

ARIZONA LONG TERM CAPITAL GAIN EXCLUSION

Arizona Statute:

Arizona provides a reduction of 25% of the net Long-Term Capital Gains received from assets acquired after 12/31/2011 and included in the Federal Adjusted Gross Income (AGI). This credit is shown on page 1, line 23 of AZ-140.

There is no reduction necessary if the Net Capital Gain for assets acquired after 12/31/2011 is a loss reported as a reduction of Federal Adjusted Gross Income.

To calculate the Net Long Term Capital Gain, you must review the taxpayers broker statement detail of Long-Term transactions and net the Gains against the Losses. Only include transactions where the acquisition date can be verified on the brokers statement.

Do not include Short Term transactions nor Dividend distributions. Neither are subject to the 25% reduction. For assets acquired by Gift or Inheritance, the acquisition date is the date the asset was acquired by the original owner.

How to input into TaxSlayer:

From the State Return screen, select EDIT



At the Arizona Return screen, select SUBTRACTIONS FROM INCOME

Arizona Return

Basic Information

BEGIN

Additions to Income

BEGIN

Subtractions from Income

BEGIN

Halfway down the Subtractions from Income page, click BEGIN on the "Net Long-term capital gain from assets acquired after December 31, 2011" line.

Net Long-term capital gain from assets acquired after December 31, 2011.

BEGIN

Enter Net Long Term Capital Gain calculated from paragraph 3 (above) into the Form 8949 Box.

Form 8949 - Net long-term capital gains or (losses) from assets acquired after December 31, 2011.

\$

In this example, the Taxpayer sold stock on January 5, 2019 which they acquired after 12/31/2011 for a Long-Term Capital Gain of \$1,202.

The entire amount qualifies for the Arizona 25% Long-Term Capital Gain reduction.

After the Arizona return has been updated as shown on page 1, the tax return will show the 25% reduction as seen below.

11c					
Additions	12	Federal adjusted gross income (from your federal return)	12	34132	00
	13	Non-Arizona municipal interest	13		00
	14	Partnership Income adjustment: See instructions	14		00
	15	Total federal depreciation	15		00
	16	Net capital (loss) derived from the exchange of legal tender: See instructions	16		00
	17	Other Additions to Income: Complete <i>Adjustments to Arizona Gross Income</i> schedule on page 5.	17		00
	18	Subtotal: Add lines 12 through 17 and enter the total	18	34132	00
	19	Total net capital gain or (loss): See instructions	19	1202	00
	20	Total net short-term capital gain or (loss): See instructions	20		00
	21	Total net long-term capital gain or (loss): See instructions	21	1202	00
Subtractions	22	Net long-term capital gain from assets acquired <i>after</i> December 31, 2011. See instructions.	22	1202	00
	23	Multiply line 22 by 25% (.25) and enter the result	23	301	00
	24	Net capital gain derived from investment in qualified small business. This box may be blank or may contain a printed barcode of data from your return.	24		00
	25	Net capital gain exchange of legal tender	25		00
	26	Recalculated Arizona depreciation	26		00
	27	Partnership Income adjustment	27		00
	28	Interest on U.S. obligations	28		00
	29a	Exclusion for fed., AZ state or local govt. pensions	29a		00
	29b	Pensions-Uniformed Services retired/retainer pay	29b		00
	30	U.S. Social Security or Railroad Retirement Act	30		00
	31	Certain wages of American Indians	31		00
	32	Pay received for being an active service member	32		00
	33	Net operating loss adjustment	33		00
	34	Contributions to 529 College Savings Plans	34		00
	35	Subtract lines 23 through 34 from line 18	35	33831	00

Other Long-Term gains also qualify for the 25% reduction, but most are Out of Scope for AARP Tax Aide. These include:

Sales of Business Property

Undistributed Long-Term gains

Installment Sales gains

Casualty & Theft gains

Gains from Section 1256 contracts

Like Kind Exchanges resulting in a gain