

Arizona Form  
**165 Schedule K-1**

**Resident and Part-Year Resident Partner's  
Share of Adjustment to Partnership Income**

**2015**

Corporate partners must use Form 165, Schedule K-1(NR).

For the ☐ calendar year 2015 or ☐ fiscal year beginning MM, DD, 2015 and ending MM, DD, 20YY.

**CHECK ONE:** ☐ Original ☐ Amended

Partner's Identifying Number	Partnership's Employer Identification Number (EIN)
Partner's Name	Partnership's Name
Partner's Address – number and street or rural route	Partnership's Address – number and street or rural route
Partner's City, Town or Post Office State ZIP Code	Partnership's City, Town or Post Office State ZIP Code

Partner's Percentage of:	Before Change or Termination	End of Year
Profit sharing .....	%	%
Loss sharing .....	%	%
Ownership of capital .....	%	%
Type of partner (individual, trust, or estate).		

**Part I Arizona Partnership Adjustment**

- 1 Adjustment of partnership income from federal to Arizona basis from Form 165, page 1, line 6 ..... 1 00
- 2 Partner's percentage of profit or loss (expressed as a decimal)..... 2 . 0 0 0 0 0 0
- 3 Partner's distributive share of the adjustment of partnership income from federal to Arizona basis:  
Multiply line 1 by line 2..... 3 00

**Part II Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain or loss from investment in a qualified small business, the partnership is not required to complete Part II.

Pro Rata Share Items	(a) Distributive Share Amount
4 Net capital gain (loss) from investment in a qualified small business ..... 4	

**Part III Net Long-Term Capital Gain Subtraction – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net long-term capital gain or loss, the partnership is not required to complete Part III.

Pro Rata Share Items From Federal Form 1065, Schedule K-1	(a) Distributive Share Amount	(b) Net long-term capital gain (loss) included in column (a) from assets acquired before January 1, 2012	(c) Net long-term capital gain (loss) included in column (a) from assets acquired after December 31, 2011
5 Net long-term capital gain (loss)..... 5			

**ADDITIONAL INFORMATION:**

6 Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 5, column (c)) ..... 6			
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# 2015 Resident and Part-Year Resident Partner's Share of Adjustment to Partnership Income

## Arizona Form 165 Schedule K-1

### Instructions for Partners

#### Part I: Arizona Partnership Adjustment

The partnership is required to adjust its income from a federal to Arizona basis. Line 3 of Form 165, Schedule K-1, is the partner's distributive share of that adjustment. Report the amount from line 3 on your Arizona tax return according to the instructions below.

##### Resident Individuals:

If line 3 is a positive number, enter the amount on Form 140, page 1, line 14. If line 3 is a negative number, enter the amount on Form 140, page 1, line 25.

##### Part-Year Resident Individuals:

If line 3 is a positive number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 1, line 30. If line 3 is a negative number, enter that portion of line 3 that is allocable to partnership income taxable by Arizona on Form 140PY, page 2, line 46.

##### Resident Estates or Resident Trusts:

If line 3 is a positive number, enter the amount on Form 141AZ, page 2, Schedule B, line B3. If line 3 is a negative number, enter the amount on Form 141AZ, page 2, Schedule B, line B9.

#### Part II: Net Capital Gain from Investment in a Qualified Small Business – Information Schedule

Arizona allows a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business and included in the individual taxpayer's federal adjusted gross income or the federal taxable income of the estate and trust. A qualified small business is determined by the Arizona Commerce Authority pursuant to A.R.S. §41-1518. Although the subtraction is only available to individuals, estates and trusts, a partner that is a pass-through entity (estate or trust) will need this information to calculate the subtraction for the estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

##### **Line 4 -**

Line 4, column (a) is your distributive share of net capital gain (loss) from investment in a qualified small business. To determine if you qualify to take this subtraction on your Arizona income tax return, see the instructions for Form 140, 140PY, or 141AZ.

#### Part III: Net Long-Term Capital Gain Subtraction – Information Schedule

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, a partner that is a pass-through entity (estate or trust) will estate or trust or complete the Arizona Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

Only include net long-term capital gains if it can be verified that the asset was acquired after December 31, 2011. An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver or the deceased individual.

If you cannot verify that the capital gain is from the sale of an asset acquired after December 31, 2011, then the capital gain should be treated as a capital gain asset acquired before January 1, 2012.

##### **Line 5 –**

Line 5, column (c), is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

##### **Line 6 -**

Line 5, column (c), may include amount(s) for any net long-term capital gain (loss) from investment in qualified small business. If you take the allowable subtraction on your Arizona income tax return for any net long-term capital gain from assets acquired after December 31, 2011, you cannot include the amount on line 6, column (c), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information, see the instructions for Form 140, 140PY, or 141AZ.

##### Individual partner:

To determine if you qualify to take a subtraction from income on your Arizona tax return, the individual partner 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 resident and part-year resident income tax returns (Arizona Form 140 and Form 140PY).

**Full-year residents** use the amounts on line 5 and line 6 in column (c) to figure the allowable subtraction on the worksheet included in the instructions for the Form 140.

**Part-year residents** use the amounts on line 5 and line 6 in column (c) that are included in your Arizona gross income to figure the allowable subtraction on the worksheet included in the instructions for the Form 140PY.

##### Fiduciary partner:

For the resident estate partner or resident trust partner, Part III of Form 165, Schedule K-1, provides information to the partner so the partner can (1) calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011; and/or (2) provide information to each beneficiary so each beneficiary can calculate its subtraction for net long-term capital gain for assets acquired after December 31, 2011.

If the net long-term capital gain (loss) in Part III is taxed at the estate or trust level, use the amounts on line 5 and line 6 in column (c) to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions of Form 141AZ for the estate or trust.

If the net long-term capital gain (loss) in Part III is distributed to the beneficiaries, use the amounts in line 5 and line 6 in column (c) to complete the *Worksheet for Net Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011*. The worksheet is included in the instructions of Form 141AZ. The worksheet will assist the estate or trust in completing the Net Long-Term Capital Gain Subtraction – Information Schedule on Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.