

**For information or help, call one of the numbers listed:**

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

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Procedures* or *Rulings* from the drop-down menu. Using the Category box, select the tax type and then scroll down to find the *Document ID* or use the *Search Keyword* function to locate the document.

**Publications**

To view or print the department's publications, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Publications* from the drop-down menu.

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\*\* For free **e-file** requirements, check out our website at [www.azdor.gov](http://www.azdor.gov).

**AVOID PROCESSING DELAYS:** *Are you mailing your Arizona income tax return? If you are mailing your return to the department, see the last page of these instructions for assembly order (form sequence) information.*

**Who Must Use Form 140?**

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

You **must** use Form 140 rather than Form 140A or Form 140EZ to file for 2025 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.

(Continued on next column.)

- You claim tax credits other than the family income tax credit, the credit for increased excise taxes, or the property tax credit.
- You are claiming estimated payments.
- You received the 2025 Arizona Families Tax Rebate and are subtracting the amount of your rebate received from Arizona gross income (see page 6, item "U").

**Do You Have to File?**

**Arizona Filing Requirements**  
**These rules apply to all Arizona taxpayers.**

You must file if you are:	and your gross income is more than:
● Single	\$ 15,750
● Married filing joint	\$ 31,500
● Married filing separate	\$ 15,750
● Head of Household	\$ 23,625

If you are an Arizona resident, you must report income from **all** sources including **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 that Arizona law does not tax. Income that 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, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board;
- pay received for active service as a member of the Reserves, National Guard or the U.S. Armed Forces; or
- benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States. *If you are the surviving spouse of a deceased military veteran, and are receiving payments from the uniformed services of the United States, you may exclude 100% of the payments you received.*

**NOTE:** Even if you are not required 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.

For information on the Arizona tax treatment of American Indians, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### **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. For more information, see the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

### **Do You Have to File if You Are in the Military?**

You must file if you meet the Arizona filing requirements unless **all** of 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 were an Arizona resident when you entered the service, you remain an Arizona resident, no matter where you are stationed, until you establish a new domicile.

As an Arizona resident, you must report all of your income to Arizona, no matter where you are 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 apply to you:

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

To find out more, see the department's publication, 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.

information, see the department's procedure, ITP 92-1, *Procedure For Determining Residency Status*.

### **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. An Arizona resident is subject to Arizona tax on all income no matter where the income is earned.

### **Part-Year Residents**

If you are a part-year resident, you must file Arizona Form 140PY, *Part-Year Resident Personal Income Tax Return*. You are a part-year resident if you did **either** of the following during 2025:

- 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 (including nonresident aliens), you must file Arizona Form 140NR, *Nonresident Personal Income Tax Return*.

### **What if a Taxpayer Died?**

If a taxpayer died before filing a return for 2025, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

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. The person who files the return should print the word "deceased" after the decedent's name and enter the date of death after the decedent's name.

If your spouse died in 2025 and you did not remarry in 2025 or if your spouse died in 2026 before filing a return for 2025, you may file a joint return. If your spouse died in 2025, the joint return should show your spouse's 2025 income before death and your income for all of 2025. If your spouse died in 2026, before filing the 2025 return, the joint return should show all of your income and all of your spouse's income for 2025. **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 (Form 141AZ). For details about filing a fiduciary income tax return, call the department at (602) 255-3381.

## **Determining Residency Status**

If you are not sure if you are an Arizona resident for state income tax purposes, we may be able to help. For more

## Claiming a Refund for a Deceased Taxpayer

If you are claiming a refund for a deceased taxpayer, you **must** complete Arizona Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Place the form behind the 140 return, when mailing Form 140.

If you are claiming a refund on Form 140-SBI for a deceased taxpayer, you must also complete Arizona Form 131-SBI, *Claim for Refund on Behalf of Deceased Taxpayer*. Place Form 131-SBI behind Form 140-SBI when mailing both returns.

## What are the Filing Dates and Penalties?

**NOTE:** *If the due date for an income tax or related payment falls on a weekend and/or legal holiday, the filing or payment is considered timely if filed or paid on the next business day and that business day is a day other than Saturday, Sunday or a legal holiday.*

### When Should You File?

Your 2025 calendar year tax return is due no later than midnight, April 15, 2026. File your return as soon as you can after January 1, 2026 but no later than April 15, 2026.

If you are a fiscal year filer, your return is due on the 15th day of the fourth month following the close of your fiscal tax year.

### What if You Cannot File on Time?

You may request an automatic 6-month extension if you know you will not be able to file on time. If you request an extension to file your 2025 calendar year tax return, your due date is October 15, 2026 to timely file your 2025 tax return.

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

### To get a filing extension, you can either

- Apply for a state extension (Arizona Form 204). To apply for a state extension, file Form 204 by April 15, 2026. See Form 204 for details. You do not have to include a copy of the extension with your return when you file, but make sure that you check box **82F** (above your name) on page 1 of the return. If you must make a payment, use Arizona Form 204, or visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to make an electronic payment.
- Use your federal extension (federal Form 4868). File your Arizona return by the same due date. You do not have to include a copy of your federal extension with your return, but make sure that you check box **82F** (above your name) on page 1 of the return.

### When Should You File if You Are a Nonresident Alien?

As a Nonresident Alien, do not file Form 140. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report your Arizona sourced income. File Form 140NR-SBI if you elect to report your Arizona sourced small business income on the Small Business Income Tax Return. See the instructions for Form 140NR for your filing due date(s).

## 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 2025 calendar year return by April 15, 2026 your return will not be late. You may also use certain private delivery services designated by the Internal Revenue Service (IRS) to meet the “timely mailing as timely filed” rule. For more information, see “*Mailing Your Return*” at the end of these instructions.

### Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is  $4\frac{1}{2}\%$  (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

### Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is  $\frac{1}{2}$  of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10) of the unpaid tax.

### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90% (.90) of the tax shown on your return by the return's original due date. If you do not pay this amount, we will charge you a penalty. This penalty is  $\frac{1}{2}$  of 1% (.005) of the tax not paid for each 30-day period or a fraction of a 30-day period. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed 25% (.25) of the unpaid tax. If we charge you the extension underpayment penalty, we will not charge you the late payment penalty under Arizona Revised Statutes (A.R.S.) § 42-1125(D).

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

### Interest

We charge interest on any tax not paid by the due date. We will charge you interest even if you have an extension. If you have an extension, we will charge you interest from the original due date until the date you pay the tax. The Arizona interest rate is the same as the federal rate.

## When Should You Amend a Return?

If you need to make changes to your return after you have filed, **do not** file a new return using Form 140. You must file Arizona Form 140X, *Individual Amended Income Tax Return*. File your amended return after your original return has processed. Generally, you have four years to amend a return to claim a refund.

If you amend your federal return for any year, you must also file an Arizona Form 140X for that year.

If the IRS makes a change to your federal taxable income for any year, you must report that change to Arizona. You must file

Form 140X within 90 days of the final determination of the IRS. You may use one of the following two options to report this change.

### Option 1

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

### Option 2

You may file a copy of the final federal notice with the department within 90 days of the final determination of the IRS. If you choose 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

Individual Income Audit  
Arizona Department of Revenue  
PO Box 29084  
Phoenix, AZ 85038-9084

## Do You Need to Make Arizona Estimated Payments in 2026?

You must make Arizona estimated income tax payments during 2026 if:		
Your filing status is:	AND your Arizona gross income for 2025 was greater than:	AND your Arizona gross income for 2026 is greater than:
Single	\$ 75,000	\$ 75,000
Married filing joint	\$ 150,000	\$ 150,000
Married filing separate	\$ 75,000	\$ 75,000
Head of Household	\$ 75,000	\$ 75,000

If you met the income threshold for 2025, you must make estimated payments during 2026 unless you are sure you will not meet the threshold for 2026. As a full year resident, your Arizona gross income is your federal adjusted gross income. Your Arizona gross income is on line 12 of the 2025 Form 140.

Use the worksheet for Arizona Form 140ES to figure how much your payments should be. For more information about making estimated payments, see the department's publication, Pub. 012, *Arizona Individual Estimated Income Tax Payments*.

### What if You Make Your Estimated Payments Late?

We will charge you a penalty if you are late or if you fail to make any required payments. See Arizona Form 221.

## 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

- You must complete your federal return before you can start your Arizona return.
- Make sure that you enter your Social Security Number (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.
- If you are mailing your return, see the last page of these instructions for the assembly order.
- Make sure you include your daytime telephone number.
- If filing a fiscal year return, fill in the period covered.

### DO YOU HAVE A COMPLICATED RETURN?

#### E-file makes filing a complex return simple!

For a list of approved software visit  
[www.azdor.gov](http://www.azdor.gov)

E-file software offers:

- Easy step-by-step instructions
- Error detection before filing
- Easy form selection
- Maximum deductions

## Entering Your Name, Address and SSN

### Lines 1, 2, and 3

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

Enter your name, address, and SSN in the space provided. If you are filing a joint return, enter your SSNs in the same order as your first names. If your name appears first on the return, make sure your SSN is the first number listed.

If you are married filing separately, enter your name and SSN on the first line 1. Enter your spouse's name and SSN on the second line 1.

Make sure that you enter your SSN on your return. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It will take longer to process your return if SSNs are missing, incorrect, or unclear.

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

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

### Foreign Addresses

If you have a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

### Last Names Used in Last 4 Prior Years

If the last name that you or your spouse are using on this return is not the same as the last name you or your spouse used on returns filed in the last 4 years, enter any other last name(s) that you or your spouse used when filing your return during that period.

### Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where requested. A paid preparer may use any of the following:

- his or her PTIN;
- his or her SSN; or
- the EIN for the business.

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

## 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.

If you qualify as married for federal purposes, you qualify as married for Arizona purposes and must file using the status of either married filing joint or married filing separate.

If you are single, you must file as single or if qualified you may file as head of household (see the instructions for box 5).

### Box 4 - Married Filing 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, 2025. 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 2025 and you did not remarry in 2025. See page 2 of these instructions for details.

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

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

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

If filing a joint return with your part-year resident spouse, you must file a joint return using Arizona Form 140PY. See Form 140PY instructions. For more information on filing a joint tax return with your part-year resident or nonresident spouse, see the department's ruling, ITR 14-1, *Filing a Joint Tax Return When a Resident Spouse is Married to a Part-Year Resident or Nonresident*.

### Box 4a - Injured Spouse Protection of Joint Overpayment

Check box 4a **only** if you and your spouse are filing a joint return **and** you or your spouse qualify as an injured spouse and are requesting protection from application of any joint overpayment against the other spouse's delinquencies or debts for back child support, court fees, and fees to counties, cities or educational institutions. **The taxpayer (spouse) requesting injured spouse protection must have Arizona income with taxes withheld and reported on their own Form W-2 or Form 1099.**

**NOTE:** You cannot use Form 203 to request protection from offset for past-due federal taxes. You must contact the IRS.

You **must** complete Arizona Form 203, *Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies and Debts*, and include that form with your tax return when filed. For more information, see the instructions for Form 203.

### Box 5 - Head of Household Return

If you are filing as a head of household, check box 5. Enter the name of the qualifying child or dependent in the space provided. 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; or
- You qualify to file as a qualifying widow or widower on your federal return.

### Box 6 - Married Filing Separate Return

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

If you were married as of December 31, 2025, 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 out 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. For more information, see the department's rulings, ITR 93-18, *Income Reporting Requirements for Married Arizona Residents Who File Separate Arizona Individual Income Tax Returns*; and ITR 93-19, *Deductions, Exemptions, and Credits for Married Taxpayers Who File Separate Arizona Individual Income Tax Returns*.

**NOTE:** *In some cases, you may treat community income as separate income. For more information, see the department's ruling, ITR 93-22, When Community Income May Be Treated as Separate Income.*

If one spouse is a resident and the other spouse is not, other special rules may apply when filing a separate return. See the department's ruling, ITR 93-20, *Income Reporting Requirements of Resident and Nonresident Spouses Who File Separate Arizona Individual Income Tax Returns*; and see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

### Box 7 - Single Return

If you are filing as single, check box 7.

Use this filing status if you were single on December 31, 2025. 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, 2025, and you did not remarry in 2025, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**NOTE:** *If you got divorced during the year, see the department's ruling, ITR 14-2, Reporting Income, Deductions, Exemptions, and Withholding for Divorced Individuals for the Year of Divorce; and publication, Pub. 200, Income Tax Issues Affecting Married and Divorced Taxpayers.*

### Exemptions - Boxes 8, 9, and 11a

Enter the number of exemptions you are claiming in boxes 8, 9, and 11a. **Do not put a check mark or an "X".** You may lose the exemption if you put a checkmark or "X" in these boxes.

### Box 8 - Age 65 or Over

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2026 (born 1/1/1961), that person is considered to be age 65 at the end of 2025 for federal income tax purposes and likewise for Arizona income tax purposes.*

- If you are single or filing as head of household, enter "1" in box 8 if you were 65 or older in 2025 and not claimed as a dependent by another taxpayer.
- If you are married filing a joint return, enter "1" in box 8 if you were 65 or older and not claimed as a dependent by another taxpayer or your spouse was 65 or older in 2025 and not claimed as a dependent by another taxpayer.

Enter "2" in box 8 if both you and your spouse were 65 or older in 2025 and neither of you are claimed as a dependent by another taxpayer.

- If you are married and filing a separate return, enter "1" in box 8 if you were 65 or older and not claimed by another taxpayer. You cannot take an exemption for your spouse. Your spouse, if 65 or older and not claimed by another taxpayer, may take this exemption on their own separate return.

### Box 9 - Blind

If you or your spouse were partially blind as of December 31, 2025, you must get a statement certified by your eye doctor or registered optometrist that either:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses **or**
- 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.

- If you are single or filing as head of household, enter "1" in box 9 if you are totally or partially blind.
- If you are married filing a joint return, enter "1" in box 9 if **you or** your spouse is totally or partially blind.

Enter "2" in box 9 if both **you and** your spouse are totally or partially blind and your spouse meets the above criteria.

- If you are married and filing a separate return, you may take an exemption for yourself if you are totally or partially blind. You may only claim an exemption for your spouse if (1) your spouse is totally or partially blind, (2) has no Arizona adjusted gross income for the calendar year, and (3) is not the dependent of another taxpayer.

Enter "1" in box 9 if you are totally or partially blind **or** your spouse is totally or partially blind **and** your spouse meets the above criteria.

Enter "2" in box 9 if you are totally or partially blind **and** your spouse is totally or partially blind **and** your spouse meets the above criteria.

### Box 11a - Qualifying Parents and Grandparents

**NOTE:** *If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may include that person as a dependent in box 10b, **or** you may claim that person as a qualifying parent or grandparent in box 11a. You may **not** include the same person in both box 10b and box 11a.*

You must complete the qualifying parent and grandparent section (lines 11b and 11c) on page 1 (and Part 2 on page 4, if more space is needed) before you can total your exemptions for qualifying parents and grandparents. **Be sure to check the box on page 1 indicating you are completing page 4.**

A qualifying parent or grandparent may be any one of the following:

- Your parent, grandparent, or great-grandparent, etc.
- If married filing a joint return, your spouse's parent, grandparent, or great-grandparent, etc.

You may claim this exemption if **all** of the following apply:

1. The parent, grandparent, or great-grandparent was 65 years old or older during 2025.
2. The parent, grandparent, or great-grandparent lived in your principal residence for the entire taxable year.

If your parent or grandparent died during the taxable year, this requirement will still be met if he or she lived with you for the entire part of the year in which he or she was alive. Temporary absences by the parent or grandparent for special circumstances, such as a hospital stay or care in a hospice facility, count as time lived in the taxpayer's principle residence.

3. You paid more than one-half of the support and maintenance costs of the parent or grandparent during the taxable year.

To help you determine if you paid more than one-half of your parent or grandparent's support during the taxable year, it is recommended that you review the department's procedure, ITP 14-1, *Procedure for Determining Support for Purposes of the Parents and Grandparents Exemption Allowed under A.R.S. § 43-1023(C)* and complete the worksheet. Keep the worksheet for your records.

4. The parent or grandparent required assistance with activities of daily living.

The term "activities of daily living" means two or more of the following listed categories. Activities of daily living include both basic activities of daily living and instrumental activities of daily living. The categories of activities of daily living are: dressing, eating, ambulating, toileting, medicating and hygiene, shopping, housekeeping, managing personal finances, basic communication, food-preparation, and transportation.

For more information regarding what the term "activities of daily living" means when determining an Arizona resident taxpayer's eligibility for this exemption, see the department's ruling, ITR 14-3, *"Activities of Daily Living" for the Purpose of the Exemption Allowed Under A.R.S. § 43-1023(C)*.

To help you determine if your parent or grandparent required assistance with activities of daily living to meet this requirement, it is recommended that you review the department's procedure, ITP 14-2, *Procedure for Determining Whether a Parent or Grandparent Requires Assistance with Activities of Daily Living for Purposes of the Exemption Allowed under A.R.S. § 43-1023(C)* and complete the checklist. Keep the checklist for your records.

### Lines 11b and 11c

For each qualifying parent and grandparent, enter the following information:

- a) first and last name;
- b) social security number;
- c) relationship to taxpayer;
- d) the number of months this person lived in your home;
- e) check this box if the person is age 65 or over;
- f) check this box if the person died in 2025.

You may lose the exemption for qualifying parents and grandparents if you do not furnish this information. Enter the total number of qualifying parents/grandparents in box 11a.

### Dependents - Boxes 10a and 10b

#### Boxes 10a and 10b

Boxes 10a and 10b identify the *number* of your qualifying dependents that are either under the age of 17 (box 10a) or age 17 and over (box 10b). This information is used to compute the allowable Dependent Tax Credit. Include only those dependents in box 10a or 10b that you are using to compute the allowable Dependent Tax Credit claimed on line 49.

**NOTE:** If a person who is a qualifying parent or grandparent also qualifies as your dependent, you may include that person as a dependent in box 10b to compute the allowable Dependent Tax Credit, or you may claim that person as a qualifying parent or grandparent in box 11a. You may **not** include the same person in both box 10b and box 11a.

#### Lines 10c through 10e

You must complete the dependent information section (lines 10c through 10e) on page 1 (and Part 1 on page 4, if more space is needed) for each person counted in either box 10a or 10b. **Be sure to check the box on page 1 indicating you are completing page 4.**

You may claim only those individuals that qualify as your dependent for federal purposes. For each qualifying individual, enter the following information:

- a) first and last name;
- b) social security number;
- c) relationship to taxpayer;
- d) the number of months this person lived in your home;

**Temporary absences:** Your child or dependent is considered to have lived with you during periods of time when temporarily absent due to special circumstances such as: illness, education, business, or vacation. Your child is also considered to have lived with you during any required hospital stay following birth, as long as the child would have lived with you during that time but for the hospitalization.

- e) - check box 1 (for box 10a) if this person is under the age of 17 or  
- check box 2 (for box 10b) if this person is age 17 or over;  
and
- f) check the box if you did not claim this person on your federal return due to educational credits.

**NOTE:** If you did not claim a dependent who is 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 dependent on your Arizona return.

For more information, see the department's ruling, ITR 05-2, Will Arizona Allow a Dependent Exemption When a Taxpayer Does Not Claim Federal Exemption in Order to Claim the Education Credit?

You may lose the dependent tax credit if you do not furnish this information. Enter the total number of dependents in box 10a and 10b.

## 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 2025 federal return to determine your federal adjusted gross income, even if you are 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 in 2026?" on page 4.

### Arizona Small Business Income Tax Return

Individuals *may* elect to report their small business income on Arizona Form 140-SBI, *Small Business Income (SBI)*, for the small business income amount included in their federal adjusted gross income.

An individual's small business income is reported on federal Schedules B, C, D, E, F and Form 4797 (for amounts not included on Schedule D). For more information, see Form 140-SBI and instructions.

Additional information and guidance can be found in the department's Publication 712, *Summary of Arizona Small Business Income and Taxation*.

### How do I elect to report Small Business Income on Arizona Form 140-SBI?

Taxpayers make the election by simply completing Form 140-SBI reporting their small business income **and including the completed form with their Arizona Form 140 tax return, when filed.**

**NOTE:** You must include Form 140-SBI with your Form 140, when filed. If you do not include Form 140-SBI with your Form 140, processing of your return may be delayed or your subtraction on line 13 may be denied. See the Mailing instructions for the correct address when mailing both Form 140 and Form 140-SBI.

### Modified Federal Adjusted Gross Income

#### Line 13 - Small Business Income

If you elect to report your small business income on Arizona Form 140-SBI, check the box on line 13 and enter the amount of small business income reported on Form 140-SBI, line 10.

**NOTE:** If you are filing a "zero" SBI return to claim any overpayment from estimated/extension payments made for the SBI tax return, check the box and enter "zero" on line 13. Be sure to file both returns together by the due date (including extension). See Form 140-SBI form instructions for completing a "zero" tax return.

### Line 14 – Modified Federal Adjusted Gross Income

Subtract line 13 from line 12.

### Additions to Income

#### NOTE:

- If you are electing to report your small business income on Form 140-SBI and if any of the following additions are **directly related to the small business income**, report that addition on Form 140-SBI. If the addition is **not** directly related to small business income, make the addition on Form 140.
- If you are not filing Form 140-SBI, make that addition on Form 140.

### Line 15 - Non-Arizona Municipal Interest

If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.

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, keep a schedule listing the payors and the amount received from each payor for your records. You should also keep supporting documents for amounts received from Arizona municipal bonds that are exempt from Arizona income tax. These may be items such as bank statements, brokerage statements, etc.

### Line 16 - Partnership Income Adjustment

If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.

Complete line 16 if you received an Arizona Form 165 Schedule K-1 and line 3 shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Form 165 Schedule K-1 is a positive number, enter that difference as an addition on line 16.

**NOTE:** If the difference reported on line 3 of your Form 165 Schedule K-1 is a negative number, enter the difference on 27.

### Line 17 - Total Federal Depreciation

If you are making the small business election and this addition is directly related to small business income reported on

Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.

Enter the total amount of depreciation deducted on your federal return. If you make an entry here, you should also take a subtraction on line 26. To figure out how much you should subtract, see the instructions for line 26.

#### Line 18 - Other Additions to Arizona Gross Income

##### NOTE:

- If you are electing to report your small business income on Form 140-SBI and if any of the following “other additions” are **directly related to the small business income**, report that addition on Form 140-SBI. If the addition is **not** directly related to small business income, make the addition on Form 140.
- If you are not filing Form 140-SBI, make that “other addition” on Form 140.

Use line 18 if any of the following special circumstances apply.

**NOTE:** If you are reporting any adjustment on line 18 complete the schedule on page 5 of your tax return, Other Additions to Arizona Gross Income, and include it with your return.

If you are not reporting any adjustment on line 18, do **not** include page 5 with your return.

You may either add (on line 18) or subtract (on line 36) items A and B, depending on your situation.

#### A. 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, and
- 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 adjust your income, keep a schedule for your records of how you figured your adjustment. For more information, see the department’s publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

#### B. Fiduciary Adjustment

If you are making the small business election and this addition is **directly related to small business income reported on Form 140-SBI**, do not report the addition on Form 140, enter the addition on Form 140-SBI.

A fiduciary uses Arizona Form 141AZ Schedule K-1 to report to you your share of the fiduciary adjustment from the trust or estate.

Line 3 of Form 141AZ Schedule K-1 shows your share of the fiduciary adjustment from the estate or trust. If the amount

reported on line 3 of your Form 141AZ Schedule K-1 is a positive number, include that amount on line 18.

**NOTE:** If the amount reported on line 3 of your Form 141AZ Schedule K-1 is a negative number, include that amount as an Other Subtraction on line 36.

#### C. Ordinary Income Portion of Lump-Sum Distributions Excluded on Your Federal Return

Make this adjustment 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 more information, see the department’s ruling, ITR 93-5, *Arizona’s Income Tax Treatment of the Capital Gain Portion of a Lump Sum Distribution from a Qualified Retirement Plan*.

#### D. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. If your Arizona taxable income includes items previously deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

#### E. Claim of Right Adjustment for Amounts Repaid in 2025

**NOTE:** For items E, Fa and Fb; taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2025, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140-SBI return if the income were reported in 2025, the adjustment should be made in the 140-SBI return. All other claim of right adjustments should be made on the regular 140 return.

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

- During 2025, you were required to repay amounts held under a claim of right.
- The amount required to be repaid during 2025 was more than \$3,000.
- You took a deduction for the amount repaid on your 2025 federal income tax return.

If the above apply, include the amount deducted on your federal income tax return. For more information on the Arizona claim of right provisions, see the department’s procedure, ITP 16-1, *Procedure for Individuals Who Restore Substantial Amounts Held under a Claim of Right*.

#### F(a). Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

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

- During a year prior to 2025, you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona’s claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.

- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2025 Arizona taxable income.
- The amount of the loss carryover included in your federal income is more than the amount allowed to be taken into account for Arizona purposes.

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

**F(b). Adjustment for Net Operating Loss due to Claim of Right**

You must add-back the adjustment for any net operating loss previously claimed that is related to the amount of your claim of right reported.

**G(a). Addition Due to Claiming the Agricultural Water Conservation System (Credit 312)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

You must make an addition to income for the amount of expenses disallowed by reason of claiming the credit. See the instructions for completing Credit Form 312.

**G(b). Addition to S Corporation Income Due to Claiming Pass-through Credit for Agricultural Water Conservation System (Credit 312)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

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 (Form 312-S, line 1). You must include an amount on this line when claiming the Agricultural Water Conservation System Credit (Form 312). See the instructions for completing Credit Form 312.

**H(a). Adjusted Basis in Property for Which You Have Claimed a Credit for Investment in Qualified Small Businesses (Credit 338)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed (Credit 338) and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1074.02 (Credit 338).

**H(b). Adjusted Basis in Property for Which You Have Claimed an Agricultural Pollution Control Equipment (Credit 325)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

The amount by which the adjusted basis computed under the internal revenue code with respect to property that is agricultural pollution control equipment for which a credit (Credit 325) was taken *before taxable year 2022* and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property for agricultural pollution control equipment computed under section 43-1081.01 (Credit 325).

**H(c). Adjusted Basis in Property for Which You Previously Claimed a credit for Pollution Control Equipment (Credit 315)**

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

The amount by which the adjusted basis computed under the internal revenue code with respect to property that is pollution control equipment for which a credit (Form 315) was taken *before taxable year 2022* and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1081 (Credit 315).

**I. Nonqualified Withdrawals from 529 College Savings Plans**

You must make an addition to income if **both** of the following apply to you:

- You received a nonqualified withdrawal from a 529 college savings plan.
- You did not include the amount of the withdrawal in your federal adjusted gross income.

The amount that you must include 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:

- 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.
- A withdrawal made as the result of the death or disability of the designated beneficiary of an account.
- A withdrawal that is made on the account of a scholarship, or the allowance or payment described in IRC § 135(d)(1)(B) or (C), and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.
- A rollover or change of designated beneficiary.

### J. Sole Proprietorship Loss of an Arizona Nonprofit Medical Marijuana Dispensary included in Federal Adjusted Gross Income

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

**NOTE:** *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you are required to add the amount of the loss from the dispensary that is included in the computation of your federal adjusted gross income. Include the amount of the loss.

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this addition does not apply.*

In addition, a sole proprietorship of an Arizona dual licensee that has not elected to operate on a for-profit basis may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

**NOTE:** *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

### K. Federal Net Operating Loss (NOL) Carryforward from Non-Arizona Sources Accrued While a Nonresident

An individual cannot include a federal NOL carryforward deduction incurred from non-Arizona sources while the taxpayer was an Arizona nonresident in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of the NOL carryforward deduction included in the taxpayer's federal adjusted gross income. For more information, see the department's ruling, ITR 13-5, *Can a Net Operating Loss Incurred as a Non-Resident Be Used to Offset Income in a Year in Which the Taxpayer Is A Resident?*

**NOTE:** *For a non-Arizona source loss incurred while the taxpayer was an Arizona nonresident, the taxpayer would not be allowed to amend a prior year resident Arizona income tax return to claim the NOL carry back deduction.*

### L. Federal Capital Loss Carryforward Deduction Incurred from Non-Arizona Sources Prior to Arizona Residency

**NOTE:** *This addition is not related to small business income and should not be reported on Form 140-SBI. Make this addition on Form 140.*

An individual cannot include a capital loss carryforward deduction, incurred from non-Arizona sources while the

taxpayer was an Arizona nonresident, in the Arizona taxable income of a return filed for a taxable year in which the taxpayer is an Arizona resident. Therefore, a capital loss incurred from non-Arizona sources while the taxpayer was an Arizona nonresident cannot be carried forward to a taxpayer's Arizona resident return when the loss carryover is reflected in the taxpayer's federal adjusted gross income.

The taxpayer must make an addition to Arizona gross income on the full-year Arizona resident return for the amount of such capital loss carryforward deduction included in the computation of the taxpayer's federal adjusted gross income.

For more information, see the department's ruling, ITR 13-6, *Can a Capital Loss Incurred as a Non-Resident Be Used to Offset Income in a Year in Which the Taxpayer Is A Resident?*

### M. Americans with Disabilities Act - Access Expenditures

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

If a subtraction is taken on line 36, *Other Subtractions from Income* (Item M), for the full amount of eligible business access expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S Title 41, chapter 9, article 8; you must make an addition to Arizona gross income for any amount that is included in the computation of federal adjusted gross income for the current year, plus any federally amortized amounts.

### N. Amortization or Depreciation for Child Care Facility

You may need to make an addition for depreciation or amortization if you elected to amortize the cost of a child care facility under Arizona law in effect before 1990 and you are still deducting amortization or depreciation for that facility on your federal income tax return.

### O. Net Capital (Loss) from Exchange of One Kind of Legal Tender for another Kind of Legal Tender

**NOTE:** *If you elected to file the Arizona Small Business Income Tax Return, only claim the addition on this return if the net capital loss to which the addition relates was not moved to the Arizona Small Business Income Tax Return.*

To determine if you are required to make this addition to income, you must net all gains and (losses) from all exchanges of one kind of legal tender for another kind of legal tender, including amounts shown on Form 165 Schedule K-1, Form 120S Schedule K-1, and Form 141AZ Schedule K-1.

Enter the amount of any net capital (loss) included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital gain from the exchange of one kind of tender for another kind of tender, enter that amount page 6, "R".*

For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

### P. Entity-Level Income Tax Payment

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not take the addition on Form 140, enter the addition on Form 140-SBI.*

If you are claiming the income tax credit on Form 355, *Credit for Entity-Level Income Tax Paid on Your Behalf from a Partnership and/or an S Corporation*, you must add the amount deducted by the partnership and/or S Corporation for the amount of Arizona income tax paid on your behalf in 2025.

Enter the total amount of tax paid shown on:

- Arizona Form 165, Schedule K-1, Part 7, lines 12 to 15.
- Arizona Form 120S, Schedule K-1, Part 5, lines 9 to 12.

**NOTE:** Enter the tax amount **actually paid** by the Partnership or S Corporation **in 2025**. Tax amounts paid in 2026 for tax year 2025 will be added-back on your 2026 tax return. These payments include any 4<sup>th</sup> QTR estimated taxes paid in January 2026 and any 2025 tax payments made with the Entity's tax return on your behalf.

### Q. Credit for Motion Picture Production Costs

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

If you are claiming a credit on Form 334, *Credit for Motion Picture Production Costs*, you must make an adjustment (addition) to your Arizona gross income for the amount of any motion picture production costs that was deducted pursuant to the Internal Revenue Code (IRC) for which a tax credit is claimed on Form 334.

If you received a pass-through credit from a partnership, LLC or S Corporation, you must also add-back your pro-rated expenses shown on your Form 334-P, Line 4b and/or Form 334-S, line 4b, provided by the pass-through entity.

### R. Other Adjustments Related to Tax Credits

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not report the addition on Form 140, enter the addition on Form 140-SBI.*

You may also need to make an addition if you claimed certain tax credits.

- If you claimed the Agricultural Pollution Control Equipment Credit (Form 325) *before tax year 2025*, you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a

credit was taken on Credit Form 325 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property.

- If you previously claimed the Pollution Control Equipment Credit (Form 315) *before tax year 2022*, you must make an addition to income for the amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken on Credit Form 315 that exceeds the amount of depreciation or amortization computed pursuant to internal revenue code on the Arizona adjusted bases of the property.

If you have more than one adjustment related to tax credits, add the amounts together and enter the total.

### S. Other Adjustments

*If you are making the small business election and this addition is directly related to small business income reported on Form 140-SBI, do not take the addition on Form 140, enter the addition on Form 140-SBI.*

Other adjustments may be necessary. For example, you must add-back expenses related to income that Arizona does not tax. If you have more than one *Other Adjustment*, add the amounts together and enter the total.

### T. Total Other Additions to Arizona Gross Income

Add all amounts from page 5, and enter the total on line 18.

### Line 19 - Subtotal

Add lines 14 through 18 and enter the total.

### Subtractions from Income

#### NOTE:

- *If you are electing to report your small business income on Form 140-SBI and if any of the following subtractions are directly related to the small business income, report that subtraction on Form 140-SBI. If the subtraction is not directly related to small business income, report the subtraction on Form 140.*
- *If you are not filing Form 140-SBI, take that subtraction on Form 140.*

You may only subtract those items for which statutory authority exists. You cannot take a subtraction without such authority.

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

If you have any questions concerning subtractions from income, call one of the numbers listed on page 1 of these instructions.

### Lines 20 through 24 - Net Capital Gain or (Loss)

**NOTE:** For lines 20-24; *if you elected to file the Arizona Small Business Income Tax Return, only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.*

If you have net capital gains or (losses) not related to small business income, enter those amounts on Form 140, lines 20-24.

If you are not filing a small business income tax return, include all net capital gains or (losses) on Form 140, lines 20-24.

**NOTE:** If you enter an amount on line 20, you must complete lines 21 and 22. If you are taking a subtraction on line 24 for any net long-term capital gain from assets acquired after December 31, 2011, you must also complete line 23. If you do not complete lines 20 through 23, you cannot take the subtraction on line 24.

You may subtract 25% (.25) of any net long-term capital gain included in your federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011.

Complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired after December 31, 2011*, at the end of these instructions to determine the allowable subtraction. Keep the worksheet for your records.

**NOTE:** If you do not have any net capital gain or (loss) to report, enter zero, "0" on lines 20-22.

#### **Line 20 - Total Net Capital Gain or (Loss)**

If you reported a net capital gain or (loss) on your federal income tax return, enter the total net capital gain or (loss) reported on the *Capital Gain or (Loss)* line on your federal return. This amount should be included in your federal adjusted gross income.

#### **Line 21 - Total Net Short-Term Capital Gain or (Loss)**

Enter the total amount of net short-term capital gain or (loss) reported on federal Schedule D. This amount should be included in your federal adjusted gross income.

**NOTE:** If you are not required to report dividend distributions and/or short-term capital gains from mutual funds on federal Form Schedule D, do not include the short-term capital gain distributed by the mutual fund on line 21.

#### **Line 22 - Total Net Long-Term Capital Gain or (Loss)**

Enter the total amount of net long-term capital gain or (loss) reported on federal Schedule D. This amount should be included in your federal adjusted gross income.

If your net long-term capital gain (loss) is limited to an amount reported on Form 1099-DIV and you were not required to complete federal Schedule D, enter the amount shown on Form 1099-DIV on line 22.

#### **Line 23 - Net Long-Term Capital Gain from Assets Acquired After December 31, 2011**

**NOTE:** Only include net long-term capital gains on this line if it can be verified that the asset was acquired after December 31, 2011. If the date of acquisition cannot be determined, the asset is considered to have been acquired before January 1, 2012.

For purposes of this line, an asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

If you completed the worksheet at the end of these instructions, enter the amount from line 5 of the worksheet.

If you did not complete the worksheet and you have no net long-term capital gain from assets acquired after December 31, 2011, enter zero, "0".

#### **Line 24 - Net Long-Term Capital Gain Subtraction from Income for Assets Acquired After December 31, 2011**

Multiply the amount on line 23 by 25% and enter the result.

**CAUTION:** If you take a subtraction for the net capital gain derived from investment in a qualified business (on line 25) or the net capital gain from the exchange of one kind of legal tender for another kind of legal tender (on page 6, item "R"), that includes any long-term capital gain from an investment made after December 31, 2011, you cannot include that portion in your computation of the allowable subtraction on line 24 for any net long-term capital gain from assets acquired after December 31, 2011, and included in federal adjusted gross income. For more information, see the worksheet on page 31.

**1099-DIV:** If you received Form 1099-DIV issued from a fund Administrator and the 1099-DIV included long-term capital gains from the sale of assets within the fund (for example a mutual fund) for the current tax year and the form did not include the acquisition date of each asset sold within the fund, you cannot verify that the long-term capital gain was from an asset acquired by the Fund was after December 31, 2011, for the purpose of the allowable subtraction on line 23. In this case, you may want to contact the Fund Administrator and request to obtain the acquisition date of each asset sold within the fund. If the Administrator does not provide you with the specific date(s), then those assets cannot be included on line 23.

**1099-B:** If you received Form 1099-B showing a capital gain or (loss) from the sale of your portion of a fund (for example a mutual fund), Form 1099-B would generally include your purchase date of the fund including acquisition dates of assets included in your portion of the fund when reporting short-term or long-term capital gains or (losses). In this case, you would know the specific date the asset was acquired and those assets may be included on line 23.

#### **Line 25 - Net Capital Gain from Investment in an Arizona Qualified Small Business**

If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI

To take the subtraction for a net capital gain from investment in an Arizona qualified small business, you must net all gains and (losses) from investments in Arizona qualified small businesses including amounts shown on Forms 165 Schedule K-1 120S Schedule K-1, and/or 141AZ, Schedule K-1.

You may subtract the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as

determined by the Arizona Commerce Authority (ACA) pursuant to A.R.S. § 41-1518.

To qualify for this subtraction, your investment in the qualified small business must have been made *after* the ACA certified the company as a qualified small business and *before* the company's certification expiration date. An investment made prior to certification or after the expiration of certification does not qualify for this subtraction. See the ACA's website, *Small Business Incentives: Angel Investment*, for a list of certified businesses and their certification dates.

On line 25, enter the amount of the allowable subtraction.

#### **Line 26 - Recalculated Arizona Depreciation**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

**NOTE:** For more information and examples of how to calculate Arizona bonus depreciation, see the department's procedure, ITP 16-2, Procedure for Individuals who Claim Federal and/or Arizona Bonus Depreciation.

**For assets placed in service in taxable years beginning before December 31, 2012,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if you had elected not to claim bonus depreciation for eligible properties for federal purposes.

**For assets placed in service in taxable years beginning from and after December 31, 2012 through December 31, 2013,** the amount of the subtraction for these assets depends on the method used to compute the depreciation for these assets.

**For assets placed in service in taxable years beginning from and after December 31, 2013 through December 31, 2015,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation is 10% (.10) of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2015 through December 31, 2016,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation is 55% (.55) of the amount of federal bonus depreciation pursuant to IRC § 168(k).

**For assets placed in service in taxable years beginning from and after December 31, 2016,** enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year, calculated as if the bonus depreciation had been the full amount (100%) of federal bonus depreciation pursuant to IRC § 168(k).

Add all of the amounts together and enter the total on line 26.

#### **Line 27 – Partnership Income Adjustment**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Use this adjustment if you received an Arizona Form 165 Schedule K-1, line 3 that shows a difference between federal and state distributable income.

If the difference reported on line 3 of your Arizona Form 165 Schedule K-1 is a negative number, enter that difference on line 27. **Do not include a minus sign or use parentheses.**

**NOTE:** *If the difference reported on line 3, of your Arizona Form 165 Schedule K-1, is a positive number, enter that difference as an addition on line 16.*

#### **Line 28 - Interest on U.S. Obligations**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Enter the amount of interest income from U.S. Government obligations included as income on your federal return. U.S. Government obligations include obligations such as savings bonds and treasury bills. You cannot deduct any interest or other related expenses incurred to purchase or carry the obligations. If such expenses are included in your Arizona gross income, you must reduce the subtraction by such expenses. If you are itemizing deductions on your Arizona return, you must exclude such expenses from the amount deducted.

**NOTE:** *Do not subtract interest earned on Fannie Mae (FNMA) or Ginnie Mae (GNMA) bonds since this interest is taxable by Arizona. For details, see the department's ruling, ITR 06-1, Obligations of the United States Government, Federal Agencies, and United States Territories.*

Do not subtract any amount received from a qualified pension plan that invests in U.S. Government obligations. Do not subtract any amount received from an IRA that invests in U.S. Government obligations. These amounts are not interest income.

For details, see the department's rulings, ITR 96-2, *Pension Plan Distributions Derived from Investment in U.S. Government Obligations*; and ITR 96-3, *Distributions Comprised of Income Earned by the IRA*.

#### **Line 29a - Exclusion for U.S. Government, Arizona State or Local Government Pensions**

If you received 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.

**NOTE:** *Do not enter any subtraction for pension income received from retired or retainer pay of the Uniformed Services. The allowable subtraction for this pension type is entered on line 29b.*

#### **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;
- 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; and
- an optional retirement program established by the Arizona Board of Regents under Arizona Revised Statutes, and 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 29b – Exclusion for Retired or Retainer Pay of the Uniformed Services of the United States**

If you received benefits, annuities and pensions as retired or retainer pay of the uniformed services of the United States, you may subtract 100% of the amount you received. If you are married and filing a joint return and both you and your spouse each received such income, each spouse may subtract 100% of the amount received. *If you are the surviving spouse of a deceased military veteran, and are receiving payments from the uniformed services of the United States, you may exclude 100% of the payments you received.*

#### **Line 30 - U.S. Social Security Benefits or Railroad Retirement Benefits**

Arizona does not tax the following:

- Social security benefits received under Title II of the Social Security Act.
- Railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act, tier 1 or tier 2 railroad retirement benefits, railroad disability benefits reported on federal forms RRB-1099 and RRB-1099-R, railroad unemployment benefits and railroad sickness payments paid by the Railroad Retirement Board. For more information, see the department's ruling, ITR 16-1, *Railroad Retirement Benefits, Railroad Disability Benefits, Railroad Unemployment Benefits and Railroad Sickness Payments*.

If you included such social security or railroad retirement benefits as income on your federal return, use line 30 to subtract this income.

**NOTE:** *Enter only the taxable amount (the amount that was subject to federal income tax). Do not include any amount that was not subject to federal income tax on line 30.*

#### **Line 31 - 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 the department's ruling, ITR 96-4, *Income Taxation of Indians and Spouses*.

#### **Line 32 - Pay Received for Active Service as a Member of the Reserves, National Guard or the U.S. Armed Forces**

Members of the U.S. armed forces may subtract pay received for active duty military service. Enter the amount of that income included in your federal adjusted gross income.

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. Enter the amount of that income included in your federal adjusted gross income.

#### **Military Technician (dual status)**

You may **not** subtract any income you received for full-time civil service employment as a "military technician (dual status)." Compensation received by a "military technician (dual status)" for federal civil service employment for the National Guard or for the United States Reserves, is not income received for active service as a National Guard member or a Reserve member even though the employee may be required to wear a military uniform while at work.

For more information, see the department's ruling, ITR 12-2, *Compensation Received by a National Guard member or a member of the United States Reserves*.

**NOTE:** *You may not subtract pay received for active duty service as a member of the U.S. Public Health Service or NOAA. For more information, see the department's ruling, ITR 10-1, Does the subtraction, for armed forces personnel, under A.R.S. § 43-1022 apply to Arizona residents who are active duty service members of the commissioned corps of the United States Public Health Service or the National Oceanic and Atmospheric Administration?*

#### **Line 33 - Net Operating Loss Adjustment**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Arizona did not adopt the special federal net operating loss rules for losses incurred during 2008 or 2009. For Arizona purposes, you must deduct a net operating loss as if the loss was computed under IRC §172 in effect prior to the enactment of those special rules. If you made an election to deduct your 2008 or 2009 federal net operating loss under IRC § 172(b)(1)(H), you may have to enter an amount here. Figure how much of the net operating loss carry forward would have been allowed as a deduction on your 2025 federal income tax return, if the election described in IRC § 172(b)(1)(H) had not been made in the year of the loss. Enter the amount that exceeds the actual

net operating loss carry forward that was deducted in arriving at federal adjusted gross income.

**NOTE:** *This subtraction applies to only those individuals who made an election under the special federal net operating loss rules for 2008 and 2009. Under the special rules for 2008 and 2009, you could have elected to carry the net operating loss back for 3, 4 or 5 years, instead of the normal 2 years. This election would have been allowed under IRC § 172(b)(1)(H) as amended by the American Recovery and Reinvestment Act of 2009 or the Worker, Homeownership, and Business Assistance Act of 2009.*

#### **Line 34 (Box 34a) - Contributions to 529 College Savings Plans**

You may subtract amounts you contributed directly to 529 college savings plans during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 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 subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is limited to \$2,000 per beneficiary (\$4,000 if married).

**For example:** Jorge and Kate are married and have two children. During 2025, Jorge and Kate contributed \$5,000 to a 529 plan for Child 1 and \$5,000 to a 529 plan for Child 2. Even though Jorge and Kate contributed a total of \$10,000 during 2025, they may subtract only \$8,000 on their 2025 joint tax return. You may take a subtraction for the following:

- A contribution that you made during 2025 to a plan that existed before 2025.
- A contribution that you made during 2025 to a plan established in another state.
- A contribution that you made in 2025 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).

#### **Line 34 (Box 34b) - Contributions to 529A (ABLE Accounts)**

You may subtract amounts you contributed directly to a 529A, *Achieving a Better Life Experience Account (ABLE)*, during the taxable year on behalf of the designated beneficiary to the extent that contributions were not deducted in computing federal adjusted gross income. You may subtract the amount you contributed during the year up to a total of \$2,000 per beneficiary (\$4,000 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 subtraction taken by both of you cannot be more than \$4,000 per beneficiary.

If you contribute more than \$2,000 per beneficiary (\$4,000 if married) during the year, your total subtraction is still limited to \$2,000 per beneficiary (\$4,000 if married). See example under Line 34a.

#### **Line 34c**

Add the amounts in boxes 34a and 34b and enter the total on line 34c.

#### **Line 35**

Subtract lines 24 through 34c from line 19. Enter the difference.

#### **Line 36 - Other Subtractions from Arizona Gross Income**

**NOTE:** *If you are electing to report your small business income on Form 140-SBI and if any of the following "other subtractions" are directly related to the small business income, report that subtraction on Form 140-SBI. If the subtraction is not directly related to small business income, report the subtraction on Form 140.*

*If you are not filing Form 140-SBI, take that subtraction on Form 140.*

**NOTE:** *If you are reporting adjustments on line 36, complete the schedule on page 6 of your tax return, Other Subtractions from Arizona Gross Income, and include it with your return.*

*If are not reporting adjustment on line 36, do not include page 6 with your return.*

Use line 36 if any of the following special circumstances apply. **Do not include on line 36 any amounts already excluded in the computation of your federal adjusted gross income.**

#### **A. 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, and
- 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 adjust your income, keep a schedule for your records of how you figured your adjustment. For more information, see the department's publication, Pub. 200, *Income Tax Issues Affecting Married and Divorced Taxpayers*.

#### **B. Arizona Form 141AZ Schedule K-1 - Fiduciary Adjustment**

*If you are making the small business election and this subtraction is directly related to small business income*

reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.

A fiduciary uses Form 141AZ Schedule K-1 to report to you your share of the fiduciary adjustment from the estate or trust.

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, include that amount as an *Other Subtraction* on line 36.

**NOTE:** If the amount reported on line 3 of your Arizona Form 141AZ Schedule K-1 is a positive number, enter that amount as an *Other Addition* on line 18.

### C. Federally Taxable Arizona Municipal Interest as Evidenced by Bonds

Include the amount of any interest income received on obligations of the State of Arizona, or any political subdivisions of Arizona, as evidenced by bonds, 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. For more information, see the department's ruling, ITR 15-1, *Arizona Municipal Interest that is Included in Federal Adjusted Gross Income*.

### D. Adoption Expenses

You may take this subtraction **only** in the year the final adoption order is granted. Include the lesser of the total of the following adoption expenses or \$ 40,000. When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses:

- unreimbursed medical and hospital costs;
- adoption counseling;
- legal and agency fees; and
- other nonrecurring costs of adoption.

If you are married and 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 \$ 40,000.

### E. Qualified Wood Stove, Wood Fireplace, or Gas-Fired Fireplace

You may take a subtraction for converting an existing fireplace to one of the following:

- a qualified wood stove;
- a qualified wood fireplace; or
- a 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 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.

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

**NOTE:** For taxpayers that made the election to file an Arizona Small Business Income Tax Return in 2025, if the income required to be paid back under the claim of right is the type of income that would be included in lines 4 through 9 of the 140-SBI return, the adjustment should be made in the 140-SBI return. All other claim of right adjustments should be made on the regular 140 return.

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

- During a year prior to 2025 you were required to repay amounts held under a claim of right.
- You computed your tax for that prior year under Arizona's claim of right provisions.
- A net operating loss or capital loss was established due to the repayment made in the prior year.
- You are entitled to take that net operating loss or capital loss carryover into account when computing your 2025 Arizona taxable income.
- 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.

Include 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.

### G. Certain Expenses Not Allowed for Federal Purposes (due to claiming federal tax credits)

*If you are making the small business election, do not take the subtraction here, take it on the 140-SBI tax return.*

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

- the Federal Work Opportunity Credit;
- the Empowerment Zone Employment Credit;
- the credit for employer-paid social security taxes on employee cash tips; and
- the Indian Employment Credit.

If you received any of the above federal tax credits for 2025, include the portion of wages or salaries you paid or incurred during the taxable year equal to the amount of those federal tax credits you received.

### H. 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. Include 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 IRC § 529.

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

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

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

- The income from the sale is subject to Arizona income tax in 2025.
- You paid income tax to another state on that income in a **prior** tax year.

Include the amount of such income that you included in your Arizona gross income for 2025.

Do not include any amount that is subject to tax by both Arizona and another state in 2025. In this case, you may be eligible for a tax credit. See Arizona Form 309 for details.

## J. Agricultural Crops Given to Arizona de Organizations

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Arizona law allows a subtraction for qualified crop gifts made during 2025 to one or more charitable organizations. To take this subtraction, **all** of the following must apply:

- You must be engaged in the business of farming or processing agricultural crops.
- The crop must be grown in Arizona.
- You made your gift to a charitable organization located in Arizona that is exempt from Arizona income tax.

The subtraction is the larger of the wholesale market price or the most recent sale price for the contributed crop. The amount of the subtraction cannot include any amount deducted pursuant to IRC § 170 with respect to crop contribution that exceeds the cost of producing the contributed crop.

To determine if your crop gift qualifies for this subtraction, see the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*.

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

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

For property that is sold or otherwise disposed of during the taxable year by a taxpayer who has complied with the requirement to add back all depreciation for that property on tax returns for all taxable years beginning from and after December 31, 1999, include the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years. (Note: The practical effect of this is to

allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.)

## L. Sole Proprietorship Income of an Arizona Nonprofit Medical Marijuana Dispensary Included in Federal Adjusted Gross Income

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

**NOTE:** *If the Arizona nonprofit medical marijuana dispensary is registered with the Arizona Department of Health Services as anything other than a sole proprietorship, this subtraction does not apply.*

If you are registered as an Arizona sole proprietorship with the Arizona Department of Health Services to operate in this state as a nonprofit medical marijuana dispensary, you may subtract the amount of the income from the dispensary that is included in the computation of your federal adjusted gross income.

In addition, a sole proprietorship of an **Arizona dual licensee that has not elected to operate on a for-profit basis** may subtract the portion of income included in federal adjusted gross income that is from the medical marijuana portion of the business.

**NOTE:** *A dual licensee that elects to operate on a for-profit basis does not qualify for a subtraction for the medical marijuana portion of their business.*

## M. Long-Term Care Insurance Premiums

You may subtract the amount of premium costs for long-term care insurance for qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services.

You may take this subtraction only if you are **not** claiming itemized deductions for the taxable year.

An individual who claims itemized deductions may **not** take this subtraction.

## N. Americans with Disabilities Act - Access Expenditures

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

A subtraction is allowed for eligible business access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year. (A.R.S. §§ 43-1022 and 43-1024)

“*Eligible business access expenditures*” include reasonable and necessary amounts paid or incurred to do any of the following:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.

- Provide qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials, or equipment.

**NOTE:** *A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.*

#### **O. Exploration Expenses Deferred before January 1, 1990**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Call one of the numbers on page 1 of these instructions if you deferred exploration expenses determined under IRC § 617 in a taxable year ending before January 1, 1990 and you have not previously taken a subtraction for those expenses.

#### **P. Sole Proprietorship – Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

*A sole proprietorship or disregarded LLC (dual licensee) that takes the allowable subtraction for the income of an Arizona Nonprofit Medical Marijuana Dispensary (NMMD) under item "L", cannot take this allowable subtraction.*

Enter the **total amount of ordinary and necessary expenses related to the sales of recreational use products reported on Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments, line 16. Include this schedule (after page 6) with your tax return, when filed.**

Do not include Cost of Goods Sold or any other expenses already allowed to be deducted on your federal return in the total amount of expenses reported on this line.

**NOTE:** *Sole Proprietors and disregarded LLCs must contact the Arizona Department of Health Services (ADHS) to make the election to operate on a for-profit basis.*

#### **Q. S Corporation Shareholders - Marijuana Establishment, Testing Facilities and Dual Licensees that Elected to Operate on a For-profit Basis**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not report the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Enter the amount of your pro-rata share of ordinary and necessary expenses related to the sales of recreational use products as shown on your Form 120S Schedule K-1, line 7.

#### **R. Net Capital Gain from Exchange of One Kind of Legal Tender for Another Kind of Legal Tender**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

To take this subtraction you must net **all** gains and (losses) from all exchanges of kind of legal tender for another kind of legal tender including amounts shown on Forms 165 Schedule K-1, 120S Schedule K-1, and/or 141AZ, Schedule K-1.

Enter the amount of any **net** capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

**NOTE:** *If the amount from all sources results in a net capital (loss) from the exchange of one kind of tender for another kind of tender, enter that amount on page 5, "Other Additions to Arizona Gross Income, "O".*

For the purposes of this subtraction:

- (a) "Legal tender" means a medium of exchange, including specie that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

#### **S. Virtual Currency and Non-Fungible Tokens**

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

To the extent not already excluded from Arizona gross income under the internal revenue code, the value of virtual currency and non-fungible tokens the taxpayer received pursuant to an airdrop at the time of the airdrop. This paragraph may not be interpreted as providing a subtraction for any appreciation in value that occurs from holding the virtual currency after the initial receipt of the airdrop.

For the purpose of this subtraction, A.R.S. § 43-1028 defines the following:

- **Airdrop** as the receipt of virtual currency through a means of distribution of virtual currency to the distributed ledger addresses of multiple taxpayers.
- **Non-fungible tokens (NFT)** as a non-fungible cryptographic asset on a blockchain that possesses unique identifiers or other metadata that distinguishes the asset from another token or asset in a manner that makes the asset irreplaceable and non-exchangeable for a similar token or asset.
- **Virtual currency** as a digital representation of value that functions as a medium of exchange, a unit of account and a store of value other than a representation of the U.S. dollar or a foreign currency.
- **Foreign currency** as the coin and paper money of a country other than the United States that is designated as legal tender, circulates and is customarily used and accepted as a medium of exchange in the country of issuance.

## T. Gas Fees or Non-Fungible Token Basis

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

The amount allowed as a subtraction by section 43-1028 for gas fees not already included in the taxpayer's virtual currency or non-fungible token basis.

For the purpose of this subtraction, A.R.S. § 43-1028 defines the following:

- **Gas Fees** as a fee paid to the operator of a virtual network for the use of the network to facilitate the purchase, sale or exchange of virtual currency or an NFT.

## U. Arizona Families Tax Rebate

Enter the total amount of your 2025 Arizona Families Tax Rebate received during tax year 2025 that is required to be included in your Arizona Gross Income under the internal revenue code.

## V. Other Adjustments

*If you are making the small business election and this subtraction is directly related to small business income reported on Form 140-SBI, do not take the subtraction on Form 140, enter the subtraction on Form 140-SBI.*

Other adjustments may be necessary. If an allowable adjustment is not listed above, enter that amount on this line. If you have more than one *Other Adjustment*, add the amounts together and enter the total. See MCTCP worksheet.

## W. Total Other Subtractions from Arizona Gross Income

Add all amounts from page 6, and enter the total on line 36.

### Line 37

Subtract line 36 from line 35 and enter the difference.

## Exemptions - Lines 38 through 41

### Line 38 - Age 65 or Over

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

### Line 39 - Blind

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

### Line 40 - Other Exemptions

**NOTE:** *If you take an "Other Exemption" for an individual on line 40, you cannot take an exemption for this individual as a qualifying parent/grandparent on line 41; or claim this individual for the dependent tax credit on line 49. In this case, do not include this individual as a dependent in Box 10b.*

You must complete page 4, Part 3 to compute your allowable *Other Exemptions* on line 40. Be sure to enter the number of individuals listed in Part 3 in the box, 40E, on line 40.

You may take an exemption in the amount of \$2,300 for each of the following individuals:

- A person who is age 65 or over (related to you or not) if either of the following applies:

1. In 2025, 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 2025, you paid more than \$800 for either Arizona home health care or other medical costs for the person.

*If both 1 and 2 apply to the same person, you are limited to only one exemption of \$2,300 for that person.*

**NOTE:** *If a taxpayer's 65<sup>th</sup> birthday was January 1, 2025 (born 1/1/1961), that person would be considered to be age 65 at the end of 2025 for federal income tax purposes and likewise for Arizona income tax purposes.*

- A stillborn child if the following apply:
  1. The stillbirth occurred during 2025.
  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.

Enter the following in columns (a) through (d):

- a) The individual's first and last 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.
- b) The individual's SSN. If you are claiming an exemption for a stillborn child, enter the certificate number from the certificate of birth resulting in stillbirth.
- c) For those individuals age 65 or over:
  - Check box C1 if 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 during the taxable year.
  - Check box C2 if you paid more than \$800 for either Arizona home health care or other medical costs for the person during the taxable year.

*If you check both box C1 and box C2 for the same individual, you are limited to only one exemption of \$2,300 for that individual.*

- d) Check this box if claiming an exemption for a stillborn child.

Enter the total **number** of exemptions in box 40E on line 40. **You may lose the exemption if you do not furnish this information.**

Multiply the number in box 40E by \$2,300 and enter the result.

### Line 41 - Qualifying Parents and Grandparents

**NOTE:** *If you take an exemption for an individual as a qualifying parent/grandparent on line 41 you cannot take an "Other Exemption" for the same individual on line 40, or claim this individual for the dependent tax credit on line 49. In this case, do not include this individual as a dependent in Box 10b.*

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

#### Line 42 - Arizona Adjusted Gross Income

Subtract lines 38 through 41 from line 37. If less than zero, enter "0".

### Figuring Your Tax

#### Line 43 - Itemized Deductions or Standardized 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 Itemized Deductions

##### If you itemize your deductions, check box 43I.

You may itemize 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 IRC. 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 Arizona 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 Arizona 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 43. You must include a copy of the completed federal Schedule A with your tax return.

#### Your Standard Deduction

##### If you take the standard deduction, check box 43S.

If your filing status is:	Your standard deduction is:
• Single	\$ 15,750
• Married filing joint	\$ 31,500
• Married filing separate	\$ 15,750
• Head of Household	\$ 23,625

**NOTE:** A surviving spouse shall be considered as married at the close of the taxable year if his or her spouse died during the taxable year and the taxpayer would have been considered married at the date of the death of such spouse. If you and your deceased spouse would have filed a joint tax return for tax

year 2025, enter \$31,500 on line 43. If you and deceased spouse would have filed separate tax returns for tax year 2025, enter \$15,750 on line 43.

#### Line 44 - Increased Standard Deduction for Charitable Contributions

A taxpayer may increase the allowable standard deduction amount equal to 34% (.34) of the total amount of a taxpayer's charitable contributions that would have been allowed if the taxpayer elected to claim itemized deductions.

To claim the increased standard deduction, you must complete Form 140, page 3, and include the completed page with your tax return, when filed.

Be sure to check box 44C on line 44. If you do not check this box **and** include a completed page 3 with your tax return, you may be denied the increased standard deduction.

#### Line 45 - Arizona Taxable Income

Subtract lines 43 and 44 from line 42 and enter the difference. If less than zero, enter "0".

#### Line 46 - Tax Amount

Multiply line 45 by 2.5% (.025) and enter the result.

#### Line 47 - Tax from Recapture of Credits from Arizona Form 301

Enter the amount of tax due from recapture of the credits from Arizona Form 301, Part 2, line 31.

#### Line 48 - Subtotal of Tax

Add lines 46 and 47 and enter the total.

#### Line 49 - Dependent Tax Credit

**NOTE:** If you claim an individual for the dependent tax credit on line 49 you cannot take an exemption for the same individual as a qualifying parent/grandparent on line 41 or as an "Other Exemption" on line 40.

Taxpayers may claim a nonrefundable Dependent Tax Credit for certain qualifying dependents.

For the purpose of the dependent tax credit, "dependent" means an individual that qualifies as a dependent for federal purposes.

The tax credit is equal to:

- \$100 for each qualifying dependent who is under 17 years of age at the end of the taxable year.
- \$25 for each qualifying dependent who is at least 17 years of age at the end of the taxable year.

The allowable credit is reduced for single, head of household, and married taxpayers filing separate returns whose federal adjusted gross income (page 1, line 12) is more than \$200,000; and for married taxpayers filing a joint return whose federal adjusted gross income is more than \$400,000.

Complete the following tables to compute your allowable Dependent Tax Credit.

<b>Table I</b>			
(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$ .00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$ .00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).		\$	.00

All taxpayers go to Table II.

<b>Table II</b>			
If your filing status is single, married filing separate, or head of household; is your federal adjusted gross income on page 1, line 12, more than \$200,000?	Yes	No	<input type="checkbox"/> <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 12, more than \$400,000?	Yes	No	<input type="checkbox"/> <input type="checkbox"/>

- If you answered “No”, you are not required to reduce the amount of credit computed in Table I. Enter the amount From Table I, line 3 on page 2, line 49.
- If you answered “Yes”, you are required to reduce the amount of credit computed in Table I.

Complete Table III or Table IV.

<b>Table III</b>	
<b>2025 Adjusted Dependent Tax Credit For filing status: single, married filing separate, or head of household</b>	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference.....	
<i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3, column (d) .....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter .90.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$ .00

<b>Table IV</b>	
<b>2025 Adjusted Dependent Tax Credit For filing status: married filing joint</b>	
1. Enter your federal adjusted gross income from page 1, line 12.....	\$ .00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference.....	
<i>If the difference is greater than \$19,000, STOP. You cannot claim the dependent tax credit.</i>	\$ .00
4. Enter amount from Table I, line 3 column (d).....	\$ .00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter .90.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$ .00

<b>Table V</b>			
If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
\$ 1 – 1,000	.95	\$ 10,001 – 11,000	.45
\$ 1,001 – 2,000	.90	\$ 11,001 – 12,000	.40
\$ 2,001 – 3,000	.85	\$ 12,001 – 13,000	.35
\$ 3,001 – 4,000	.80	\$ 13,001 – 14,000	.30
\$ 4,001 – 5,000	.75	\$ 14,001 – 15,000	.25
\$ 5,001 – 6,000	.70	\$ 15,001 – 16,000	.20
\$ 6,001 – 7,000	.65	\$ 16,001 – 17,000	.15
\$ 7,001 – 8,000	.60	\$ 17,001 – 18,000	.10
\$ 8,001 – 9,000	.55	\$ 18,001 – 19,000	.05
\$ 9,001 – 10,000	.50	\$ 19,001 and over	.00

#### Line 50 - Family Income Tax Credit

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

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

You may claim 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 claim this credit, complete Worksheet II in Step 4.

**Step 1**

<b>Worksheet I</b>	
1. Enter the amount from Form 140, line 42...	\$
2. Enter the amount from Form 140, line 38.	\$
3. Enter the amount from Form 140, line 39.	\$
4. Enter the amount from Form 140, line 40.	\$
5. Enter the amount from Form 140, line 41.	\$
6. Add the amounts on lines 2 through 5.	\$
7. <i>If you elected to report your small business income on Form 140-SBI, enter the amount from Form 140, line 13.....</i>	\$
8. Add lines 1, 6 and 7.....	\$

**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 separate return.

**Step 3**

- Look at column (a) and find the number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.
- 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 8.

If the amount entered in Step 1 on Worksheet I, line 8, is equal to or less than the maximum income allowed for the number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, you qualify to claim this credit. To figure your credit, complete Step 4.

**Table I**  
**Married Filing Joint Return**

<b>Column (a)</b>	<b>Column (b)</b>
Number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or 1	\$20,000
• 2	\$23,600
• 3	\$27,300
• 4 or more	\$31,000

**Table II**  
**Head of Household**

<b>Column (a)</b>	<b>Column (b)</b>
Number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	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 Separate Return**

<b>Column (a)</b>	<b>Column (b)</b>
Number of dependents you are claiming on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	Maximum Income
• 0 or more	\$10,000

**Step 4**

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

**Worksheet II****Complete Steps 1 through 3 before you complete Worksheet II**

1. Enter the number of dependents you entered on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes.	
2. 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 total.	
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 your checked filing status 6 or 7, enter \$120 here.	\$
6. Enter the lesser of line 4 or line 5. Also, enter this amount on Form 140, line 50.	\$

**Line 51 - Nonrefundable Credits - Arizona Form 301**

**NOTE:** *If you elect to report small business income on Form 140-SBI, certain nonrefundable credits must be claimed on the small business tax return. In this case, you must complete Form 301-SBI to claim those credit(s). See the credit form(s) and instructions for which credits must be claimed on the small business tax return.*

**Exception:** *Credit Form 309 is used to claim a tax credit on Form 140 for taxes paid to other states or country on income not reported on Form 140-SBI. Credit Form 309-SBI is used to claim a tax credit for taxes paid on small business income to another state or country. See Form 309-SBI and instructions for more information.*

Complete line 51 if you claim any of the following credits on Form 140. Also make sure that you complete and include Form 301 and the appropriate credit form or forms with your return.

**Credit for Increased Research Activities - Individuals**

You may qualify for this credit if you incurred qualified research expenses for research conducted in Arizona. Use Form 308-I to figure this credit. Be sure to include **only** the nonrefundable portion on Form 140, line 51.

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

**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.

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

**Pollution Control Credit** This credit was repealed for individual taxpayers for tax years beginning from and after December 31, 2021. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 315 to figure this credit.

**Credit for Contributions to Qualifying Charitable Organizations** You may qualify for this credit if you made contributions to qualifying charitable organizations. Use Form 321 to figure this credit.

**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.

**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.

**Agricultural Pollution Control Equipment Credit** You may qualify for this credit if you are involved in commercial agriculture and incurred expenses to purchase tangible personal property that is primarily used in your trade or business to control or prevent pollution. Use Form 325 to figure this credit.

**Credit for Donation of School Site** You may qualify for this credit if you donated real property and improvements to a school district or a charter school for use as a school or as a site for the construction of a school. Use Form 331 to figure this credit.

**Credit for Employing National Guard Members** You may qualify for this credit if you are an employer who has an employee that is a member of the Arizona National Guard if the employee is placed on active duty. Use Form 333 to figure this credit.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations - Individual** S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 335-I for more information.

**Credit for Solar Energy Devices - Commercial and Industrial Applications** The credit for installed solar energy devices for commercial, industrial, or other nonresidential applications located in Arizona has expired.

**Credit for Investment in Qualified Small Businesses.** You may qualify for this credit if you made an investment in a qualified small business. Use Form 338 to figure this credit.

**Credit for 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.

**Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities – Individual**

S corporations that make qualifying contributions of \$5,000 or more may pass-through the credit to its individual shareholders on a *pro rata* basis. See Form 341-I for more information.

**Renewable Energy Production Tax Credit** You may qualify for this credit if you produced electricity using a qualified energy resource. Use Form 343 to figure this credit.

**Credit for New Employment** You may qualify for this credit if your business had a net increase in qualified employment positions. Use Form 345 to figure this credit.

**Additional Credit for Increased Research Activities for Basic Research Payments** You may qualify for this credit for qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this credit. Use Form 346 to figure this credit.

**Credit for Contributions to Certified School Tuition Organization (for the amounts that exceed the allowable credit on AZ Form 323)** You may qualify for this credit if you made contributions to school tuition organization(s) that exceed the allowable credit amount on Arizona Form 323. Use Form 348 to figure this credit.

**Credit for Contributions to Qualifying Foster Care Charitable Organizations** You may qualify for this credit if you made contributions to qualifying foster care charitable organizations. Use Form 352 to figure this credit.

**Healthy Forest Production Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 353 to figure this credit.

**Affordable Housing Tax Credit** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits

that were properly established can be carried forward for the respective five year carry forward period. Use Form 354 to figure this credit.

**Credit for Entity-Level Income Tax** You may qualify for this tax credit if you meet all of the qualifications or receive a pass-through credit from a partnership or S Corporation. All credits that were properly established can be carried forward for the respective five year carry forward period. Use Form 355 to figure this credit.

**TOTAL CREDITS:** Compute your credit(s) on the appropriate form(s). Complete Arizona Form 301 and enter the amount from Form 301, Part 2, line 62, on Form 140, line 51. The total amount of credits on line 51 cannot reduce your tax below zero. These credits are nonrefundable credits.

Include Form 301 and completed tax credit forms, along with any supporting documents, with your return.

#### Line 52 - Balance of Tax

Subtract lines 49, 50, and 51 from line 48. Enter the difference. If the sum of lines 49, 50, and 51 is greater than line 48, enter "0".

### Totaling Payments and Refundable Credits

#### Line 53 - 2025 Arizona Income Tax Withheld

Enter the Arizona income tax withheld shown on 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.** Include Form(s) W-2 and/or 1099-R after the last page of your return only if the form shows Arizona income tax withholding.

**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 54 (Boxes a, b, and line 54c) - 2025 Arizona Estimated Tax Payments Including Amount Applied from Your 2024 Return and Arizona Claim of Right

Use this line if you did any of the following:

- made 2025 estimated income tax payments to Arizona; or
- applied any of your refund from your 2024 Arizona tax return to 2025 estimated taxes for Arizona; or recomputed a prior year's tax under Arizona's Claim of Right provisions.

You must also complete and include the Arizona Claim of Right-Individual form(s) with your income tax return. If you fail to complete and include the form(s), the amount of your claim may be denied. The form is available on the department's website at [www.azdor.gov](http://www.azdor.gov).

**Box 54a:** Enter the total amount of *estimated taxes paid and/or applied to your 2025 taxes*.

**NOTE:** If you are married and made joint Arizona estimated tax payments for 2025, but are filing separate 2025 Arizona income tax returns, see the department's ruling, ITR 02-3, Allocating Joint Estimated Payments to Separate Returns.

**Box 54b:** If you completed an *Arizona Claim of Right-Individual tax form*, enter the amount from line 8.

If you completed more than one claim of right form for the current taxable year, add all amounts on line 8 and enter the total in box 54b.

**NOTE:** For more information on Arizona's claim of right provisions, see the department's procedure, ITP 16-1, Procedure for Individuals Who Restore Substantial Amounts Held Under a Claim of Right.

**Line 54c:** Add the amounts in box 54a and box 54b. Enter the total on line 54c.

#### Line 55 - 2025 Arizona Extension Payment (Form 204)

Use this line to report the payment you sent with your 2025 extension request (Arizona Form 204) or the electronic extension payment you made using [www.AZTaxes.gov](http://www.AZTaxes.gov).

#### Line 56 - Increased Excise Tax Credit

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

- You **must** have an SSN that is valid for employment.
- You meet the income threshold for your filing status.
- If you are married filing a joint return, or a head of household, you may claim 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 claim this credit if the amount on Form 140, page 1, line 12 is \$12,500 or less.
- You are not claimed as a dependent by any other taxpayer.
- You were not sentenced for at least 60 days of 2025 to a county, state, or federal prison.

**NOTE:** If you are filing a joint return with your spouse and your spouse was sentenced for at least 60 days during 2025 to a county, state or federal prison, you may claim the Excise Tax Credit if you otherwise qualify to claim the credit, but you cannot claim the credit for your spouse. If your spouse has a valid SSN, but you do not, neither of you can claim this credit.

For more information on how incarceration affects this credit, see the department's publication, Pub. 709, *Excise Tax Credit - How Does Incarceration Affect Eligibility?*

If you are filing a joint return with your spouse, you may also claim this credit for your spouse if your spouse has either a valid SSN or an ITIN.

If you also claim a credit for qualifying children, your qualifying children **must** have either a valid SSN or an ITIN. To figure your credit, complete the following worksheet.

*Do not complete the following worksheet if you are claiming the property tax credit on Arizona 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, on line 56; and enter the property tax credit from Form 140PTC, page 1, line 15 on line 57.*

<b>Credit for Increased Excise Taxes Worksheet</b>		
If you checked filing status 4 or 5, is the amount on Form 140, line 12 \$25,000 or less?	Check One Yes <input type="checkbox"/> No <input type="checkbox"/>	
If you checked filing status 6 or 7, is the amount on Form 140, line 12 \$12,500 or less?		
<b>If you checked no, STOP. You do not qualify for this credit. If you checked yes, complete the worksheet. Worksheet continues on the next column.</b>		
1. Enter the number of dependents you entered on Form 140, page 1, boxes 10a and 10b, and claiming as a qualified parent/grandparent in box 11a, provided that person(s) qualifies as a dependent for federal purposes. Exclude any dependent that is not an Arizona resident.		
2. 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 total.		
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 enter on Form 140, line 56.	\$	

**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.*

For more information, see the department's publication, Pub. 709.

#### **Line 57 - Property Tax Credit**

You may claim the property tax credit if you meet **all** of the following:

- You were either 65 or older in 2025 or, if under age 65, you were receiving SSI Title 16 income from the Social Security Administration.

**NOTE:** *Supplemental Security Income (SSI) Title 16 income is not the normal Social Security disability.*

- You were an Arizona resident for the full year in 2025.
- You paid property tax on your Arizona home in 2025. You paid rent on taxable property for the entire year or you did a combination of both.
- If you lived alone, your total household income was under \$3,751. If you lived with others, the total household income was under \$5,501. To see what income is included in household income, see the Form 140PTC instructions.

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

**TAX TIP:** *To claim a property tax credit, you must file your claim or extension request by April 15, 2026. You cannot claim this credit on an amended return if you file the amended return after the due date of your return.*

#### **Line 58 - Other Refundable Credits**

Enter the total amount of refundable credits you are claiming from any of the following:

- Credit for Increased Research Activities - Individuals (Form 308-I)
- Credit for Motion Picture Production Costs (Form 334)
- Credit for Qualified Facilities (Form 349)

If you enter an amount on this line, be sure you check the box or boxes to show which credit(s) you are claiming. Also, be sure to include the credit form(s) with your return.

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

A portion of this credit may be refundable. You may qualify for the refundable increased research activities credit if you incurred qualified research expenses for research conducted in Arizona. For more information about this credit, and to see whether you may claim a refund of this credit, see Arizona Form 308-I.

You must include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority (ACA), Form 301, and Form 308-I with your return to claim this credit.

If you are claiming a refund of the increased research activities credit from Form 308-I, enter the amount from Form 308-I, Part 7, line 38.

#### **Credit for Motion Picture Production Costs (Form 334)**

You may qualify for the refundable credit for the motion picture production costs if the credit exceeds your taxable income.

Pre-approval and post-approval are required through the ACA to qualify for this credit. For more information about this credit and to determine whether you may claim a refund of this credit, see Arizona Form 334.

If you are claiming a refund from Form 334, enter the amount from Form 334, Part 1, line 6.

#### **Credit for Qualified Facilities (Form 349)**

You may qualify for the refundable qualified facilities credit if you expanded or located a qualified facility in Arizona. This credit is refundable in five equal installments. Pre-approval and post-approval are required through the ACA. For more information, see Arizona Form 349.

You must include a copy of your "Certificate of Qualification" from the ACA and Form 349 with your tax return to claim this credit. If you are claiming a refund of the qualified facilities credit from Form 349, enter the amount from Form 349, Part 8, line 20.

**If you are claiming more than one of the refundable tax credits,** check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 58. You may use the table to figure the amount to enter on line 58.

<b>2025 - Refundable Credit Worksheet</b>	
1. Enter the refundable credit from Form 308-I, Part 7, line 38.	
2. Enter the refundable amount from Form 334, Part 1, line 6.	
3. Enter the refundable credit from Form 349, Part 8, line 20.	
4. Add the amounts on lines 1, 2 and 3 Enter the total here and on line 58.	

**Line 59 - Total Payments and Refundable Credits**

Add lines 53 through 58 and enter the total.

**Figuring Your Tax Due or Overpayment****Line 60 - Tax Due**

If line 52 is larger than line 59, subtract line 59 from line 52 and enter the amount of tax due. Skip lines 61, 62, and 63.

**Line 61 - Overpayment**

If line 59 is larger than line 52, subtract line 52 from line 59 and enter the difference. Complete lines 62 and 63.

**Line 62 - Amount of Line 61 to be Applied to 2026 Estimated Tax**

If you want all or part of your overpayment applied to next year's estimated taxes, enter that amount on line 62.

**NOTE:** If you apply any of the amount shown on line 61 to 2026, you cannot use that amount to pay any tax that is later found to be due for 2025. You also may not claim a refund for that amount until you file your 2026 return.

**Line 63 - Balance of Overpayment**

Subtract line 62 from line 61 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 following funds. 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 64 - Solutions Teams Assigned to Schools Fund**

You may give some or all of your refund to the Solutions Teams Assigned to Schools Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 64.

Gifts go to the Arizona Assistance for Education Fund. The Arizona Board of Education will distribute money to the Arizona Department of Education to fund solutions teams assigned to schools.

**Line 65 - 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.

If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 65.

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 66 - 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. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 66.

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

**Line 67 - Domestic Violence Services Fund**

You may give some or all of your refund to the Domestic Violence Services Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 67.

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

**Line 68 - Political Gift**

You may give some or all of your refund to a political party. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 68. If you donate to a political party, complete line 75.

Gifts go to one of the following political parties:

- Democratic
- Libertarian
- Republican

**Line 69 - 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. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 69.

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

**Line 70 - 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. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 70.

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

**Line 71 - 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. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 71.

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

**Line 72 - 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. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 72.

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

**Line 73 - Sustainable State Parks and Roads Fund**

You may give some or all of your refund to the Sustainable State Parks and Roads Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 73.

Gifts that you make to the Sustainable State Parks and Roads Fund will aid the state to operate, maintain, and make capital improvements to buildings, roads, parking lots, highway entrances, and any related structure used to operate state parks.

**Line 74 - Spaying and Neutering of Animals Fund**

You may give some or all of your refund to the Spaying and Neutering of Animals Fund. You may also give more than your entire refund. If you send in additional money with your return, include that amount on line 80. Enter the amount you want to donate on line 74.

Gifts that you make to the Spaying and Neutering of Animals Fund will help to reduce pet overpopulation by sterilizing, at minimal or no cost, dogs and cats in this state, including those that are impounded and sterilized.

**Line 75 - Political Party**

If you entered an amount on line 68, 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 68.

**Line 76 - Estimated Payment Penalty**

You must have made Arizona estimated income tax payments during 2025 if:

Your filing status is:	AND Your Arizona gross income for 2024 was greater than:	AND Your Arizona gross income for 2025 was greater than:
• Single	\$75,000	\$75,000
• Married filing joint	\$150,000	\$150,000
• Married filing separate	\$75,000	\$75,000
• Head of Household	\$75,000	\$75,000

**NOTE:** Do not complete Arizona Form 221, Underpayment of Estimated Tax by Individuals, if the amount on Form 140, line 53 is more than the amount on Form 140, line 52.

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 include Form 221 to determine if any penalty is due. Enter the total penalty from Form 221.

**If you report as a farmer or fisherman for federal purposes,** you were not required to make estimated payments during 2025 if the following apply:

- *You are a calendar year filer.* You file your Arizona return by March 1, 2026. You pay in full the amount stated on your return as owed.
- *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 772 on line 77 and do not complete Form 221.**

**Line 77 - Box 771 through 773**

**Box 771:** check 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% of the total of all of your required installments.

**Box 772:** check if you are an individual who for federal purposes reports as a farmer or fisherman.

**Box 773:** check if you completed and are including Form 221.

**Line 78**

Add lines 64 through 74 and 76. Enter the total.

**Figuring Your Refund or Amount Owed**

You can get your refund quicker when you **e-file** and use direct deposit.

**Line 79 - Refund**

Subtract line 78 from line 63. Enter your refund on line 79 and skip line 80. If less than zero "0" enter amount owed on line 80.

If you owe money to any Arizona state agency, court, county, incorporated city or town, and certain federal agencies, your refund may go to pay some of that debt. If so, the department will let you know by letter.

**Tax Tip:** If you change your address before you get your refund, let the department know. Complete Form 822. This form is available at: [azdor.gov/forms](http://azdor.gov/forms). Select "Forms" on the home page and click on "See All Forms" then type 822 in the Search box.

## Direct Deposit of Refund

Complete the direct deposit line if you want us to directly deposit the amount shown on line 79 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 79A if the direct deposit will ultimately be placed in a foreign account. If you check box 79A, do not enter your routing or account numbers. If this box is checked, we will not direct deposit your refund. We will mail you a check instead.

## Why use Direct Deposit?

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

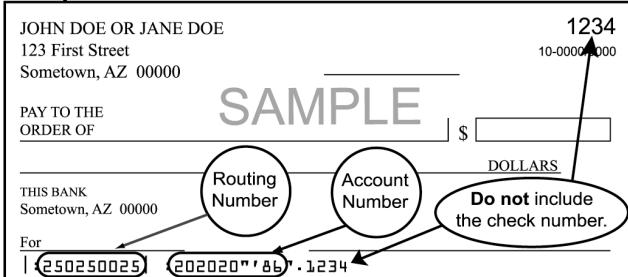
**NOTE:** We are not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

## Routing Number

### MAKE SURE YOU ENTER THE CORRECT ROUTING NUMBER

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

#### Sample Check



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

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter.

## Account Number

### MAKE SURE YOU ENTER THE CORRECT ACCOUNT NUMBER.

The account number can be up to 17 characters (both numbers and letters). **DO NOT** include hyphens, spaces, or special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check the account number is 20202086. Be sure **not** to include the check number. *If the direct deposit is rejected, a check will be mailed instead.*

## Line 80 - Amount Owed

Add lines 60 and 78. Enter the amount you owe on line 80. If you are making voluntary gifts on lines 64 through 74 in excess of your overpayment, enter the difference on line 80. You may pay the amount owed only with a check or money order, electronic check, direct debit through your software vendor or credit card.

## Check or money order

**NOTE:** Include your check or money order with your return. Please do not send cash.

Make your check payable to Arizona Department of Revenue. Write your SSN, Form 140 and tax year on the front of your check or money order. The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars. It may take 2-3 weeks for your payment to process.

The Department of Revenue may charge you \$50 for a check returned unpaid by your financial institution.

## Electronic payment from your checking or savings account

You can make an electronic payment from your checking or savings account to pay your balance due for 2025. There is no fee to use this method. To make an electronic payment, go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link.

Be sure to enter the correct routing number and account number for your checking or savings account. You will be charged a \$50 non-sufficient funds (NSF) fee if you provide an incorrect routing number or an incorrect account number. Check with your financial institution to get the correct account and routing numbers.

The "E-Check" option in the "Payment Method" drop-down box will debit the amount from the checking or savings account that you specify. If you make an electronic payment from your checking or savings account, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

**NOTE:** You may not make an electronic payment from your checking or savings account if the payment will ultimately be coming from a foreign account. In this case, you must pay by check or money order.

## Credit card payment

You can pay with your American Express, Discover, Visa, or MasterCard. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and click on the "Make a Payment" link, and choose the credit card option. This will take you to a third-party vendor site (provider). The provider **will charge** you a convenience fee based on the amount of your tax payment. The provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

## Installment payments

If you cannot pay the full amount shown on line 80 when you file, you may request to make monthly installment payments. All payment arrangements for individual income tax can be made online at [www.AZTaxes.gov](http://www.AZTaxes.gov), please select the “Request A Payment Plan” option under the Individual Income section. If you cannot pay the full amount shown on line 80, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2026. To limit the interest and penalty charges pay as much of the tax as possible when you file your return.

## Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. Form 140 is not considered a valid return unless you sign it. The department cannot mail a refund check without proper signatures on the return.

## Instructions Before Mailing

- **Do not staple your return. Do not staple any documents, schedules, or payment to your return.**
- Make sure your NAME and SSN are on the return.
- Be sure you enter your daytime telephone number in the space provided on the front of your return.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure you filled in all required boxes.
- If you requested a filing extension, make sure that you check box **82F** (above your name) on page 1 of the return.
- Sign your return and have your spouse sign, if filing jointly.
- Write your SSN and tax year on the front of your check or money order. Include your payment with your return.
- Do not include correspondence with your return.

## Mailing Your Return

Place pages in the order shown on the last page of these instructions.

**NOTE: If you are filing Arizona Form 140-SBI, DO NOT MAIL THIS RETURN SEPARATELY. Include this return with your Form 140 in the same envelope.**

- If you are mailing your return, be sure to include Form 140, page 1 and page 2, and all other required forms.
- Include Form(s) W-2, W-2G, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-MISC and 1099-R, after the last page of your return **only** if the form shows Arizona income tax withholding.
- If you are mailing your return, make a copy before mailing. Also make a copy of any forms and schedules that you are including with your return. Keep the copies for your records. Be sure that you mail the original and not a copy.
- If mailing more than one tax year return, please use a separate envelope for each return.

## Where Should I Mail my return?

If you are not filing Form 140-SBI and are **including a payment with your Form 140 return**, mail the return to

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

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

Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

If you are **filing Form 140 and Form 140-SBI**, the department will apply any overpayment from one return to the tax liability shown on the other return.

- After applying the overpayment, if there is a net tax due and you are sending a payment mail both returns to  
Arizona Department of Revenue  
PO Box 52016  
Phoenix, AZ 85072-2016
- After applying the overpayment, if there is a net refund mail both returns to  
Arizona Department of Revenue  
PO Box 52138  
Phoenix, AZ 85072-2138

## Make Sure You Put Enough Postage on the Envelope

The U.S. Post Office or United States mail service must postmark your return or extension request by midnight April 15, 2026.

The term "United States mail" includes any private delivery service designated by the United States Secretary of the Treasury pursuant to IRC § 7502(f) and the term "postmark" includes any date recorded or marked by any such designated delivery service.

An income tax return that is mailed to the department is timely filed if it is delivered on or before its due date. Additionally, if the envelope or wrapper containing the return sent through the United States mail bears a postmark of the United States mail and that tax return is delivered to the department after its due date that return will be considered timely filed if **all** of the following apply:

1. The return was deposited in an official depository of the United States mail;
2. The date of the postmark is no later than the due date;
3. The return was properly addressed; and
4. The return had proper postage.

If the envelope or wrapper containing a return sent through the United States mail bears a private meter postmark made by other than the United States mail, the return is treated as timely filed if both of the following apply:

1. The private meter postmark bears a date on or before the due date for filing; and

2. The return is received no later than the time it would ordinarily have been received from the same point of origin by the same class of U.S. postage. If the return is received by the department within five business days of the private meter postmark date, the department will consider the requirement satisfied.

You may also use certain private delivery services designated by the IRS to meet the “timely mailing as timely filed” rule.

For more information, see the department’s ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

### **How long to keep your return**

You must keep your records as long as they may be needed for the administration of any provision of Arizona tax law. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the department can assess additional tax. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under

report the income shown on that return by more than 25% (.25). The department can bring an action at any time if a return is false or fraudulent, or if you do not file a return. To find out more about what records you should keep, get federal Publication 552.

### **Where's My Refund?**

You can check on your refund by visiting [www.azdor.gov](http://www.azdor.gov) or [www.AZTaxes.gov](http://www.AZTaxes.gov) and clicking on “*Where's my refund?*” or you may call one of the numbers listed on page 1 of these instructions. Before you call, be sure to have a copy of your 2025 tax return on hand. You will need to know your SSN, your filing status, and your 5-digit ZIP Code.

### **Contacting the Department**

Your tax information on file with the department is confidential. If you want the department to discuss your tax matters with someone other than yourself, you must authorize the department to release confidential information to that person.

You may use Arizona Form 285 to authorize the department to release confidential information to your appointee. See Form 285 for details.

**Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011**

2025 Original return  2025 Amended return

**IMPORTANT**

If you elected to file the Arizona Small Business Income Tax Return (Form 140-SBI), only claim the subtraction on this return if the net capital gain to which the subtraction relates was not moved to the Arizona Small Business Income Tax Return.

- If you cannot determine the acquisition date of an asset, including mutual funds, the long-term capital gain from that asset does not qualify for the allowable subtraction. For the purpose of the allowable subtraction, these assets are considered to have been acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by gift-giver or the deceased individual.
- If you receive Form(s) 165 Schedule K-1 from a partnership, 120S Schedule K-1 from an S Corporation, or 141AZ Schedule K-1 from an estate or trust, be sure to include those qualifying net long-term capital gain amounts in your computation.

**Do not include any short-term capital gains or (losses) in this worksheet.**

1.	Enter the total net long-term capital gain or (loss) from assets acquired after December 31, 2011 and included in federal adjusted gross income.....		00
2.	Enter the amount of net long-term capital <b>(loss)</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on the schedule, "Other Additions to Arizona Gross Income", on Form 140, page 5, item "O" .....	00	
3.	Enter the amount of net long-term capital <b>gain</b> derived from investment in qualified small business from assets acquired after December 31, 2011 and included in the subtraction on Arizona Form 140, line 25.....	00	
4.	Enter the amount of net long-term capital <b>gain</b> derived from the exchange of one kind of legal tender for another kind of legal tender from assets acquired after December 31, 2011, and included on the schedule, "Other Subtractions from Arizona Gross Income", on Form 140, page 6, item "R".....	00	
5.	(Line 1 + line 2) minus (line 3 + line 4). Enter the difference.....		00

- If the amount on line 5 is positive, you have a net long-term capital gain from assets acquired *after* December 31, 2011. Enter the amount on Form 140, line 23.
- If the amount on line 5 is zero or negative, you do not qualify to take the allowable subtraction. Enter "0" on Form 140, line 23.

**2025 Form 140 Assembly Order (form sequence)**  
**For returns *mailed* to the Department**

*To avoid processing delays, place the returns in the following order*

