

Arizona State Tax Training 2021

1. Subjects

a. Exemptions

i. Blind persons and persons sixty-five years of age or older

ii. Native Americans

706 Native American Veterans Income Tax Settlement Fund 8/9/2017

If a person is a Native American, the wages are exempt from Arizona income tax if:

1. Live on a reservation AND
2. Work on that reservation AND
3. Are an affiliated and enrolled member of the tribe for which the reservation was established.
4. Spouses that are NOT members of a tribe are not exempt

iii. Active Military and spouses – AZ DOR Pub.704 and Pub. 705

A person does not have to file AZ income tax return if all apply:

1. The person is in the military
2. The person's only income is from pay received of active-duty military service
3. There was no tax withheld
4. Full year on 140 only, partial year on 140 PY.
5. Applies to Resident and non-resident Active Duty
6. Reservists and National Guard may exclude compensation received for service/training

iv. Ancestors Exemption

b. Exclusions

i. Retired Uniform Service – 100% of amount included in FAGI

ii. Retired Government Worker – up to \$2500 of FAGI amount

1. Applies only to public pensions
2. the Arizona State Retirement System.
3. the Arizona State Retirement Plan.
4. the Corrections Officer Retirement Plan.
5. the Public Safety Personnel Retirement System.
6. the Elected Officials' Retirement Plan.
7. a retirement plan established for employees of a county, city, or town in Arizona; and
8. 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.
9. Public retirement pensions from states other than Arizona DO NOT qualify for this subtraction

- iii. Social Security or Railroad Retirement Benefits
 - 1. Social security benefits received under Title II of the Social Security Act.
- iv. 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.
- v. Unemployment
 - 1. Matches Federal exclusion (up to \$10,200)
- c. Deductions
 - i. Itemized vs Standard deductions
 - 1. If a Married couple file separate returns, they must account for deductions in the same basis as community income. Both must either itemize or not itemize; if one itemizes, both Must itemize. THIS IS OUT OF SCOPE IN AZ
 - 2. A taxpayer may itemize on the AZ return even if they took the standard deduction on the Federal return
 - 3. Be careful of information carried from 1040 Sch A to 140 Sch A.
 - 4. 25% of charitable deductions if using the standard deduction.
- d. Credits
 - i. Family income tax credit
 - ii. Excise tax credit
 - iii. Dependent tax credit
 - iv. Property tax credit: residents 65+ or SSI, Own or Rent; Form 140PTC
 - v. Credit for taxes paid on same income to other states/countries; Form 309
 - vi. Credit for solar energy devices; Form 310/319 – OUT of SCOPE
 - vii. Credit for contribution to qualifying charitable organizations; Form 321
 - viii. Tax credit; public school fees and contributions; Form 322
 - ix. Credit for contributions to Certified School Tuition Organization; Form 323
 - x. Credit for Donations to Military Family Relief Fund; Form 340
 - xi. Credit for Contributions to Qualifying Foster Care Charitable Organizations; Form 352
 - xii. Credit for Excess Contributions to Certified School Tuition Organization; Form 348
 - xiii. Note on Credits: The credits may only be used to the extent they reduce a tax liability to zero. Any unused amounts may be carried forward for not more than five consecutive taxable years. See Pub. 707.
 - xiv. There are 114 Tax Credit forms on the AZ DOR website. Most we will not use.
- e. Rules
 - i. Joint returns of husband and wife
 - ii. Separate returns after filing joint returns
 - iii. Joint return after filing separate return
 - iv. Information; return of sales; nonresident real estate transactions; escrow agents; reports

- v. Returns filed by persons outside the United States
- f. Application
- g. How to file an amended return – Need to Complete (TSO-2021)
- h. Additions to Income
 - i. Non-AZ Muni Bond interest