



2021 Arizona Individual Income Tax Review & Changes

Arizona Department of Revenue Tax Policy

Arizona Conformity Rules for 2021

Arizona has not adopted (conformed) to any Federal Tax Law changes after 3/11/2021



What are my options?

1. Wait to file AZ until Conformity is addressed by State Legislature. (may need an extension)
2. File TY2021 as if AZ conforms to tax law changes

If you use #2 and AZ conforms, no action needed. If AZ does not conform or partially conforms, then you will need to amend your return.



2021 Standard Deduction



- The AZ standard deduction is inflation adjusted to:
 - \$12,550 for Single or Married Filing Separately
 - \$18,800 for Head of Household
 - \$25,100 for Married Filing Jointly
- The standard deduction is increased by 25% of charitable deductions if the TP does not itemize. Full benefit can be taken on Form 140, Pro-rated benefit on Form 140NR

43 Deductions: <i>Check box and enter amount.</i> See instructions.....	43I <input type="checkbox"/> ITEMIZED...43S <input type="checkbox"/> STANDARD	43	00
44 If you checked box 43S and claim charitable deductions, Check 44C <input type="checkbox"/> Complete page 3. See instructions.....	44	44	00

This increase does not reduce the amount of qualifying charitable contributions allowed on the Federal return.



AZ Changes for 2021



AZ
website

- Filing deadline April 18, 2022
- Additions to Income moved to page 5
- Deductions to Income moved to page 6
- Arizona tax bracket inflation adjustments
- 2021 tax tables (X & Y) include 3.8% surcharge
Incomes over \$250K/\$500K
- Increased deduction for 529 Plans + includes 529A
\$2,000 per beneficiary, \$4,000 for MFJ
- Several Tax Credit changes and 1 new Tax Credit



New Tax for 2021

Senate Bill 1783 created a new Small Business Income (SBI) tax of 3.5% on taxable income after 12/31/2020

- Income from Fed Sch: B, C, D, E, F & Form 4797
- May elect to file 140 SBI to report this income
- Reduce 140 income by 140 SBI income
New checkbox on line 13 of Form 140
- Some AZ Tax Credits can apply to 140 SBI

Form 140 SBI is being reviewed – more information



Dependents

Tax Credit for Dependents is unchanged:

- \$100 for each dependent under 17 years of age
- \$25 for each dependent that is age 17 or older
- Credit Phase Out by 5% for each \$1,000 that the TP's FAGI is over \$400,000 for MFJ or \$200,000 for all others.
- Must be prorated for those that file a part year or non-resident return.
- Must qualify as a dependent for Federal tax purposes

EXEMPTION	8	Age 65 or over (you and/or spouse)	If completing lines 8, 9, and 11a, also complete lines 38, 39, and 41. For lines 10a and 10b, also complete line 49.		81	PM	80	RCVD
	9	Blind (you and/or spouse)						
	10a	Dependents: under age of 17.	10b	<input type="checkbox"/> Dependents: Age 17 and over.				
	11a	Qualifying parents and grandparents						

(Box 10a and 10b): Dependent Information. See instructions. For more space, check the box and complete page 4, Part 1.

dependents	(a) FIRST AND LAST NAME (Do not list yourself or spouse)	(b) SOCIAL SECURITY NO.	(c) RELATIONSHIP	(d) NO. OF MONTHS LIVED IN YOUR HOME IN 2019	(e) Dependent Age included in:		(f) if you did not claim this person on your federal return due to educational credits
					1 (Box 10a)	2 (Box 10b)	
					<input type="checkbox"/>	<input type="checkbox"/>	
10c					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10d					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10e					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Ancestor Exemption

- Taxpayer & Spouse's Parents, Grandparents & Great Grandparents
- **ALL** the following must apply:
 - Ancestor must be 65 or older
 - Ancestor must reside in taxpayer principal residence all year
 - Taxpayer paid more than ½ of support & maintenance
 - Ancestor required daily living assistance of at least 2 listed items
Dressing, Eating, Ambulating, Toileting, Medicating, Hygiene, Shopping, Housekeeping, Finances, Communication, Food Preparation or Transportation.



Details are found in Ancestor Exemption ITP 14.2



Other Exemptions

The following exemptions are allowed as “**other exemptions**”:

- \$2,300 for each person 65 years of age or older regardless of relationship to the taxpayer:
 - If TP pays for more than $\frac{1}{4}$ of the cost of maintaining a person in assisted living if such payments exceed \$800
 - If TP makes payments exceeding \$800 for home health or medical costs.
- \$2,300 for a stillbirth child in the year in which the stillbirth occurred with a certificate of birth. The child would have been a dependent.



2021 Additions to Income

- Non-Arizona Municipal bond interest
- Partnership Income adjustment (from K-1)
- Refer to Page 26 of the [AZ Quick Reference Guide](#) for the full list of additional items



2021 Deductions to Income

- Net Long Term Capital Gain from assets acquired **after** 2011
 - The acquisition date must be verifiable
- Net investment gain in a qualified small business
 - Do not duplicate Form 140 SBI
- Interest on US obligations (Treasury Bills, Bonds)
- SSA or Railroad retirement benefits
 - Amount included as Federal income
- US, AZ or Local government pension (up to \$2,500)
 - Amount reported in Federal income
- Uniformed Services pensions & benefits (100%)
 - Exclude the amount reported in Federal income



2021 Deductions to Income

- Certain wages of Native American Indians
 - Enrolled member of the Tribe living on the Reservation
 - Exclude income earned on the Reservation & included in Federal income
- Active Military pay
- Contributions to 529 and 529A plans
 - Exclude up to \$2,000 per beneficiary (\$4,000 MFJ)
- Long-Term care premiums
 - If using Standard Deduction
 - Subtractions > Other Subtractions from Income
- See complete list on page 30 of the AZ Quick Reference Guide



Property Tax Refund (Credit) Claim Form 140PTC



AZ
website

Taxpayers use Form 140PTC to file a claim for the property tax credit.

- Taxpayer(s) were an AZ resident for the whole year. (1-01-2021 to 12-31-2021)
- You (or spouse) were either 65 or older on 12/31/2021 or you (or spouse) were receiving Title 16 SSI payments
SSI Notice MUST be included with the tax return
- Household income was less than \$3,751 if taxpayer lived alone, or \$5,501 if taxpayer lived with someone.
- Taxpayer paid property taxes or rent for the year.
- Can qualify for both Property and Renter Tax Credits in certain situations, like a mobile home



Increased Excise Tax Credit Continued

- The credit is \$25 for everyone in the tax return, but not more than \$100.
- The FAGI must be \$25,000 or less if MFJ or \$12,500 if Single, Head of Household or MFS
- The claimant must have a valid social security number. The spouse and qualifying children must have a valid social security number or individual taxpayer identification number (ITIN).
- A person that is sentenced for at least 60 days during the taxable year to prison or jail will not qualify. *
- See Publication 709 for more details.

* Use **Credits** menu to adjust ETC



Arizona Non-Refundable Tax Credits



CREDIT TYPE	AZ FORM	Single/H of H Maximum	MFJ Maximum	Donation Deadline
Credit Recapture Form	Form 301			
Taxes Paid to another State/Country (same income)	Form 309			
Qualifying Charitable Organizations	Form 321	\$400	\$800	4/18/2022
Contributions or Fees to Public Schools	Form 322	\$200	\$400	4/18/2022
Contributions to Private School Tuition Organizations	Form 323	\$611	\$1,221	4/18/2022
Contributions to Military Family Relief Fund	Form 340	\$200	\$400	12/31/2021
Contributions to Certified School Tuition Organizations (complete Form 323 first)	Form 348	\$608	\$1,214	4/18/2022
Contributions to Qualifying Foster Care Organizations	Form 352	\$500	\$1,000	4/18/2022

The date of the contributions is now required on each Tax Credit Form. Taxpayer may NOT claim both a Tax Credit & Itemized Deduction for the same contribution.



QCO & QFCO Lists and Codes



For a list of QCOs or QFCOs go to the following:

- <https://azdor.gov/tax-credits/contributions-qcos-and-qfcos>, or
- log into aztax-aide.org > Tax Preparation > Arizona Taxes, then Tax Credits > #2 Qualifying Codes for Charitable Orgs
- Use TY22 code for donations made after 12/31/2021,
- See instructions at end of list for Umbrella organizations

List of Qualifying Charities

2021	QCO	QFCO
2020	QCO	QFCO
2019	QCO	QFCO
2018	QCO	QFCO
2017	QCO	QFCO
2016	QCO	QFCO
2015	QCO	QFCO

▼ Tax Credits

1. [AZ Dept. of Revenue link for info](#)
2. Qualifying Codes
 - [Codes for Prior Years](#)
 - [Charitable Orgs TY21](#)
 - [Foster Care Orgs TY21](#)
3. School Codes
 - [alphabetical list](#)
 - [search by name](#)
 - [Tuition Organizations List TY20](#)



Contributions or Fees Paid to Public Schools

- The public-school credit is for cash contributions or fees paid by the taxpayer to an Arizona public school. Fees paid for a meal or meal card do not qualify as a contribution.
- Fees include Extracurricular activities
- Charter Schools are included
- Taxpayer should get a receipt and must enter the 9-digit CTDS code
 - Available on aztax-aide.org website
- Taxpayers who make qualified contributions or fees to public school between January 1, 2022, and April 18, 2022, may claim the credit on either 2021 or 2022 tax return.



Public School Credit

- Remember to include the CTDS code assigned to the school when claiming the public-school credit.
- CTDS stands for *County Code, Type Code, District Code and Site Number*.
- Codes are available at
 - https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf
 - www.aztax-aide.org
 - Log in > Tax Preparation > Arizona Taxes > Tax Credits > #3 School Codes



List of Schools and CTDS - County Code, Type Code, and District Code & Site Number

CTDS	School Name
108731101	A CHILD'S VIEW SCHOOL-CLOSED
120201114	A J MITCHELL ELEMENTARY SCHOOL
100206038	A. C. E.
078707202	AAEC - PARADISE VALLEY
078993201	AAEC - SMCC CAMPUS



Contributions to School Tuition Organizations

- For 2021, the private school tuition credit allowed for Single, H of H & MFS is **\$611**. For MFJ it is **\$1,221**
- TP's who donate between January 1, 2022, and April 18, 2022, may claim the allowable tax credit on either the 2021 or 2022 tax return.
- Arizona publication 707 provides information & answers regarding both the private and the public-school credits.
- No special codes are necessary to claim this credit.



Contributions to School Tuition Organizations

AZ
website

- Taxpayer may claim an additional credit for a donation to a school tuition organization if the amount contributed is greater than the maximum amount that can be claimed on Form 323.
- The excess credit amount that may be taken for tax year 2021 is \$608 Single, H of H & MFS and \$1,214 for MFJ.
- This excess tax credit to *certified school tuition organizations* is claimed on [Form 348](#).
- TP's who make contributions between January 1, 2022 & April 18, 2022, may claim the allowable credit on either the 2021 or 2022 tax return.



Contributions to Military Family Relief Fund

- There are 2 Funds , Pre-9/11 and Post 9/11. The receipts show identify which fund. If not, use Post 9/11.
- Taxpayer must make the donation on or before 12/31/2021.
- There is NO Carryforward of excess donation.
- Arizona allows maximum donations annually of \$1M. Once the Fund reaches \$1M, further donations do not qualify of the Tax Credit. The receipt will indicate if it qualifies.
- No special codes are necessary to claim this credit.



AZ Tax Credit Carryforward

- Most AZ Tax Credits include a Credit Carryforward
- Use prior year tax return to enter:
 - Total Tax Credit allowed (by year)
 - Tax Credit Used
- Each Tax Credit Form (321, 322, 323, 348 & 352) shows the carryforward information in Part 2
- Form 301, Part 2 will show the amount of each Tax Credit used to offset the tax due



AZ Tax Credit Carryforward

Nonrefundable Tax Credits Used This Taxable Year: Enter amounts actually used from Part 1.

35	Military Reuse Zone Credit.....	Form 306 ▶	35		00
36	Credit for Increased Research Activities – Individuals.....	Form 308-I ▶	36		00
37	Credit for Taxes Paid to Another State or Country.....	Form 309 ▶	37		00
38	Credit for Solar Energy Devices	Form 310 ▶	38		00
39	Agricultural Water Conservation System Credit	Form 312 ▶	39		00
40	Pollution Control Credit	Form 315 ▶	40		00
41	Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	Form 319 ▶	41		00
42	Credit for Employment of TANF Recipients.....	Form 320 ▶	42		00
43	Credit for Contributions to Qualifying Charitable Organizations.....	Form 321 ▶	43	50	00
44	Credit for Contributions Made or Fees Paid to Public Schools.....	Form 322 ▶	44	50	00
45	Credit for Contributions to Private School Tuition Organizations.....	Form 323 ▶	45	21	00

AZ Tax Credit Carryover tool is being updated and will be added to the AZ website.



Questions?

