



# 2023 Arizona Individual Income Tax Review & Changes

*Arizona Department of Revenue Tax Policy*

# 2023 Standard Deduction

- The AZ standard deduction is inflation adjusted to:
  - \$13,850 for Single or Married Filing Separately
  - \$20,800 for Head of Household
  - \$27,700 for Married Filing Jointly



- The standard deduction may be increased by **31%** of charitable contributions 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 impact the amount of charitable contributions allowed on the Federal return.



# AZ Filing Requirement for 2023

AZ Gross income is Federal AGI less AZ exclusions.

## Exclusions:

US Government Interest

Taxable SSA & RR benefits

Active duty pay (OOS without Military certification)

Retired Uniformed Services Pension & Annuity benefits

Native American Indian wages (see qualifications)



# AZ Changes for 2023

- Filing deadline April 15, 2024
- Arizona Tax Brackets are Eliminated
  - *AZ has a Flat Tax Rate of 2.5% for*
    - *All Incomes and Every Filing Status*
- Some AZ Tax Credit inflation adjustments



# Tax Return Forms for 2023

Form 140 – Standard return for full year AZ residents

Form 140 PY – Part-Year Resident – need dates in AZ

Include all income from AZ sources

Include all income received during dates of AZ residency

Form 140 NR – Non-Resident

Include income from any AZ source



# Out of Scope Reminder for 2023

- Small Business Income (SBI-140)
- Native American taxpayer filing MFS
- Active Military pay – (unless certified including QR)
- Federal depreciation
- Partnership income adjustment
- Form 310 – AZ Solar credits
  
- See Cactus Guide for additional Out of Scope items



# 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 and related or not to the taxpayer(s):
  - If TP pays for more than  $\frac{1}{4}$  of the cost of maintaining a person in assisted, nursing or residential care and 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.





# 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. <input type="checkbox"/> 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"/>



# 2023 Additions to Income

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



# 2023 Adjustments to Income

- US, AZ State or Local Government pensions (up to \$2,500)
  - Uniformed Services pension & benefits (100% excluded)
  - Pension must be included in Federal AGI
- Net Long Term Capital Gain from assets acquired **after** 2011
  - The acquisition date must be verifiable on brokers statement or other
- Interest on US obligations
  - US Treasury Bills, US Savings Bonds
- SSA or Railroad retirement benefits
  - Amount included in FAGI



# 2023 Adjustments 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



# 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 Head of Household (\$12,500 if Single 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



# 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. (2023)
- Taxpayer (or spouse) were either 65 or older on 12/31/2023 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 others lived with the taxpayer
- Taxpayer paid property taxes or rent for the entire year
  - If Rent Only – must rent for the full year.
- Can qualify for both property and renter credit.
- See pg18 of AZ Quick Reference Guide for other situations



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# 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	\$421	\$841	4/15/2024
Contributions or Fees to Public Schools	Form 322	\$200	\$400	4/15/2024
Contributions to Private School Tuition Organizations	Form 323	\$655	\$1,308	4/15/2024
Contributions to Military Family Relief Fund	Form 340	\$200	\$400	12/31/2023
Contributions to Certified School Tuition Organizations (complete Form 323 first)	Form 348	\$652	\$1,301	4/15/2024
Contributions to Qualifying Foster Care Organizations	Form 352	\$526	\$1,051	4/15/2024

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.



# 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>
- Maximum tax credit up to Qualifying Amount
- Use TY23 code for donations made during 2023
- Use TY24 code for donations made after 12/31/23
- Non-refundable credit can carryover up to 5 years

## List of Qualifying Charities

2023	QCO	QFCO
2022	QCO	QFCO
2021	QCO	QFCO
2020	QCO	QFCO

▼ Tax Credits

1. [AZ Carryover Assistant explanation](#)  
— [Carryover Assistant Tool](#)
2. [AZ Charity and TS Entries TY22](#)
3. [AZ DOR Codes & Credits link](#)
4. [AZ QCD Donations v3 TY22](#)
5. [Charity Quick Check Chart](#)
6. Code for Tax Credits
  - [Form 321, Charities](#)
  - [Form 322, Schools](#)
  - [search by name or location](#)
  - [Form 323, Tuition Orgs](#)
  - [Form 352, Foster Care](#)





# 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 1/1/24 to 4/15/24 may be claimed in TY23 or TY24
- Taxpayer receipt shows the 9-digit CTDS code
  - Also available on [aztax-aide.org](http://aztax-aide.org) website
- Non-refundable qualifying amount can carryover 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 TY23 for Single, H of H & MFS is **\$655**. (MFJ **\$1,308**)
- Taxpayer donations between 1/1/24 and 4/15/24 may claim the allowable tax credit in either TY23 or TY24
- 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 TY23 is \$652 Single, H of H & MFS and \$1,301 for MFJ.
- This excess tax credit to *certified school tuition organizations* is claimed on [Form 348](#). Enter Full Amount on both forms (TSO).
- Taxpayers who donate between 1/1/24 and 4/15/24, may claim the allowable credit on either the TY23 or TY24 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 12/31/2023
- There is NO carryover of excess donation
- Qualified amount for TY23 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 Carryover

- Most AZ Tax Credits include a Credit Carryover
- 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 carryover information in Part 2
- Form 301, Part 2 will show the amount of each Tax Credit used to offset taxes due



# AZ Tax Credit Carryover

## 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?

