



# 2022 Arizona Individual Income Tax Review & Changes

*Arizona Department of Revenue Tax Policy*

# Arizona Conformity Rules for 2022

Arizona has not adopted (conformed) to any Federal Tax Law changes made after 1/01/2022



What are my options?

1. Wait to file AZ until conformity is addressed by State Legislature. (this may require an extension)
2. File TY2022 assuming AZ conforms to Federal 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.



# 2022 Standard Deduction

- The AZ standard deduction is inflation adjusted to:
  - \$12,950 for Single or Married Filing Separately
  - \$19,400 for Head of Household
  - \$25,900 for Married Filing Jointly
- The standard deduction may be increased by **27%** 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		00

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



# AZ Filing Requirement for 2022

AZ Gross income is Federal AGI less AZ excluded income.

Exclusions: US Government Interest, taxable SSA benefits, taxable RR benefits, Active duty pay (National Guard, US Armed Forces and Reserves), Pension & annuity benefits of retired Uniformed Services members.

SINGLE	\$12,950
MARRIED – Joint	\$25,900
MARRIED – Separate	\$12,950
Head of Household	\$19,400



# AZ Changes for 2022



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- Filing deadline April 18, 2023
- Additions to Income have moved to page 5
- Deductions to Income have moved to page 6
- Arizona tax bracket inflation adjustments
- 2 Tax Credits have been repealed for TY22
  - Form 315 – Pollution Control Tax Credit
  - Form 332 – Healthy Forest Enterprise Credit
- Several Tax Credit inflation adjustments



# Reminder for 2022

Small Business Income (SBI) tax return is Out of Scope for Arizona Tax-Aide.

Form 140 – Standard return for full year AZ residents

Form 140 PY – Part-Year Resident

Taxed on all income from any AZ source

Taxed on all income received during dates of AZ residency

Form 140 NR – Non-Resident

Taxed on all income from any AZ source



# Property Tax Refund (Credit) Claim Form 140PTC

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

- Taxpayer(s) were an AZ resident for the entire year. (2022)
- Taxpayer (or spouse) were either 65 or older on 12/31/2022 or one was receiving Title 16 SSI payments
  - SSI Notice MUST be included with the paper tax return
- Household income was less than \$3,751 if taxpayer lived alone, or \$5,501 if taxpayer did not live alone
- Taxpayer paid property taxes or rent for the entire year.
- Can qualify for both Property and Renter Tax Credits in certain situations, like a mobile home
- See pg18 of AZ Quick Reference Guide for other situations



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# 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.
- Part Year and Non-Residents must prorate the credit, except active-duty military
- 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	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 AZ Quick Reference Guide – pgs. 22 & 23



# 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.



# 2022 Additions to Income

- Non-Arizona Municipal bond interest (if not in FAGI)
- Partnership Income adjustment (from K-1)
  - If AZ distribution is different from Federal distribution
- Federal Depreciation (OOS)
- Refer to Page 25 of the [AZ Quick Reference Guide](#) for the full list of additional items



# 2022 Deductions to Income

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



# 2022 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
  - Native American taxpayers filing as MFS - (OOS)
- Active Military pay (OOS) unless certified
- Contributions to 529 and 529A plans
  - Exclude up to \$2,000 per beneficiary/taxpayer (\$4,000 MFJ)
- Long-Term care premiums
  - If using Standard Deduction
  - In TSO - Subtractions > Other Subtractions from Income
- Complete list on pg. 29 of AZ Quick Reference Guide



# Increased Excise Tax Credit

- Credit of \$25 for everyone in the tax return, up to \$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	4/18/2023
Contributions or Fees to Public Schools	Form 322	\$200	\$400	4/18/2023
Contributions to Private School Tuition Organizations	Form 323	\$623	\$1,245	4/18/2023
Contributions to Military Family Relief Fund	Form 340	\$200	\$400	12/31/2022
Contributions to Certified School Tuition Organizations (complete Form 323 first)	Form 348	\$620	\$1,238	4/18/2023
Contributions to Qualifying Foster Care Organizations	Form 352	\$500	\$1,000	4/18/2023

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



# New Tax Credits

- Affordable Housing Tax Credit – Form 354
- Credit for Entity-Level Income Tax – Form 355
  - Non-refundable tax credit equal to the tax paid by the Pass-Through Agency on behalf of taxpayer
  - Add tax credit amount to AZ income
  - Carryforward credit up to 5 years

Information not available yet at Arizona Dept of Revenue





# 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
- Maximum tax credit up to Qualifying Amount
- Use TY22 code for donations made during 2022
- Use TY23 code for donations made after 12/31/22 to 4/18/23
- Non-refundable credit can carryforward up to 5 years

## List of Qualifying Charities

2021	<a href="#">QCO</a>	<a href="#">QFCO</a>
2020	<a href="#">QCO</a>	<a href="#">QFCO</a>
2019	<a href="#">QCO</a>	<a href="#">QFCO</a>
2018	<a href="#">QCO</a>	<a href="#">QFCO</a>
2017	<a href="#">QCO</a>	<a href="#">QFCO</a>
2016	<a href="#">QCO</a>	<a href="#">QFCO</a>
2015	<a href="#">QCO</a>	<a href="#">QFCO</a>

### ▼ 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 (includes Charter Schools). Fees paid for a meal or meal card do not qualify as a contribution.
- Fees include Extracurricular activities
- Qualifying contributions from 1/1/23 to 4/18/23 may be claimed in TY22 or TY23
- Taxpayer receipt shows the 9-digit CTDS code
  - Also available on [aztax-aide.org](http://aztax-aide.org) website
- Non-refundable qualifying amount can carryforward up to 5 years



# 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](https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf)
  - [www.aztax-aide.org](http://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

- The qualified amount of the private school tuition credit for TY22 for Single, H of H & MFS is **\$623**. (MFJ **\$1,245**)
- Taxpayer donations between 1/1/23 and 4/18/23, may claim the allowable tax credit in either TY22 or TY23
- Taxpayer may not designate funds to any student beneficiary
- No special codes are necessary to claim this credit
- Pub 707 – School Tax Credits has additional information



# Contributions to School Tuition Organizations

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- 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 qualified excess credit amount for TY22 is \$620 Single, H of H & MFS and \$1,228 for MFJ.
- This excess tax credit to *certified school tuition organizations* is claimed on [Form 348](#).
- Taxpayers who donate between 1/1/23 and 4/18/23, may claim the allowable credit on either the TY22 or TY23 return



# Contributions to Military Family Relief Fund

- There are 2 Funds , Pre-9/11 and Post 9/11. The receipt identifies the fund. If not, use Post 9/11
- Taxpayer must make the donation on or before 12/31/2022
- There is NO Carryforward of excess donation
- Qualified amount for TY22 is \$200 (S, Head of Household and MFS) and \$400 for MFJ
- No special codes are necessary to claim this credit
- Total fund donations accepted are limited to \$1M annually



# AZ Tax Credit Carryforward

- Most AZ Tax Credits include a Credit Carryforward
- Use prior year tax return to verify: (or Notes)
  - Total Qualified Tax Credit allowed (by year)
  - Tax Credit Used (by year)
- 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 available on the AZ website.





# Questions?

