

ARIZONA LONG TERM CAPITAL GAIN EXCLUSION –

Arizona Statute

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

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

To determine the Net Long Term Capital Gain, you must review the taxpayers broker statement **detail** of Long-Term transactions and calculate the net Gain. Only include transactions where the acquisition date is verified on the brokers statement.

Do not include Short Term transactions nor dividend distributions nor assets purchased before January 1, 2012. For assets acquired by Gift or Inheritance, the acquisition date is the date the asset was acquired by the original owner.

TSO Input

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 the 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.

12	Federal adjusted gross income (from your federal return)	12	29206	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	29206	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
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

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