

For the calendar year 2013 or fiscal year beginning M M D D 2, 0, 1, 3 and ending M M D D Y, Y, Y, Y.

CHECK ONE: Original Amended

Shareholder's Identifying Number	S Corporation's Employer Identification Number (EIN)
Shareholder's Name	S Corporation's Name
Shareholder's Address – number and street or rural route	S Corporation's Address – number and street or rural route
Shareholder's City, Town or Post Office State ZIP Code	S Corporation's City, Town or Post Office State ZIP Code
Shareholder's percentage of stock ownership for the taxable year: _____ %	

Part I: Share of Income and Deductions

Pro Rata Share Items From Federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers: Enter the amount in column (c) on:
1 Ordinary income (loss) from trade or business activities.....				
2 Net income (loss) from rental real estate activities...				
3 Net income (loss) from other rental activities				
4 Total: Add lines 1, 2, and 3				Line B11
5 Interest.....				Line B6
6 Dividends.....				Line B7
7 Royalties.....				Line B11
8 Net short-term capital gain (loss).....				Line B10
9 Net long-term capital gain (loss).....				Line B10
10 Net IRC Section 1231 gain (loss)				Line B10
11 Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i).....				Line B12
12 Other income (loss)				Line B11
13 IRC Section 179 expense.....				Line B11
14 Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)				Line B11
15 Other deductions: attach schedule				

Name of S Corporation (as shown on page 1)	Employer Identification Number
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Part II: Net Long-Term Capital Gain Subtraction – Information Schedule

INSTRUCTIONS FOR THE S CORPORATION:

Beginning in 2013, Arizona allows a subtraction from Arizona gross income for a percentage of any net long-term capital gain from assets acquired **after** December 31, 2011, and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate or trust. Although the subtraction is only available to individuals, estates and trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

If the shareholder's federal Schedule K-1 (Form 1120-S) includes net long-term capital gain (loss), complete line 16, columns (a) through (d). If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net long-term capital gain (loss), the S corporation is not required to complete Part II.

	(a)	(b)	(c)	(d)
Item From Federal Form 1120-S, Schedule K-1	Distributive Share Amount from page 1, line 9, column (a)	Arizona Source Income from page 1, line 9, column (c)	Net long-term capital gain (loss) included in column (b) from assets acquired before January 1, 2012	Net long-term capital gain (loss) included in column (b) from assets acquired after December 31, 2011
16 Total net long-term capital gain (loss)..... 16				

INSTRUCTIONS FOR THE INDIVIDUAL SHAREHOLDER:

To determine if you qualify to take a subtraction from income on your Arizona personal income tax return, the individual shareholder must complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions for the nonresident income tax return (Arizona Form 140NR).

Nonresidents use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 16, column (d) to figure the allowable subtraction on the worksheet that is included with Arizona Form 140NR.

INSTRUCTIONS FOR THE FIDUCIARY SHAREHOLDER:

If the net long-term capital gain (loss) on Part II, line 16, above, is taxed at the estate or trust level, use the information above to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Arizona Form 141AZ for the estate or trust.

If the net long-term capital gain (loss) on Part II, line 16, above, is distributed to the beneficiaries, use the information above to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*, included in the instructions of Arizona Form 141AZ. The worksheet will assist the estate or trust in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

INSTRUCTIONS FOR THE EXEMPT ORGANIZATION SHAREHOLDER:

A subtraction is not allowed for an exempt organization. The information in Part II, above, is informational only, and not required to be reported by the exempt organization.

General Instructions

Part I Instructions for Individuals and Fiduciaries

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on Arizona Form 140NR line numbers indicated on Arizona Form 120S, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 12, column (c), and enter the total on Arizona Form 141AZ, page 2, Schedule A.

However, if Arizona Form 120S, Schedule K-1(NR), shows a loss, you may only claim such losses on your Arizona nonresident return to the extent that such losses are included in your federal adjusted gross income (individuals) or federal taxable income (trusts and estates). Therefore, if the loss is considered to be a passive activity loss for federal purposes, the loss will likewise be considered to be a passive activity loss for Arizona purposes.

If you have a passive activity loss from an S corporation that was derived from Arizona sources, you would not necessarily begin the

Arizona return with the amounts shown in column (c) of your Arizona Form 120S, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Arizona Form 120S, Schedule K-1(NR), has been limited on your federal return because of the federal passive activity loss rules.

The amount of passive activity loss which is derived from Arizona sources is the amount of the passive activity loss which will be allowed on the Arizona return. Therefore, any portion of the passive activity loss which is not allowed on the federal return due to the passive activity loss limitations will likewise be limited on the Arizona return. That portion of the passive activity loss derived from Arizona sources which is required to be carried forward for federal purposes will similarly be carried forward for Arizona purposes.

NOTE: The amount of Internal Revenue Code § 179 expense deductible is limited to the Arizona portion of the amount deducted on federal Form 1040, Schedule E.