

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

**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:
<b>1</b> Ordinary income (loss) from trade or business activities.....				
<b>2</b> Net income (loss) from rental real estate activities...				
<b>3</b> Net income (loss) from other rental activities .....				
<b>4</b> Total: Add lines 1, 2, and 3 .....				Line 21
<b>5</b> Interest.....				Line 16
<b>6</b> Dividends.....				Line 17
<b>7</b> Royalties.....				Line 21
<b>8</b> Net short-term capital gain (loss).....				Line 20
<b>9</b> Net long-term capital gain (loss).....				Line 20
<b>10</b> Net IRC Section 1231 gain (loss) .....				Line 20
<b>11</b> Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(j).....				Line 22
<b>12</b> Other income (loss) .....				Line 22
<b>13</b> IRC Section 179 expense.....				Line 21
<b>14</b> Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i).....				Line 21
<b>15</b> Other deductions: Include schedule .....				

Continued on page 2 →

Name of S Corporation (as shown on page 1)	Employer Identification Number
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**Part II Net Capital Gain From Investment in a Qualified Small Business – Information Schedule**

If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any net capital gain (loss) from investment in a qualified small business, the S corporation is not required to complete Part II.

Pro Rata Share Items	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income
<b>16</b> Net capital gain (loss) from investment in a qualified small business..... <b>16</b>			

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

If the shareholder's federal Schedule K-1 (Form 1120-S) includes capital gain (loss), complete line 17 and line 18. If the shareholder's federal Schedule K-1 (Form 1120-S) does not include any capital gain (loss), the S corporation is not required to complete Part III.

Item From Federal Form 1120-S, Schedule K-1	(a) Distributive Share Amount From page 1, line 9, column (a).	(b) Arizona Source Income From page 1, line 9, column (c).	(c) Net <u>long-term</u> capital gain (loss) included in column (b) from assets acquired before January 1, 2012	(d) Net <u>long-term</u> capital gain (loss) included in column (b) from assets acquired after December 31, 2011
<b>17</b> Total net long-term capital gain (loss)..... <b>17</b>				

**ADDITIONAL INFORMATION:**

<b>18</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 17, column (d)) ..... <b>18</b>				
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# 2015 Nonresident Shareholder's Share of Income and Deductions

# Arizona Form 120S Schedule K-1(NR)

## Instructions for Shareholders

### Part I: Share of Income and Deductions

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.

### 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, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction for the estate or trust or to complete the Arizona Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

#### Line 16 -

Line 16, column (c), is your distributive share of net capital gain (loss) from investment in a qualified small business that is apportioned to Arizona.

### 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, or trusts, an S corporation shareholder that is a pass-through entity (estate or trust) will need this information to calculate its subtraction or to 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 17 -

Line 17, column (d), is your distributive share of net long-term capital gain (loss) from assets acquired after December 31, 2011 that is apportioned to Arizona.

#### Line 18 -

Line 17, column (d), 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 18, column (d), for net long-term capital gain from investment in qualified small business in that allowable subtraction. For more information, see the instructions for Form 140PY or 141AZ.

#### 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 17 and line 18, column (d) to figure the allowable subtraction on the worksheet that is included with Arizona Form 140NR.

#### Fiduciary shareholder:

If the net long-term capital gain (loss) in Part III is taxed at the estate or trust level, use the information 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) in Part III is distributed to the beneficiaries, use the information 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.