a			
b. Rented property (capitalize at 8 times net rental paid)			
c. Total owned and rented property (section a total plus section b)			•
C2 Payroll Factor			
Total wages, salaries, commissions and other compensation to employees (per federal Form 1065 or payroll reports)			•
C3 Sales Factor			
a. Sales delivered or shipped to Arizona purchasers			
b. Other gross receipts			
c. Total sales and other gross receipts			
d. Weight Arizona sales - *(STANDARD uses X 2; ENHANCED uses X 8)*	X 2 OR X 8		
e. Sales factor (for column A - multiply item c by item d; for column B - enter the amount from item c)			•
C4 Total ratio - add C1(c), C2, and C3(e), in column C			•
C5 Average apportionment ratio - divide line C4, column C, by the denominator (*STANDARD divides by four (4); ENHANCED divides by ten (10)*). Enter the result in column C and on the Arizona Form 165, Schedule K-1(NR) in column (b)			•

Schedule D - Business Information

Describe briefiy the nature and location(s) of the partnership's **Arizona business activities:**

_____

_____

Describe briefiy the nature and location(s) of the partnership's **business activities outside of Arizona:**

_____

_____

Schedule E - Partner Information

Prepare a schedule that lists each partner's name, address, TIN, and pro rata share of the amount shown on line 5. Label the listing as "Schedule E - Partner Information" and attach the schedule immediately after page 2 of Form 165.

Certification I, the undersigned partner of the partnership for which this return is made, certify under penalty of perjury, that this return, including the accompanying schedules and statements, has been examined by me and is to the best of my knowledge and belief, a correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please Sign Here

Partner's signature _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Preparer's EIN, PTIN or SSN _____

Firm's name (or preparer's, if self-employed) _____ Firm's ☐ EIN or ☐ SSN _____

Firm's address _____ Zip code _____ ( ) Firm's telephone number _____

Attach all schedules to this return including federal Form 1065 and federal Schedule(s) K-1 (Form 1065).

Mail to: Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

Special Notice For 2009 Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that partnerships may have to file an amended return and provide amended Schedule K-1 and K-1(NR) to its partners for 2009.

If the partnership made a cash gift during 2010 to aid Haiti earthquake victims and deducted that contribution on the partnership's 2009 federal return, the partnership's 2009 Arizona return is affected. If the partnership has already filed its 2009 Arizona return, the partnership must file an amended Arizona return to subtract the contribution to adjust partnership income to Arizona basis. The partnership must also provide amended Schedule K-1 and K-1(NR) to its partners for 2009.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

General Instructions

Who Must Use Form 165

File Arizona Form 165 for every domestic partnership including syndicates, groups, pools, joint ventures, and every foreign partnership (syndicate, pool, etc.) doing business in Arizona.

Entity Classification Under the Federal "Check-the-Box Rules"

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to Arizona Partnership Tax Ruling PTR 97-1 for further information.

Limited Liability Companies

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company is classified as a partnership, or as a corporation, or is disregarded as an entity as determined under the Internal Revenue Code as defined in ARS § 43-105. A limited liability company classified as a partnership for federal tax purposes must file Form 165. A limited liability company classified as a corporation for federal tax purposes must file Form 120. A limited liability company classified as a corporation for federal tax purposes that makes a valid federal election to be taxed as an S corporation must file Form 120S. A single member limited liability company that is disregarded as an entity for federal tax purposes is included in the Arizona return of its owner. Refer to Arizona Partnership Tax Ruling PTR 97-2 for further information.

Taxable Year Covered by Return

The partnership must have the same taxable year for Arizona purposes as it has for federal purposes. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year.

Filing Original Returns

Returns are due by the 15th day of the fourth month following the close of the taxable year (April 18, in the case of a 2010 calendar year return). If the partnership has a valid federal or Arizona extension, file the return by the extended due date. If the partnership files under an extension, the taxpayer must check box 82E, on page 1 of the return. Attach a copy of the completed federal Form 1065 and supporting schedules to the Arizona return. File the return with the Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.

Extension of Time to File a Return

The partnership can apply for an Arizona extension by filing a completed Form 120EXT by the original due date of the return. The partnership can substitute a valid federal extension for an Arizona extension.

NOTE: *For taxable years beginning on or after January 1, 2009, Arizona's extension conforms to the federal extension, which allows partnerships an additional five months after the original due date to file the income tax return. See Arizona Partnership Tax Ruling (PTR) 09-1.*

Composite returns: Use Form 204 to request an extension of time to file a composite return on Form 140NR for qualifying nonresident individual partners.

Filing Amended Returns

Any taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return on Form 165 within 90 days of its final determination by the IRS.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The taxpayer must include additional schedules that provide sufficient information for the department to recompute the taxpayer's Arizona taxable income based on the Revenue Agent Report (RAR) changes. The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

NOTE: *File amended returns for prior taxable years on Form 165 for those taxable years. Use the 2010 Form 165 to amend only the taxable year 2010.*

Do not file an amended return until the original return has been processed.

Records

The partnership should maintain books and records substantiating information reported on the return and keep these documents for inspection. Arizona General Tax Ruling GTR 96-1 discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

Partnerships should complete three copies of Form 165, Schedule K-1 or Schedule K-1(NR) for each partner. File one copy of each partner's Schedule K-1 with the partnership's Form 165. Provide all partners with a copy of their Schedule K-1. Retain a copy for the partnership's records.

OPTIONAL REPORTING FORMAT FOR FORM 165, Schedule K-1 and Schedule K-1(NR): The Department of Revenue will accept a hard copy spreadsheet that contains all the requested information or the information may be submitted on electronic media as a Microsoft Excel spreadsheet or pdf file on a CD-ROM or DVD. The chosen media must be Microsoft Windows compatible.

Taxpayers submitting the information on CD-ROM or DVD should secure the CD-ROM or DVD in a hard case and include it with the tax return. The Schedule K-1 and Schedule K-1(NR) submitted on CD-ROM or DVD are part of the income tax return and are subject to the sworn statement on the return that they are true and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD should be labeled with the partnership's name, employer identification number, taxable year and Form 165, Schedule K-1/K-1(NR). Partnerships may password protect the CD-ROM or DVD and email the password separately to MediaLibrarian@azdor.gov. The Department of Revenue **will not** return or copy any media.

CAUTION: The partnership substitutes the CD-ROM or DVD at its own risk and understands that the information may need to be provided to the department again at a later date if it is not accessible by the department for any reason.

The Department is currently evaluating other methods of accepting the required schedules. Please contact the Process Administration Section at (602) 716-7095 for the most updated filing options.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Penalties

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is $100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of $500.

IRC § 7519 - Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year. Indicate whether this return is an original or an amended return.

Enter the partnership's employer identification number, which is the taxpayer identification number (TIN). If the partnership has an Arizona transaction privilege tax number, enter the number in the place provided.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, 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 IRS individual taxpayer identification number. The TIN for a paid tax return preparer is that individual's social security number, preparer identification number, or the employer identification number of the business. Taxpayers and tax preparers who fail to include their TIN may be subject to a penalty.

If the taxpayer has a valid federal or Arizona extension, file the return by the extended due date. If the taxpayer files under extension, the taxpayer must check box 82E on page 1 of the return.

Other Information (Page 1)

Answer all questions (A through M).

Information Question E: Enter the total number of entity partners (exempt organizations, corporations, S corporations, trusts, estates, partnerships).

NOTE: *The total of the amounts entered for questions C, D, and E should equal the total number of partners.*

Information Question L: Report any adjustments made by the Internal Revenue Service to any federal income tax return filed by the partnership not previously reported to the department. Submit these adjustments separately to Arizona Department of Revenue, PO Box 52153, Phoenix, AZ 85072-2153.

Adjustment of Partnership Income From Federal to Arizona Basis

Note: The 2004 Internal Revenue Code conformity bill (SB 1389) made changes affecting tax years beginning from and after December 31, 1999. Arizona conforms but makes specific additions and subtractions that have the effect of not conforming to the increased IRC § 179 expense limitation and the 30% and 50% bonus depreciation provisions of IRC § 168(k). Because depreciation is reported at the partnership level, adjustments will need to be made in the partnership additions and subtractions. Because IRC § 179 expenses are reported at the partner level, Form 165 requires no adjustments relating to those expenses. Partners must make the adjustments on their income tax returns (for example, on Form 140 or Form 120).

Note: The 2009 Internal Revenue Code conformity bill (HB 2156) made changes affecting tax years beginning from and after December 31, 2008. Arizona conforms but makes specific additions and subtractions that have the effect of not conforming to the deferral of discharge of indebtedness (DOI) income under IRC § 108(i), the deferral of original issue discount (OID) deduction under IRC § 108(i), and the election to deduct in 2009 certain Haiti contributions made in 2010. Because contributions are reported at the partnership level, adjustments will need to be made in the partnership additions for 2009 and subtractions for 2010. Because the partnership can determine the amount of deferred DOI and OID to allocate to each partner in any manner, not necessarily based on ownership or profit percentage, Form 165 requires no adjustments relating to these deferrals. Partners must make the adjustments on their income tax returns (for example, on Form 140 or Form 120).

NOTE: *If the partnership had the Haiti contribution adjustment for 2009 and did not include it on the partnership's original income tax return, the partnership must file an amended return to make this adjustment (2009 Arizona Form 165) and provide each partner with an amended 2009 Form 165, Schedule K-1 or Form 165, Schedule K-1(NR).*

Line 1 - Federal Ordinary Business and Rental Income

Enter the total of ordinary income (loss) from trade or business activities, rental real estate activities, and other rental activities from the federal Form 1065, Schedule K. Attach a copy of the federal Form 1065 and its component schedules.

Schedule A - Additions to Partnership Income

Line A1 - Total Federal Depreciation

Enter the total amount of depreciation deducted on the federal return. Do not include depreciation included on line A3.

Line A2 - Non-Arizona Municipal Bond Interest

Enter interest income received from any state or municipal obligations (other than Arizona) credited to or earned by the partnership during the taxable year. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income. Do not include interest from obligations specifically exempt from Arizona income tax, nor any related expenses.

Line A3 - Capital Investment by Certified Defense Contractor

- **Federal Depreciation or Deduction for Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount of IRC § 167 depreciation or IRC § 179 expense deducted in calculating federal taxable income that was not already included on line A1. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain from the sale or other disposition of a capital investment which a certified defense contractor elected to amortize pursuant to ARS § 43-1024.

Line A4 - Additions Related to Arizona Tax Credits

Enter on line A4 the following additions to partnership income that are related to Arizona tax credits. Attach a schedule detailing these additions.

A. Environmental Technology Facility Credit

These adjustments apply to partnerships that elected to claim a tax credit under ARS § 43-1080 or § 43-1169 and have sold or otherwise disposed of the facility or any component of the facility during the taxable year.

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility.

B. Pollution Control Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the partnership elected to claim a tax credit under ARS § 43-1081 or § 43-1170.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the partnership elected to claim a tax credit under ARS § 43-1081 or § 43-1170 was sold or otherwise disposed of during the taxable year.

C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power in Arizona

Enter the amount of expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power in Arizona. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona credit is claimed under ARS § 43-1178.

D. Credit for Solar Hot Water Heater Plumbing Stub Outs or Electric Vehicle Recharge Outlets

Enter the amount of expenses deducted in computing Arizona taxable income for the installation of solar hot water heater plumbing stub outs or electric vehicle recharge outlets for which the taxpayer claimed the credit under ARS § 43-1090 or § 43-1176.

E. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients

Enter the amount of wage expenses deducted pursuant to the Internal Revenue Code for which the taxpayer claimed the TANF credit under ARS § 43-1087 or § 43-1175.

F. Agricultural Pollution Control Equipment Credit

- **Excess Federal Depreciation or Amortization**

  Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the partnership elected to claim a tax credit under ARS § 43-1081.01 or § 43-1170.01.

- **Excess in Federal Adjusted Basis**

  Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the partnership elected to claim a tax credit under ARS § 43-1081.01 or § 43-1170.01 was sold or otherwise disposed of during the taxable year.

G. Credit for Donation of School Site

Enter the amount deducted pursuant to the Internal Revenue Code representing a donation of a school site for which the taxpayer claimed the credit for donation of school site under ARS § 43-1089.02 or § 43-1181.

H. Motion Picture Credits

These credits are in lieu of any allowance for deduction of expenses related to the production, the infrastructure project or related to a transferred credit. Enter the amount of any such expenses that were deducted in computing federal taxable income for which the credit was claimed or transferred under ARS § 43-1075, § 43-1163, § 43-1075.01 or § 43-1163.01.

I. Credit for Corporate Contributions to School Tuition Organizations

Enter the amount deducted in computing federal taxable income as contributions for which a credit is claimed under ARS § 43-1183.

J. Credit for Water Conservation System Plumbing Stub Outs

Enter the amount of expenses deducted in computing Arizona taxable income for the installation of water conservation system plumbing stub outs for which the taxpayer claimed the credit under ARS § 43-1182.

K. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed under ARS § 43-1184.

Line A5 - Other Additions to Partnership Income

Enter the following "other additions" to the partnership income reported on line 1. Attach a schedule listing each item separately.

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

Make this adjustment if the partnership is a partner of another partnership. Enter the excess of a partner's share of partnership taxable income or loss included under ARS §§ 43-1401 through 43-1413 over the income reported under IRC § 702(a)(8).

B. Income Recognized Because of Difference in Adjusted Basis of Property

Enter the amount by which the adjusted basis of property described in ARS § 43-1021(7), computed according to the Internal Revenue Code, exceeds the adjusted basis according to Arizona law. Basis computed according to Arizona law means according to Title 43 of the Arizona Revised Statutes effective January 1, 1979, and the Income Tax Act of 1954, as amended. This adjustment applies to all property, held for the production of income, sold, or otherwise disposed of during the taxable year. This adjustment does not apply to depreciable property used in a trade or business.

C. Federal Amortization of Pollution Control Devices and Federal Depreciation of Child Care Facilities

Arizona's statutes, which allow special amortization for pollution control devices and for the cost of day care facilities, are no longer applicable to partnerships. However, if the partnership elected to claim the special amortization under Arizona's former statutory provisions, the partnership must continue to amortize these items in accordance with those provisions. Therefore, the partnership must make the same additions to and subtractions from Arizona gross income that Arizona's former statutory provisions required. If this applies to the partnership, enter the amount of amortization or depreciation deducted for these items on the federal partnership return.

Line 2 - Total Additions to Partnership Income

Add lines A1 through A5. Enter the total.

Line 3 - Subtotal

Add lines 1 and 2. Enter the total.

Schedule B - Subtractions From Partnership Income

Line B1 - Recalculated Arizona Depreciation

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes. Do not include amortization included on Line B6.

Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year

With respect to 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 with respect to that property on tax returns for all taxable years beginning from and after December 31, 1999, enter 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. The 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 B3 - Interest From U.S. Government Obligations

Enter the interest income received from U.S. obligations included on the federal Form 1065, Schedule K, exempt from state income taxes under federal law.

NOTE: *Not all obligations associated with the federal government are obligations of the federal government. Obligations of the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) are not obligations of the U.S. government and, therefore, are taxable to Arizona.*

Line B4 - Difference in Adjusted Basis of Property

Enter the amount by which the adjusted basis of property described in this paragraph, computed according to Arizona law, exceeds the adjusted basis of such property computed according to the Internal Revenue Code. Basis computed according to Arizona law means according to Title 43 of the Arizona Revised Statutes, effective January 1, 1979, and the Income Tax Act of 1954, as amended. This adjustment applies to all property held for the production of income sold or otherwise disposed of during the taxable year. This adjustment does not apply to depreciable property used in a trade or business.

Line B5 - Agricultural Crops Charitable Contribution

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to Arizona Individual Income Tax Procedure ITP 93-2 for information on how to determine if the contribution qualifies for the subtraction.

Line B6 - Capital Investment by Certified Defense Contractor

- **Arizona Amortization of Cost of Capital Investment**

  If the taxpayer was a certified defense contractor that previously elected to amortize capital investments in accordance with ARS § 43-1024, enter the amount allowed by ARS § 43-1024 that was not already included on line B1, for assets placed in service while certified. This adjustment must continue until the property is completely depreciated, otherwise disposed of, or the taxpayer opts out of the election. This adjustment should not be made for property placed in service after the certification expired.

- **Gain on Sale of Capital Investment**

  Enter the amount of gain included in Arizona gross income on the sale or other disposition of a capital investment. Make this adjustment if a certified defense contractor elected to amortize the capital investment pursuant to ARS § 43-1024.

Line B7 - Sale of New Energy Efficient Residence(s)

Enter the aggregate amount of: (a) the allowable subtraction for the sale of new energy efficient residences by the partnership during the taxable year; and (b) the allowable subtraction for new energy efficient residences purchased by the partnership during the taxable year for which the subtraction was transferred by the seller to the purchasing partnership. If the partnership claims the subtraction for the sale of new energy efficient residences, it must complete Schedule 165 EER. If the partnership claims a subtraction for new energy efficient residences for which the seller transferred the subtraction to the partnership, it must attach a copy of the statement provided by the seller for each residence to the completed Schedule 165 EER.

NOTE: *Do not mail the Schedule 165 EER with Form 165. Separately mail the completed Schedule 165 EER to the address listed on the form.*

Line B8 - Other Subtractions From Partnership Income

Enter the following "other subtractions" from partnership income; attach a schedule listing each item separately.

A. Excess of Partner's Share of Partnership Income or Loss

Make this adjustment if the partnership is a partner in another partnership. Enter the excess of the partner's share of the income or losses included under IRC § 702(a)(8) over the income included under ARS §§ 43-1401 through 43-1413.

B. Mine Exploration Expenses

Arizona no longer has special mine exploration expense provisions for partnerships. Arizona now conforms to the federal treatment of mine exploration expenses. However, if the partnership deferred exploration expenses under Arizona's former provisions, the partnership may subtract such deferred

expenses. The partnership claims the subtraction on a ratable basis as the units of produced ores or minerals discovered or explored as a result of such expenditures are sold. Enter the amount of such deferred exploration expenses.

C. Interest on Federally Taxable Arizona Obligations

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, included on the federal Form 1065, Schedule K. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in the partnership's federal distributive income.

D. Wood Stoves, Wood Fireplaces or Gas-Fired Fireplaces

Enter the amount allowed by ARS § 43-1027 for the cost of *converting* an existing wood fireplace to a qualified wood stove, wood fireplace, or gas-fired fireplace on property located in Arizona.

DO NOT claim a subtraction for the purchase and installation of a qualified wood stove, wood fireplace, or gas-fired fireplace on property located in Arizona. The subtraction for the purchase and installation of qualifying fireplaces and wood stoves was repealed effective for taxable years beginning from and after December 31, 1998.

E. Employer Contributions to Medical Savings Accounts

Enter the amount of contributions made by the partnership during the taxable year to medical savings accounts established on behalf of the partnership's employees as provided by ARS § 43-1028. The subtraction is allowed for such contributions to the extent that the contributions are not deductible by the partnership under the Internal Revenue Code.

F. Expenses Related to Certain Federal Tax Credits

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of Arizona gross income if the taxpayer received certain federal tax credits. The specific federal tax credits are the 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. This subtraction applies to taxable years beginning from and after December 31, 1996.

G. Deduction for Cash Contributions for Haiti Earthquake Relief Made After January 11, 2010, and Before March 1, 2010

On the 2009 federal income tax return, partnerships could elect to treat cash contributions for relief of victims of the earthquake in Haiti on January 12, 2010, that were made to qualified charities after January 11, 2010 and before March 1, 2010, as if the contributions were made on December 31, 2009, and not in 2010. Arizona did not adopt this federal provision; therefore, any contributions made in 2010 and deducted on the 2009 federal partnership income tax return must be added back on the 2009 Arizona partnership income tax return and the contributions will be allowed as 2010 contributions for Arizona income tax purposes.

Enter the amount of contributions made in 2010 that the taxpayer deducted on their 2009 federal return and added to Arizona income in 2009.

NOTE: *Do not take this deduction twice. If the partnership elected to take the contributions made in 2010 on the 2009 federal return, they must have included the amount of the contributions as an "other addition" on the original or amended Arizona return.*

Line 4 - Total Subtractions From Partnership Income

Add lines B1 through B8. Enter the total.

Line 5 - Partnership Income Adjusted to Arizona Basis

Subtract line 4 from line 3. Enter the difference. This is the partnership income adjusted to an Arizona basis.

Line 6 - Net Adjustment of Partnership Income From Federal to Arizona Basis

Subtract line 1 from line 5. Enter the difference. This is the adjustment of partnership income from federal to Arizona basis that will be reported on Form 165, Schedules K-1 and K-1(NR).

Line 7 - Penalty

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of $100 per month, or fraction of a month, the failure continues, up to a maximum penalty of $500.

If the partnership files this return after its due date (including extensions), enter the amount of the penalty on this line. Payments can be made via check, electronic check, money order, or credit card.

Check or money order

Make checks payable to Arizona Department of Revenue. Write the partnership's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Partnerships must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via American Express, Discover, MasterCard or VISA credit cards. Go to www.aztaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount

of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Schedule C - Apportionment Formula

NOTE: *Qualifying multistate air carriers are required to use revenue miles, and cannot use Schedule C. Multistate air carriers must use Schedule ACA, which is a separate form. See Schedule ACA for information.*

ARS § 43-306 requires partnerships having nonresident partners to allocate and apportion their income under the Arizona Uniform Division of Income for Tax Purposes Act (ARS §§ 43-1131 through 43-1150). The basis of the apportionment formula is property, payroll, and sales in Arizona as compared with everywhere. "Everywhere" means the property, payroll, and sales related to the whole business.

In addition to being required for partnerships with nonresident partners, multistate partnerships with corporate partners may use Schedule C to provide their corporate partners with information needed to accurately allocate and apportion Arizona source income.

For tax years beginning from and after December 31, 2006, non-air carrier multistate partnerships have the opportunity to choose one of two apportionment formulae for calculating the apportionment ratio. Non-air carrier multistate partnerships may select the enhanced sales factor formula in exchange for participating in an economic impact analysis conducted by the Joint Legislative Budget Committee. The department is required to provide the identity of partnerships that use the enhanced sales factor formula to the Joint Legislative Budget Committee. The standard sales factor formula must be used by partnerships not selecting to use the enhanced sales factor formula.

The numerator of the fraction of the standard sales factor formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor plus the payroll factor plus eight times the sales factor. The denominator of the fraction is ten.

NOTE: *When computing the factors of the apportionment ratio, round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.*

Line C1 - Property Factor

Refer to AAC R15-2D-601 through R15-2D-607 and R15-2D-902. The value of tangible personal property and real property owned by the partnership is its original cost. The partnership normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Refer to Arizona Corporate Tax Ruling CTR 01-2 regarding the treatment of computer software in the property factor (whether to include it and attribution to particular state(s) in the numerator).

The value of tangible personal property and real property rented by the partnership is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the partnership for the rented property less the aggregate annual subrental rates paid by subtenants of the partnership. The partnership automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

Report real property situated in and tangible personal property permanently located in Arizona as property within Arizona, if connected with the business activity. Allocate the value of mobile property to Arizona based on the total time the property was within Arizona.

Compute the property factor on line C1(c), by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The property factor on line C1(c), column C, will never exceed 100 percent.

Line C2 - Payroll Factor

Refer to AAC R15-2D-701 through R15-2D-705. Report salaries, wages, or other compensation of officers, employees, etc., as within Arizona if performance of the services occurs here. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

Compute the payroll factor on line C2 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The payroll factor on line C2, column C, will never exceed 100 percent.

Instructions for the standard sales factor formula are below. If you have selected the enhanced sales factor formula, skip ahead to the section titled "Enhanced Sales Factor".

Standard Sales Factor

Check the box for information question G on page 1 of the return to indicate that the standard double weighting of the sales factor will be used to calculate the apportionment ratio on the partnership's return. Use the number located on the left-hand side of Schedule C, line C3(d), column A, to double weight the sales factor.

Line C3 - Standard Sales Factor

Refer to AAC R15-2D-801 through R15-2D-807 and R15-2D-903. The term "sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income.

Determine sales within Arizona on a destination sales basis.

NOTE: *Multiply the amount entered on line C3(c), column A, of Schedule C (the total Arizona sales) by two (double weighted sales factor) on line C3(d), column A. Enter the result on line C3(e), column A. Do not multiply the amount entered on line C3(c), column B, of Schedule C (the everywhere sales of the taxpayer) by two.*

EXAMPLE: The partnership has total Arizona sales of $100,000 and total everywhere sales of $1,000,000. On line C3(e), column A, enter $200,000 of Arizona sales. On line C3(e), column B, enter $1,000,000 of everywhere sales for the partnership.

The sales factor ratio on line C3(e), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line C4) is divided by four, the average ratio (line C5) will not exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C, by four. Enter the average ratio here and on Form 165, Schedule K-1(NR), column (b). Express the ratio as a decimal carried out to six places.

NOTE: *The partnership must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor from the total ratio if the numerator of a factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Check the box for information question G on page 1 of the return to indicate that the enhanced sales factor formula will be used to calculate the apportionment ratio on the partnership's return. Use the number located on the right-hand side of Schedule C, line C3(d), column A, to weight the sales factor at eight times.

Line C3 - Enhanced Sales Factor

Refer to AAC R15-2D-801 through R15-2D-807 and R15-2D-903. The term "sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income.

Determine sales within Arizona on a destination sales basis.

NOTE: *Multiply the amount entered on line C3(c), column A, of Schedule C (the total Arizona sales) by eight on line C3(d), column A. Enter the amount on line C3(e), column A. Do not multiply the amount entered on line C3(c), column B, of Schedule C (the everywhere sales of the taxpayer) by eight.*

EXAMPLE: The partnership has total Arizona sales of $100,000 and total everywhere sales of $1,000,000. On line C3(e), column A, enter $800,000 of Arizona sales. On line C3(e), column B, enter $1,000,000 of everywhere sales for the partnership.

The sales factor on line C3(e), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line C4) is divided by ten, the average ratio (line C5) will not exceed 100 percent.

Line C5 - Average Apportionment Ratio

Divide the total ratio, line C4, column C, by ten. Enter the average ratio here and on Form 165, Schedule K-1(NR), column (b). Express the ratio as a decimal carried out to six places.

NOTE: *The partnership must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor from the total ratio if the numerator of a factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

ADMINISTRATIVE RELIEF REQUESTS

ARS § 43-1148 provides administrative relief if the allocation and apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Arizona. **The taxpayer may petition for, or the department may require,** in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

This section permits a departure from the allocation and apportionment provisions only in limited cases. ARS § 43-1148 may be invoked only in specific cases where unusual fact situations produce incongruous results under the apportionment and allocation provisions.

Taxpayers seeking relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief. The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

Schedule D - Business Information

If the partnership has income from business activity *taxable entirely within Arizona*, complete only the first section of the schedule.

If the partnership has income from business activity *taxable within and without Arizona*, complete both parts of the schedule.

Certification

One of the partners must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's TIN, which is the firm's EIN, or the individual preparer's social security number, or preparer identification number.

Special Notice For 2009 Partner Returns

Arizona did not fully conform to federal tax law changes for 2009. This means that partners of partnerships may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect your 2009 return:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on the S corporation's 2009 federal return. (This adjustment would be reported to you by the partnership on Schedule K-1 or Schedule K-1(NR).

If you have already filed your 2009 return and any of the above items 1 through 3 apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

Schedule K-1 - Partnership Instructions

Use Form 165, Schedule K-1, for all resident individual partners, all resident estate partners, and all resident trust partners. Use Form 165, Schedule K-1(NR), for all other partners.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165, Schedule K-1. Indicate the period covered by the taxable year on the schedule and whether the partnership's taxable year is a calendar year or a fiscal year. Indicate whether this is an original or an amended schedule.

Complete lines 1 through 3 as instructed on the schedule.

Schedule K-1(NR) - Partnership Instructions

Any partnership that has income from business activity that is taxable both within and without Arizona must allocate and apportion its net income. The partnership must allocate and apportion its net income according to the Uniform Division of Income for Tax Purposes Act (UDITPA), ARS §§ 43-1131 through 43-1150. A partnership that has income from business activity taxable in more than one state is a *multistate partnership*. A partnership that has income from business activity taxable entirely within Arizona is a *wholly Arizona partnership*.

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165, Schedule K-1(NR). Indicate the period covered by the taxable year on the schedule and whether the partnership's taxable year is a calendar year or a fiscal year. Indicate whether this is an original or an amended schedule.

Column (a) - Distributive Share Amount

Wholly Arizona partnerships - In column (a), enter the distributive share amount for each line item from the federal Form 1065, Schedule K-1. On Part II, line 17, enter the adjustment of partnership income from federal to Arizona basis (Form 165, page 1, line 6) multiplied by the partner's percentage of gain or loss.

NOTE: *Complete only Part II, line 17, of Form 165, Schedule K-1(NR), for corporate partners.*

Multistate partnerships - Apportion all business income of a multistate partnership by the use of the apportionment formula. Nonbusiness income of a multistate partnership is nonapportionable and specifically allocable to a particular state.

"Business income" under the transactional test means income arising from transactions and activity in the regular course of the taxpayer's trade or business. Business income under the functional test includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. (ARS § 43-1131(1))

"Nonbusiness income" means all income other than business income. (ARS § 43-1131(4))

In column (a), enter the partner's distributive share of the multistate partnership's income or (loss) that is subject to apportionment.

The multistate partnership must compute the partner's distributive share of the partnership's income that is subject to apportionment. Make this computation by subtracting the partner's distributive share of the multistate partnership's nonbusiness income from the partner's total distributive share amount of the partnership's income. The multistate partnership must attach a computation schedule that details the following, for each line item:

- The partner's distributive share amount from the federal Form 1065, Schedule K-1, or from the adjustment of partnership income from federal to Arizona basis (Form 165, page 1, line 6).

- The partner's distributive share amount of the partnership's nonapportionable or allocable income.
- The partner's distributive share of the partnership's income that is subject to apportionment. Refer to ARS §§ 43-1134 through 43-1138 for the methods of allocating certain types of nonbusiness income.

NOTE: *For corporate partners, apply this computation only for the amount to be entered on Part II, line 17. Do not complete any other lines on the schedule for a corporate partner.*

Column (b) - Arizona Apportionment Ratio

Wholly Arizona partnerships - Enter 100 percent.

Multistate partnerships - Enter the average ratio amount from Form 165, Schedule C, line C5, column C, or from Schedule ACA, line 3. (Refer to Schedule ACA or Schedule C instructions.)

Column (c) - Arizona Source Income

Wholly Arizona partnerships - Multiply column (a) by column (b). Enter the result in column (c).

Multistate partnerships - Attach a schedule that details (for each line item) the following computation:

1. The partner's distributive share of the partnership's income subject to apportionment multiplied by the average ratio in column (b).
2. The partner's distributive share of the partnership's income or (loss) which is specifically allocable to Arizona.
3. The total of the amounts computed in steps 1 and 2 that is to be entered in column (c).

NOTE: *ARS §§ 43-1134 through 43-1138 specify the methods for allocating certain types of income to Arizona. Do not include the amount of any nonbusiness income allocable to another state in the total entered in column (c).*

All partnerships - Column (c) is the partner's Arizona source income from the partnership. Partners should refer to the Form 165, Schedule K-1(NR), instructions for information on completing their Arizona returns.

Complete three copies of Form 165, Schedule K-1(NR), for each partner. File one copy of each partner's Form 165, Schedule K-1(NR), with the partnership's Form 165. Provide all partners with a copy of their Form 165, Schedule K-1(NR). Retain a copy for the partnership's records.

Information on Filing Composite Returns on Form 140NR for Qualifying Nonresident Partners

Arizona law requires an individual resident or nonresident to file his or her own income tax return. The Arizona Department of Revenue will accept a composite return on Form 140NR for qualifying nonresident individual partners of a partnership.

NOTE: *A composite return cannot be filed with fewer than ten participating members.*

Refer to Arizona Individual Income Tax Ruling ITR 97-1 for information regarding the requirements for filing a composite return on Form 140NR.

ARIZONA FORM
165
Schedule K-1

Resident Partner's Share of Adjustment to Partnership Income

2010

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

CHECK ONE: Original ☐ Amended ☐

CHECK ONE: Calendar year ☐ Fiscal year ☐

Partner's identifying number	Partnership's employer identification number
Partner's name, address, and ZIP code	Partnership's name, address, and ZIP code

Partner's percentage of:	Before change or termination	End of year
Profit sharing	%	%
Loss sharing	%	%
Ownership of capital	%	%

Type of partner (individual, trust, etc.): _____

NOTE: CORPORATE PARTNERS MUST USE FORM 165, SCHEDULE K-1(NR).

1	Adjustment of partnership income from federal to Arizona basis - *from Form 165, page 1, line 6*	1	00
2	Partner's percentage of profit or loss *(expressed as a decimal)*	2 .	
3	Partner's distributive share of the adjustment of partnership income from federal to Arizona basis - *multiply line 1 by line 2*	3	00

SPECIAL NOTICE FOR 2009 PARTNER RETURNS

Arizona did not fully conform to federal tax law changes for 2009. This means that partners of partnerships may have to file an amended return for 2009.

If any of the items listed below apply to you, your 2009 return is affected:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on the partnership's 2009 federal return. (This adjustment would be included by the partnership on Schedule K-1, line 3.)

If you have already filed your 2009 return and any of the above items 1 through 3 apply to you, you must amend your 2009 Arizona return.

For more news on this topic, visit the department's web site at www.azdor.gov.

PARTNER'S INSTRUCTIONS

The partnership is required to adjust its income from a federal to Arizona basis. Line 3 of Form 165, Schedule K-1, is the partner's distributive share of that adjustment. Report the amount from line 3 on your Arizona tax return according to the instructions below.

Resident Individuals:
If line 3 is a positive number, enter the amount on Form 140, page 2, line B11.
If line 3 is a negative number, enter the amount on Form 140, page 2, line C29.

Part-Year Resident Individuals:
If line 3 is a positive number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 2, line C23.
If line 3 is a negative number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 2, line D35.

Resident Estates or Resident Trusts:
If line 3 is a positive number, enter the amount on Form 141AZ, page 2, Schedule B, line B3.
If line 3 is a negative number, enter the amount on Form 141AZ, page 2, Schedule B, line B8.

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ARIZONA FORM
165
Schedule K-1(NR)

Arizona Nonresident and Out-of-State Partner's Share of Income and Deductions

2010

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

CHECK ONE: Original ☐ Amended ☐

CHECK ONE: Calendar year ☐ Fiscal year ☐

Partner's identifying number	Partnership's employer identification number
Partner's name, address, and ZIP code	Partnership's name, address, and ZIP code

Partner's percentage of:	Before change or termination	End of year
Profit sharing	%	%
Loss sharing	%	%
Ownership of capital	%	%

Type of partner (individual, trust, etc.): _____

NOTE: ALL CORPORATE PARTNERS MUST USE THIS SCHEDULE.

	Part I - Distributive Share Items From Federal Form 1065, Schedule K-1	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers Enter the Amount in Column (c) on:
1	Ordinary income (loss) from trade or business activities				
2	Net income (loss) from rental real estate activities				
3	Net income (loss) from other rental activities				
4	Total - *Add lines 1, 2 and 3*				Line B11
5	Interest				Line B6
6	Dividends				Line B7
7	Royalties				Line B11
8	Net short-term capital gain (loss)				Line B10
9	Net long-term capital gain (loss)				Line B10
10	Guaranteed payments to partner				
11	Net IRC Section 1231 gain (loss)				Line B10
12	Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i)				Line B11
13	Other income (loss) - *attach schedule*				Line B12
14	IRC Section 179 expense				Line B11
15	Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)				Line B11
16	Other deductions - *attach schedule*				

	Part II - Partner's Distributive Share of the Adjustment of Partnership Income From Federal to Arizona Basis	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers Enter the Amount in Column (c) on:
17	Adjustment of partnership income from federal to Arizona basis - *from Form 165, page 1, line 6*				Line C20 or D31

NOTE: Corporate partners see Form 120 or Form 120A instructions for information on reporting the amount from line 17.

ADOR 10345 (10)
Previous ADOR 91-0033

2010 Arizona Nonresident and Out-of-State Partner's Share of Income and Deductions

Arizona Form
165
Schedule K-1(NR)

SPECIAL NOTICE FOR 2009 PARTNER RETURNS

Arizona did not fully conform to federal tax law changes for 2009. This means that partners of partnerships may have to file an amended return for 2009. If any of the items listed below apply to you, your 2009 return is affected. If you have already filed your 2009 return, you must file an amended return to properly report these items.

The following is the list of items that Arizona did not conform to that may affect your 2009 return:

1. An election to exclude discharge of indebtedness income from the reacquisition of a business debt instrument on your 2009 federal return.
2. The exclusion of original issue discount on a debt instrument described in number 1 above from income on your 2009 federal return.
3. A cash gift made during 2010 to aid Haiti earthquake victims deducted on the partnership's 2009 federal return. (This adjustment would be included by the partnership on Schedule K-1(NR), line 17.)

If you have already filed your 2009 return and any of the above items 1 through 3 apply to you, you must amend your 2009 Arizona return.

To get a form or for more news on this topic, visit the department's web site at www.azdor.gov.

INSTRUCTIONS FOR INDIVIDUALS AND FIDUCIARIES

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on Form 140NR line numbers indicated on Form 165, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 13, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 165, Schedule K-1(NR) shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trust and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from a partnership that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of Form 165, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Form 165, Schedule K-1(NR) has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

Note: The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.

Line 17 -

Line 17 reflects the amount of partnership income which must be adjusted to determine the difference between Internal Revenue Code § 702(a)(8) and ARS § 43-1401(2). If the amount on line 17 is a positive number, individual partners should enter this amount as an "other addition to income" on Form 140NR, line C20. Fiduciaries should enter a positive amount on line 17 as an "other addition" on Form 141AZ, page 2, line B3. If the amount on line 17 is a negative number, individual partners should enter this amount as an "other subtraction from income" on Form 140NR, line D31. Fiduciaries should enter a negative amount on line 17 as an "other subtraction" on Form 141AZ, page 2, line B8.

INSTRUCTIONS FOR CORPORATE PARTNERS

Corporate partners should report the amount on line 17 of Form 165, Schedule K-1(NR) according to the instructions for Form 120 or Form 120A.

ARIZONA SCHEDULE
165 EER

Subtraction for Sale of New Energy
Efficient Residences

2010

DO NOT MAIL COMPLETED SCHEDULE WITH TAX RETURN.

Mail schedule separately to: Arizona Department of Revenue
Office of Economic Research and Analysis
PO Box 25248
Phoenix AZ 85002

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Partnership name as shown on Form 165	Employer identification number (EIN)

Part I Number of New Energy Efficent Residences Sold or Transferred

1	Number of new energy efficient residences sold by partnership during taxable year		1
2	Number of new energy efficient residences for which the partnership transferred the subtraction during taxable year	2	
3	Number of qualifying new energy efficient residences sold during taxable year claimed by partnership - *subtract line 2 from line 1. Enter the difference*		3
4	Number of qualifying new energy efficient residences transferred to partnership as transferee during taxable year		4
5	Total number of qualifying new energy efficient residences claimed by partnership as seller or transferee - *add lines 3 and 4. Enter total*		5

Part II Amount of Subtraction for Sale or Transfer of New Energy Efficient Residences

6	Qualifying sales price amount for all new energy efficient residences sold by partnership during taxable year			6	00
7	Qualifying sales price amount for all new energy efficient residences for which the partnership transferred the subtraction during taxable year	7	00		
8	Subtraction for sale of qualifying new energy efficient residences sold during taxable year claimed by partnership - *subtract line 7 from line 6. Enter the difference*			8	00
9	Qualifying sales price amount for all new energy efficient residences for which the subtraction was transferred to partnership during taxable year			9	00
10	Total subtraction for qualifying new energy efficient residences claimed by partnership as seller or transferee - *add lines 8 and 9. Enter total here and on Form 165, page 1, line B7.*			10	00

NOTE REGARDING "QUALIFYING SALES PRICE AMOUNT": The subtraction is allowed for selling one or more new energy efficient residences located in Arizona. The subtraction for each qualifying residence is equal to 5 per cent 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.

STOP **DO NOT MAIL COMPLETED SCHEDULE WITH TAX RETURN.**

2010 Subtraction for Sale of New Energy Efficient Residences

Arizona Schedule 165 EER

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Effective for taxable years beginning from and after December 31, 2001, through December 31, 2010, a partnership is allowed a subtraction for the initial sale of a new energy efficient residence built by the partnership. A partnership that purchases a new energy efficient residence may claim the subtraction if a qualifying seller transfers the subtraction to the purchaser (partnership).

Refer to Arizona Partnership Tax Procedure PTP 02-1 for further information regarding this subtraction.

The subtraction is allowed for selling one or more new energy efficient residences located in Arizona. The subtraction for each qualifying residence is equal to 5 per cent 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.

An energy efficient residence is a new single-family residence, condominium, or town house that exceeds the 1995 model energy code by 50 per cent or more as determined by an approved rating program. Rating programs must meet the U.S. Department of Energy's home energy rating system guidelines or other guidelines approved by the Arizona Department of Commerce Energy Office.

A qualifying seller (partnership) must maintain detailed records listing the residences built and sold by the partnership, and the residences for which the subtraction was transferred. The records must prove that the residence qualifies as an energy efficient residence and must substantiate the amount of the allowable subtraction for each residence that was claimed or transferred. The partnership must make these records available to the department on request.

If the seller (partnership) transfers the subtraction to the purchaser, the seller must give the purchaser a written statement that the seller has elected not to claim the subtraction and that the purchaser may claim the subtraction subject to the statutory conditions and limitations. The statement must also show the amount of the subtraction allowable for each energy efficient residence.

Specific Instructions

Type or print the required information in the name box on the top of page 1. Indicate the period covered by the taxable year.

Enter the partnership's employer identification number, which is the taxpayer identification number (TIN).

All returns, statements, and other documents filed with the department require a TIN. The TIN for a partnership is its employer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I – Number of New Energy Efficient Residences Sold or Transferred

Line 2 – Enter the total number of new energy efficient residences sold by the partnership during the taxable year for which the partnership transferred the subtraction.

Line 4 – Enter the number of new energy efficient residences for which the partnership is a transferee.

Part II – Amount of Subtraction for Sale or Transfer of New Energy Efficient Residences

Line 6 – Enter the total qualifying sales price amount for all new energy efficient residences sold by the partnership during the taxable year. The allowable amount for each qualifying residence is equal to 5 per cent of the sales price excluding commissions, taxes, interest, points and other brokerage, finance and escrow charges. The allowable amount cannot exceed $5,000 for each new qualifying residence.

Line 7 – Enter the total qualifying sales price amount for all new energy efficient residences for which the partnership transferred the subtraction during the taxable year.

Line 9 – Enter the total qualifying sales price amount for all new energy efficient residences for which the subtraction was transferred to the partnership during the taxable year.

STOP **FILING INSTRUCTIONS FOR SCHEDULE 165 EER AND WRITTEN STATEMENTS RECEIVED FROM SELLER:** Do not attach this schedule or the copies of the written statements received from the seller to Form 165. Do not mail the schedule and written statements with Form 165. Mail the completed Schedule 165 EER and copies of the written statement(s) received from the seller(s) (if the partnership claims the subtraction as a transferee) to the following address:

Arizona Department of Revenue
Office of Economic Research and Analysis
PO Box 25248
Phoenix, AZ 85002

This schedule and all attachments are a part of the partnership's tax return and subject to the sworn statement that they are true and correct to the best of the signer's knowledge and belief.

ARIZONA FORM 220

Underpayment of Estimated Tax by Corporations

2010

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Attach to the corporation's return.

Name as shown on Form 99T, 120, 120A, 120S	Employer identification number (EIN)

NOTE: In most cases, the taxpayer DOES NOT HAVE TO FILE Form 220. **(See Part A below for exceptions.)** The department will compute any penalty due and bill the taxpayer. [If the taxpayer does not have to file Form 220, the form may still be used to compute the penalty. Enter the amount of the penalty on the estimated tax underpayment penalty line of the taxpayer's return. Do not check the box on that line of the return or attach Form 220.]

Part A - Reasons for Filing Form 220

Check the boxes below that apply to the taxpayer. If any box is checked, the taxpayer must file Form 220 with the taxpayer's tax return, even though no penalty is due. See page 2 of the instructions.

1 ☐ The taxpayer is using the annualized income installment method.

2 ☐ The taxpayer is using the adjusted seasonal installment method.

3 ☐ **Forms 120 and 120A only.** The taxpayer is a "large corporation" computing its first required installment based on the prior taxable year's tax liability.

4 ☐ **Form 120S only.** The taxpayer is computing its required annual payment based on an amount equal to the **sum** of: **(a)** ninety percent of the portion of the current taxable year's liability attributable to built-in gains income or certain capital gains income; **plus (b)** one hundred percent of the portion of the prior taxable year's tax liability attributable to excess net passive income.

Part B - Calculation of Underpayment

5 2010 Arizona tax liability - *from Form 99T, page 1, line 7; or Form 120, page 1, line 24; or Form 120A, page 1, line 16; or Form 120S, page 1, line 20.* Taxpayers with a claim of right tax calculation - *see instructions*..... | 5 | | 00 |

6 REQUIRED ANNUAL PAYMENT.

- **a** Enter 90 percent of line 5 ..... | 6a | | 00 |
- **b** Forms 99T, 120, and 120A - *enter the tax as shown on the 2009 return. See instructions*..... | 6b | | 00 |
- **c** Form 120S - *see instructions* ..... | 6c | | 00 |
- **d** Forms 99T, 120, and 120A - *enter the smaller of line 6a or line 6b.* Form 120S - *enter the smaller of line 6a or line 6c*..... | 6d | | 00 |

		(a)	(b)	(c)	(d)
7 **Installment due dates.** In columns (a) through (d), enter the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year.....	7				
8 **Required installments.** If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, Part III, line 54. If the box on line 3 above is checked (but not the box on line 1 or line 2), see instructions, page 3, for the amounts to enter. If the box on line 4 above is checked, or if none of these boxes are checked, enter 25 percent of line 6d in each column.....	8				
9 Estimated tax paid or credited for each period (see pages 3 and 4 of the instructions). **For column (a) only** - skip lines 10 through 12. Enter the amount from line 9 on line 13	9				
Complete lines 10 through 16 of one column before completing the next column.					
10 **For columns (b) through (d) only** - enter the amount, if any, from line 16 of the preceding column	10				
11 **For columns (b) through (d) only** - add lines 9 and 10. Enter the total.....	11				
12 **For columns (b) through (d) only** - add the amounts on lines 14 and 15 of the preceding column.....	12				
13 **For columns (b) through (d) only** - subtract line 12 from line 11. If zero or less, enter zero.....	13				
14 **For columns (b) and (c) only** - if the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero.....	14				
15 **Underpayment.** If line 13 is less than or equal to line 8, subtract line 13 from line 8. Then go to line 10 of the next column (see page 4 of the instructions). Otherwise, go to line 16	15				
16 **Overpayment.** If line 8 is less than line 13, subtract line 8 from line 13. Then go to line 10 of the next column.....	16				

Part C - Penalty Calculation

			(a)	(b)	(c)	(d)
17	Forms 120 and 120A: Enter the date of payment or the 15th day of the 4th month after the close of the taxable year, whichever is earlier. Form 120S: Use 3rd month instead of 4th month. Form 99T: Use 5th month instead of 4th month	17				
18	Number of days from due date of installment on line 7 to the date shown on line 17	18				
19	Number of days on line 18 after 4/15/2010 and before 7/1/2010	19				
20	Underpayment on line 15 x Number of days on line 19 / 365 x 4%	20	$	$	$	$
21	Number of days on line 18 after 6/30/2010 and before 10/1/2010	21				
22	Underpayment on line 15 x Number of days on line 21 / 365 x 4%	22	$	$	$	$
23	Number of days on line 18 after 9/30/2010 and before 1/1/2011	23				
24	Underpayment on line 15 x Number of days on line 23 / 365 x 4%	24	$	$	$	$
25	Number of days on line 18 after 12/31/2010 and before 4/1/2011	25				
26	Underpayment on line 15 + compounding, if applicable x Number of days on line 25 / 365 x *%	26	$	$	$	$
27	Number of days on line 18 after 3/31/2011 and before 7/1/2011	27				
28	Underpayment on line 15 + compounding, if applicable x Number of days on line 27 / 365 x *%	28	$	$	$	$
29	Number of days on line 18 after 6/30/2011 and before 10/1/2011	29				
30	Underpayment on line 15 + compounding, if applicable x Number of days on line 29 / 365 x *%	30	$	$	$	$
31	Number of days on line 18 after 9/30/2011 and before 1/1/2012	31				
32	Underpayment on line 15 + compounding, if applicable x Number of days on line 31 / 365 x *%	32	$	$	$	$
33	Number of days on line 18 after 12/31/2011 and before 3/15/2012	33				
34	Underpayment on line 15 + compounding, if applicable x Number of days on line 33 / 366 x *%	34	$	$	$	$
35	Add lines 20, 22, 24, 26, 28, 30, 32, and 34	35	$	$	$	$
36	Penalty Limitation. In columns (a) through (d), list the smaller of Part B, line 15 x 10% OR the amount from Part C, line 35	36	$	$	$	$
37	Penalty. Add columns (a) through (d) of line 36. Enter the total here and on Form 99T, line 17; or Form 120, line 32; or Form 120A, line 24; or Form 120S, line 28	37	$			00

* Percentage rate to be announced

Schedule A - Annualized Income Installment Method and/or Adjusted Seasonal Installment Method Under IRC § 6655(e)

Part I - Annualized Income Installment Method

		(a)	(b)	(c)	(d)
		First ____ Months	First ____ Months	First ____ Months	First ____ Months
1 Annualization periods. *See instructions*	1				
2 Enter taxable income for each annualization period	2				
3 Annualization amounts. *See instructions*	3				
4 Annualization taxable income. *Multiply line 2 by line 3*	4				
5 Calculate the tax on the amount in each column on line 4. *See instructions*	5				
6 Enter tax from recapture of tax credits for each payment period. *See instructions*	6				
7 Subtotal tax. *Add lines 5 and 6*	7				
8 Clean Elections Fund Tax Reduction ($5). *See instructions*	8				
9 For each period, enter the amount of nonrefundable tax credits. *See instructions*	9				
10 Arizona tax liability. *Subtract the sum of lines 8 and 9 from line 7. If zero or less, enter zero*	10				
11 Clean Elections Fund Tax Credit. *See instructions*	11				
12 Tax liability after Clean Elections Fund tax credit. *Subtract line 11 from line 10*	12				
13 Refundable tax credits. *See instructions*	13				
14 Claim of right adjustment. *See instructions*	14				
15 Net liability. *Subtract the sum of lines 13 and 14 from line 12. If less than zero, enter zero*	15				
16 Applicable percentage	16	22.5%	45%	67.5%	90%
17 Multiply line 15 by line 16	17				
18 Add the amount in all preceding columns from page 4, Part III, line 54. *See instr.*	18				
19 Annualized income installments. *Subtract line 18 from line 17. If zero or less, enter zero*	19				

Part II - Adjusted Seasonal Installment Method

(Caution: *Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.)*

		(a)	(b)	(c)	(d)
		First 3 Months	First 5 Months	First 8 Months	First 11 Months
20 Enter taxable income for the following periods:					
a Taxable year beginning in 2007	20a				
b Taxable year beginning in 2008	20b				
c Taxable year beginning in 2009	20c				
21 Enter taxable income for each period for taxable year beginning in 2010	21				

		(a)	(b)	(c)	(d)
		First 4 Months	First 6 Months	First 9 Months	Entire Year
22 Enter taxable income for the following periods:					
a Taxable year beginning in 2007	22a				
b Taxable year beginning in 2008	22b				
c Taxable year beginning in 2009	22c				
23 Divide the amount in each column on line 20a by the amount in column (d) on line 20a	23				
24 Divide the amount in each column on line 20b by the amount in column (d) on line 20b	24				
25 Divide the amount in each column on line 20c by the amount in column (d) on line 20c	25				

		(a) First 4 Months	(b) First 6 Months	(c) First 9 Months	(d) Entire Year
26 Add lines 23 through 25	26				
27 Divide line 26 by three (3)	27				
28 Divide line 21 by line 27	28				
29 Calculate the tax on the amount in each column on line 28. *See instructions*	29				
30 Divide the amount in columns (a) through (c) on line 22a by the amount in column (d) on line 22a	30				
31 Divide the amount in columns (a) through (c) on line 22b by the amount in column (d) on line 22b	31				
32 Divide the amount in columns (a) through (c) on line 22c by the amount in column (d) on line 22c	32				
33 Add lines 30 through 32	33				
34 Divide line 33 by three (3)	34				
35 Multiply the amount in columns (a) through (c) of line 29 by the amount in the corresponding column of line 34. In column (d), enter the amount from line 29, column (d)	35				
36 Enter tax from recapture of tax credits for each payment period. *See instructions*	36				
37 Subtotal tax. *Add lines 35 and 36*	37				
38 Clean Elections Fund Tax Reduction ($5). *See instructions*	38				
39 For each period, enter the amount of nonrefundable tax credits. *See instructions*	39				
40 Arizona tax liability. *Subtract the sum of lines 38 and 39 from line 37. If less than zero, enter zero*	40				
41 Clean Elections Fund Tax Credit. *See instructions*	41				
42 Tax liability after Clean Elections Fund tax credit. *Subtract line 41 from line 40*	42				
43 Refundable tax credits. *See instructions*	43				
44 Claim of right adjustment. *See instructions*	44				
45 Net liability. *Subtract the sum of lines 43 and 44 from line 42. If less than zero, enter zero*	45				
46 Multiply line 45 by 90%	46				
47 Add the amounts in all preceding columns from Part III, line 54. *See instructions.*	47				
48 Adjusted seasonal installments. Subtract line 47 from line 46. If zero or less, enter zero	48				

Part III - Required Installments

		(a) 1st Installment	(b) 2nd Installment	(c) 3rd Installment	(d) 4th Installment
49 If only one of the above parts is completed, enter the amount in each column from line 19 or line 48. (If both parts are completed, enter the smaller of the amounts in each column from line 19 or line 48.)	49				
50 Enter 25% of line 6d on Form 220 in each column. NOTE: "Large corporations" *see line 8 instructions on page 3 for the amount to enter*	50				
51 Enter the amount from line 53 of this worksheet for the preceding column	51				
52 Add lines 50 and 51. *Enter the total*	52				
53 If line 52 is more than line 49, subtract line 49 from line 52. Otherwise, enter zero	53				
54 Required Installments. *Enter the smaller of line 49 or line 52 here and on Arizona Form 220, page 1, line 8*	54				

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

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

General Instructions

Purpose of Form

Taxpayers filing Forms 99T, 120, 120A, and 120S use Form 220 to determine whether they are subject to a penalty for underpayment of their Arizona estimated tax liability and, if so, the amount of the penalty.

The taxpayer's Arizona estimated tax liability is determined as follows:

- **Forms 120, 120A, and 120S** - [income tax plus tax from recapture of tax credits] less [the Clean Elections Fund Tax Reduction, nonrefundable tax credits, the Clean Elections Fund Tax Credit and any refundable tax credit];
- **Form 99T** - [income tax] less [the Clean Elections Fund Tax Reduction and Clean Elections Fund Tax Credit].

CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Who is Subject to the Underpayment Penalty

If the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) is less than $1,000, the taxpayer is not subject to this penalty. Arizona tax liability is Form 99T, page 1, line 7; or Form 120, page 1, line 24 (reduced by any refundable tax credit and the claim of right adjustments, if applicable); or Form 120A, page 1, line 16 (reduced by any refundable tax credit and claim of right adjustments, if applicable); or Form 120S, page 1, line 20 (reduced by any refundable tax credit, if applicable).

A. *Forms 99T, 120, and 120A:* Generally, the taxpayer is subject to the penalty if the tax shown on the taxpayer's 2010 Arizona tax return is $1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit and the claim of right adjustments, if applicable) shown on its 2010 return, OR
- The tax shown on its 2009 return (reduced by the claim of right adjustments, if applicable). The taxpayer must have filed a 2009 return showing at least some amount of tax and the return must have been filed for a period of 12 full months. However, a "large corporation" may base only its first required installment on the prior taxable year's tax.

NOTE FOR FORM 120*: A unitary group of corporations filing a combined return* must make its estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a combined basis if its Arizona tax liability for the taxable year is $1,000 or more.

NOTE FOR FORM 120*: An Arizona affiliated group filing a consolidated return* pursuant to ARS § 43-947 must make its estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a consolidated basis if its Arizona tax liability for the taxable year is $1,000 or more.

B. *Form 120S:* Generally, the taxpayer is subject to the penalty if the tax shown on the taxpayer's 2010 Arizona tax return is $1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent of the tax (reduced by any refundable tax credit, if applicable) shown on its 2010 return, OR
- If the taxpayer's 2009 return was filed for a period of twelve months, an amount of tax equal to the sum of:

  Ninety percent of the portion of the 2010 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

  One hundred percent of the portion of the 2009 Arizona tax liability that is attributable to excess net passive income.

NOTE: *In these instructions, "return" generally refers to the corporation's original return. However, an amended return is considered the original return if the amended return is filed by the due date (including extensions) of the original return. Refer to Arizona Corporate Tax Ruling CTR 02-1 for further information.*

The penalty is calculated separately for each installment due date. Therefore, the taxpayer may owe a penalty for an earlier installment due date, even if later "catch-up" payments were made for the earlier installment due date underpayment. A taxpayer may be subject to the underpayment penalty even if the taxpayer is due a refund when its return is filed.

A taxpayer may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method.

Who Must Complete This Form

A taxpayer DOES NOT HAVE TO COMPLETE Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made estimated tax payments based on either of the following methods:

- *All taxpayers:* An amount equal to 90 percent of the current taxable year's tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable), paid in four equal installments; or
- *Form 99T, 120, and 120A:* An amount equal to 100 percent of the taxpayer's tax liability (reduced by the claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments. A "large corporation" may not use this method.

The department will compute the estimated tax penalty based on either of these methods and notify the taxpayer of any amount due.

A taxpayer MUST COMPLETE Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- *All taxpayers:* The annualized income installment method; **or**
- *All taxpayers:* The adjusted seasonal installment method; **or**
- *Forms 120 and 120A:* The taxpayer is a "large corporation" that computed its first required installment based on the taxpayer's tax liability for the prior taxable year; **or**
- *Form 120S:* An amount, paid in four equal installments, that is equal to the sum of:

  Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**

  One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

How to Use This Form

Check the applicable boxes in Part A. Complete Part B to determine if the taxpayer has an underpayment for any of the four installment due dates. If the taxpayer has an underpayment on line 15 (column (a), (b), (c), or (d)), complete Part C to calculate the penalty.

If the taxpayer is required to complete Form 220, attach the completed Form 220 to the taxpayer's Arizona tax return. Check the box on Form 99T, page 1, line 17; Form 120, page 1, line 32; Form 120A, page 1, line 24; or Form 120S, page 1, line 28.

Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation is the corporation's employer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part A - Reasons for Filing Form 220

Lines 1 and 2 - Annualized Income Installment Method and/or Adjusted Seasonal Installment Method

If the taxpayer's income varied during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Form 220, Schedule A, to calculate one or more required installments. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to arrive at the amount of each required installment and to select the lesser of:

- the annualized income installment;
- the adjusted seasonal installment (if applicable); or
- the regular installment (25 percent of the required annual payment) increased by any reduction recaptured under IRC § 6655(e)(1)(B).

Follow the steps below to determine which parts of Form 220, Schedule A, to complete.

- If the taxpayer is using only the annualized income installment method, check the box on line 1 of Part A and complete Parts I and III of Schedule A.
- If the taxpayer is using only the seasonal installment method, check the box on line 2 of Part A and complete Parts II and III of Schedule A.
- If the taxpayer is using both methods, check the boxes on lines 1 and 2 of Part A and complete all three parts of Schedule A.
- All taxpayers: In each column on line 8, enter the amounts from the corresponding column of line 54 of Schedule A. Attach a copy of Schedule A to Form 220.

Line 3 - Large Corporations (Forms 120 and 120A)

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 is treated as a single corporation for purposes of applying the large corporation definition.

If the taxpayer is a large corporation, check the box on line 3 of Part A. In addition, if applicable, check the box(es) on line 1 and/or line 2. Complete Parts I, II, and III of Schedule A, as discussed above.

Part B - Calculation of Underpayment

Line 5 - Arizona Tax Liability

Enter the 2010 Arizona tax liability from Form 99T, page 1, line 7; or Form 120, page 1, line 24; or Form 120A, page 1, line 16; or Form 120S, page 1, line 20.

CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):

Taxpayers computing the Arizona tax liability under the claim of right provisions of ARS § 43-1130.01 should use the Arizona tax liability reduced by those provisions for purposes of computing underpayment of estimated tax.

Line 6 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of:

- *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the current taxable year; **or**
- *Forms 99T, 120, and 120A* - one hundred percent of the taxpayer's Arizona tax liability (reduced by the claim of right adjustments, if applicable) for the prior taxable year.

  Form 120S - an amount equal to the sum of:

  Ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in-gains income or certain capital gains income; **plus**

  One hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

Line 6a - (All Taxpayers)

Multiply line 5 by 90 percent. Enter the result on line 6a.

Line 6b - (Forms 99T, 120, and 120A)

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by the claim of right adjustments, if applicable). Enter the net amount on line 6b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the taxable year showing at least some amount of tax liability (an amount greater than zero), OR (2) the 2009 taxable year was a period of less than twelve months. Skip line 6b and enter the amount from line 6a on line 6d.

Line 6c - (Form 120S)

Enter an amount on line 6c that is the sum of:

- Ninety percent of the portion of the 2010 Arizona tax liability that is attributable to built-in gains income or certain capital gains income, **plus**
- One hundred percent of the portion of the 2009 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2009 taxable year was a period of less than twelve months. Skip line 6c and enter the amount from line 6a on line 6d.

Line 6d - (All Taxpayers)

Forms 99T, 120, and 120A - enter the smaller of line 6a or line 6b (if an amount was entered on line 6b).

Form 120S - enter the smaller of line 6a or line 6c (if an amount was entered on line 6c).

Line 7 - Installment Due Dates

Calendar year and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Note for short period returns: *Enter the installment due dates and the number of installments required by the Internal Revenue Service.*

Line 8 - Required Installments

Each required installment is 25 percent of the required annual payment (line 6d) *unless* the taxpayer checked the box(es) on lines 1, 2, or 3 of Form 220, Part A.

Instructions for "Large Corporations" - Forms 120 and 120A.

A. If the box on line 3 (but not the box on line 1 or line 2) is checked, follow the instructions below to compute the amount to enter on Part B, line 8.

If line **6a** is **less than** line **6b**:

- Enter 25 percent of line 6a in columns (a) through (d) of line 8.

If line **6b** is **less than** line **6a**:

- Enter 25 percent of line 6b in column (a) of line 8.
- Determine the amount to enter in column (b) of line 8 as follows:
  (i) Subtract line 6b from line 6a,
  (ii) Add the result to the amount on line 6a, and
  (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 6a in columns (c) and (d) of line 8.

B. If the box on line 3 **and** the box on line 1 and/or line 2 is checked, use the following instructions to determine the amounts to enter on the Form 220, Schedule A, Part III, line 50, columns (a) through (d). Then complete the remainder of the lines in Part III of Schedule A. Enter the amounts from Schedule A, Part III, line 54, columns (a) through (d) on Form 220, Part B, line 8, columns (a) through (d).

If Form 220, Part B, line **6a** is **less than** line **6b**:

- Enter 25 percent of line 6a in columns (a) through (d) of Schedule A, Part III, line 50.

If Form 220, Part B, line **6b** is **less than** line **6a**:

- Enter 25 percent of line 6b in column (a) of Schedule A, Part III, line 50.
- Determine the amount to enter in column (b) of Schedule A, Part III, line 50 as follows:
  (i) Subtract line 6b from line 6a,
  (ii) Add the result to the amount on line 6a, and
  (iii) Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 6a in columns (c) and (d) of Schedule A, Part III, line 50.

Line 9 - Estimated Tax Paid or Credited

Enter the estimated tax payments made by the taxpayer for its taxable year *as indicated on the next page*.

The department will apply the payment of a required installment in the order in which the installments are required to be paid, regardless of the installment to which the payment pertains.

Include any overpayment of tax from the taxpayer's 2009 Arizona tax return that the taxpayer elected to apply to its 2010 Arizona estimated tax.

Column (a) Enter payments made by the 15th day of the fourth month.

Column (b) Enter payments made after the 15th day of the fourth month through the 15th day of the sixth month.

Column (c) Enter payments made after the 15th day of the sixth month through the 15th day of the ninth month.

Column (d) Enter payments made after the 15th day of the ninth month through the 15th day of the 12th month.

Line 15 - Underpayment

This amount (an amount greater than zero) is the underpayment of a required installment. If an amount greater than zero is entered here, the taxpayer should complete Part C to calculate the underpayment penalty.

Part C - Penalty Calculation

The underpayment of estimated tax penalty is imposed on any required installment of estimated tax that is late or underpaid. The penalty is equal to the interest that would accrue under ARS § 42-1123 on the amount not paid for the period of nonpayment, not to exceed 10 percent of the amount not paid.

Compute the underpayment penalty for any underpayment of a required installment for the period of nonpayment on page 2, Part C, lines 17 through 37. "Underpayment" refers to a late payment or underpayment of a required installment.

Compute the penalty by applying the applicable rate to each underpayment. The penalty is computed for the number of days that the underpayment remained unpaid or until the original due date of the return, whichever is earlier.

The Arizona interest rates are established at various times during the year. Arizona interest rates are the interest rates prescribed by IRC § 6621 for each calendar quarter with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

If the taxpayer has made more than one payment for a required installment, attach a separate computation for each payment.

NOTE FOR COMPOUND PENALTY AMOUNT: *The penalty is compounded annually (on January 1 of each year) on any underpayment of an installment outstanding as of that date. The compound penalty amount is added to the principal amount of the underpayment. The amount added to the principal accrues penalty until the underpayment is paid or until the original due date of the return, whichever is earlier.*

Line 36 - Penalty Limitation

The penalty for an underpayment of a required installment cannot exceed 10 percent of the amount not paid.

Form 220, Schedule A

Part I - Annualized Income Installment Method

Line 1 - Annualization Periods

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Line 3 - Annualization Amounts

Enter the annualization amounts for the option used on line 1.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Line 5 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for Form 99T, line 4; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12.

Line 6 - Recapture of Tax Credits

Enter the amount of tax due from recapture of the environmental technology facility and healthy forest enterprises tax credits from Form 300, Part II, line 23.

Calculate this amount using the instructions for Form 120, line 17; or Form 120A, line 9; or Form 120S, line 13. Form 99T filers, enter zero.

Line 8 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund Tax Reduction, if applicable. Refer to the instructions for Form 99T, line 5; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15.

Line 9 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for Form 120, line 20; or Form 120A, line 12; or Form 120S, line 16. Form 99T filers, enter zero.

Line 11 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund Tax Credit, if applicable. Refer to the instructions for Form 99T, line 6; or Form 120, line 23; or Form 120A, line 15; or Form 120S, line 19.

Line 13 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for Form 120, line 25; or Form 120A, line 17; or Form 120S, line 21. Form 99T filers, enter zero.

Line 14 - Claim of Right Adjustment (Forms 120 and 120A)

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 18 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 18 *in columns (b) through (d)*, complete line 19, Part II (if applicable), and Part III, *in each of the preceding columns*.

EXAMPLE: Complete line 19, lines 20 through 48 (if using the adjusted seasonal installment method), and lines 49 through 54, *in column (a)* before completing line 18 *in column (b)*.

Part II - Adjusted Seasonal Installment Method

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

Line 29 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for Form 99T, line 4; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12.

Line 36 - Tax From Recapture of Tax Credits

Calculate the tax from the recapture of the environmental technology facility credit or the credit for healthy forest enterprises. Use the instructions for Form 120, line 17; or Form 120A, line 9; or Form 120S, line 13. Form 99T filers, enter zero.

Line 38 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund Tax Reduction, if applicable. Refer to the instructions for Form 99T, line 5; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15.

Line 39 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 20. Calculate this amount using the instructions for Form 120, line 20; or Form 120A, line 12; or Form 120S, line 16. Form 99T filers, enter zero.

Line 41 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund Tax Credit, if applicable. Refer to the instructions for Form 99T, line 6; or Form 120, line 23; or Form 120A, line 15; or Form 120S, line 19.

Line 43 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 20. Calculate this amount using the instructions for Form 120, line 25; or Form 120A, line 17; or Form 120S, line 21. Form 99T filers, enter zero.

Line 44 - Claim of Right Adjustment (Forms 120 and 120A):

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 47 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 47 *in columns (b) through (d)*, complete lines 48 through 54 *in each of the preceding columns*.

EXAMPLE: Complete lines 48 through 54 *in column (a)* before completing line 47 *in column (b)*.

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ARIZONA SCHEDULE
ACA

Air Carrier Apportionment

2010

(Applies to taxable years beginning from and after December 31, 2000.)

For the calendar year 2010 or fiscal year beginning M M D D Y Y Y Y and ending M M D D Y Y Y Y.

Attach this schedule to the tax return.

Name as shown on Form 99T, 120, 120S, 120X, or 165	Employer identification number

1 Revenue aircraft miles flown within Arizona for flights beginning or ending in Arizona .....

2 Total revenue aircraft miles flown everywhere .....

3 Arizona apportionment ratio - *divide line 1 by line 2. Enter result here and on Form 99T, page 1, line 2; or Form 120, page 1, line 9; or Form 120S, page 1, line 7, and Form 120S, Schedule K-1(NR); or Form 120X, page 1, line 9; or Form 165, Schedule K-1(NR)*.....

General Instructions

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139 requires a taxpayer that is a qualifying air carrier to use an alternate apportionment method to apportion its business income to Arizona.

The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. FORM 120 FILERS: If the taxpayer files a combined or consolidated return, the combined group or the Arizona affiliated group must use this method of apportionment if 50 percent or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

The numerator of the ratio is the revenue aircraft miles flown within Arizona by the taxpayer's aircraft for flights beginning or ending in Arizona. The denominator of the ratio is the total revenue aircraft miles flown by the taxpayer's aircraft everywhere.

"Revenue aircraft miles flown" has the same meaning prescribed by the U.S. Department of Transportation uniform system of accounts and reports for large certified air carriers [14 Code of Federal Regulations, Part 241]. "Revenue aircraft miles flown" means the aircraft miles flown in revenue service. "Aircraft miles flown" means the miles (computed in airport-to-airport distances) for each flight stage actually completed, whether or not performed in accordance with the scheduled pattern. For this purpose, operation to a flag stop is a stage completed even though a landing is not actually made. In cases where the interairport distances are inapplicable, aircraft miles flown are determined by multiplying the normal cruising speed for the aircraft type by the airborne hours.

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