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
Additions to Income
Subtractions from Income

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.

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

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