

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

For the  calendar year 2019 or  fiscal year beginning MM,DD,2019 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:	Beginning of Year	End of Year
Profit sharing .....	%	%
Loss sharing .....	%	%
Ownership of capital .....	%	%
Type of partner (individual, trust, or estate).		

**Part 1 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	.
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 2 Net Capital Gain (Loss) 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 (loss) from investment in a qualified small business as determined by the Arizona Commerce Authority, the partnership is not required to complete Part 2.

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

**Part 3 Net Capital Gain (Loss) From the Exchange of Legal Tender – Information Schedule**

If the partner's federal Schedule K-1 (Form 1065) does not include any net capital gain (loss) from the exchange of legal tender, the partnership is not required to complete Part 3.

Pro Rata Share Items	Distributive Share Amount
5 Net capital gain (loss) from the exchange of legal tender .....	5

Name of Partnership (as shown on page 1)	EIN
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**Part 4 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 (loss), the partnership is not required to complete Part 4.

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
<b>6</b> Total Net long-term capital gain (loss)..... <b>6</b>			

**ADDITIONAL INFORMATION:**

<b>7</b> Net long-term capital gain (loss) from investment in a qualified small business (amount already included in line 6, column (c))..... <b>7</b>			
<b>8</b> Net long-term capital gain (loss) from the exchange of legal tender (amount already included in line 6, column (c))..... <b>8</b>			

**Instructions for Partners**

**Part 1 - 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 your share of that adjustment. Report the amount from line 3 on your Arizona tax return following 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 27.

**Part-Year Resident Individuals**

- If line 3 is a positive number, enter that portion of line 3 allocable to partnership income taxable by Arizona on Form 140PY, line 30.
- If line 3 is a negative number, enter that portion of line 3 allocable to partnership income taxable by Arizona on Form 140PY, line 44.

**Resident Estates or Resident Trusts**

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

**Part 2 - Net Capital Gain (Loss) From Investment in a Qualified Small Business - Information Schedule**

Arizona allows individuals, estates and trusts a subtraction from Arizona gross income for any net capital gain derived from investment in a qualified small business if:

- The gain is included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income
- The business in which the partnership invested is determined to be a qualified small business by the Arizona Commerce Authority.

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 Form 141AZ, Schedule K-1 or Schedule K-1(NR), for each beneficiary.

**Line 4 -**

Line 4, column (a) is your share of net capital gain (loss) from investment in a qualified small business. See the instructions for Forms 140, 140PY, or 141AZ to determine if you qualify to take this subtraction.

**Part 3 - Net Capital Gain (Loss) From the Exchange of Legal Tender - Information Schedule**

For taxable years beginning from and after December 31, 2017, Arizona allows the exclusion from gross income the amount of net capital gain (loss) derived from the exchange of one kind of legal tender for another kind of legal tender.

- (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- (b) "Specie" means coins having precious metal content.

**Line 5 -**

Line 5 is your share of the net capital gain (loss) derived from the exchange of one kind of legal tender for another. A net capital gain is reported as a positive number. A net capital loss is reported as a negative number.

**Part 4 - Net Long-Term Capital Gain Subtraction - Information Schedule**

Arizona allows individuals, estates, and trusts a subtraction from Arizona gross income for a percentage of any net long-term capital gain if:

- The gain arises from assets acquired after December 31, 2011.
- The gain must be included in:
  - The individual's federal adjusted gross income, or
  - The estate or trust's federal taxable income.

In addition:

- Only include net long-term gains if you can verify the asset was acquired after December 31, 2011.
- If you cannot verify the asset was acquired after December 31, 2011, treat it as a capital gain asset acquired before January 1, 2012.
- An asset acquired by gift or inheritance is considered acquired on the date it was acquired by the gift-giver, or the deceased.

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 Form 141AZ, Schedule K-1, or Schedule K-1(NR), for each beneficiary.

**Line 6 -**

Line 6, column (c), is your share of net long-term capital gain (loss) from assets acquired after December 31, 2011.

**Line 7 -**

Line 7, column (c) is your share of the partnership's net long-term capital gain from investment in a qualified small business that is included in the amount on line 6, column (c). *The amount on line 7 cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

For more information, see the instructions for Form 140, 140PY, or 141AZ.

**Line 8 -**

Line 8, column (c) is your share of the partnership's net long-term capital gain (loss) from the exchange of one form of legal tender for another. *The amount on line 8, column (c) cannot be included in your subtraction for any net long-term capital gain from assets acquired after December 31, 2011.*

**Worksheet for Long-Term Capital Gain Subtraction for Assets Acquired After December 31, 2011 (Worksheet)**

To determine if you qualify to claim a subtraction from income on your Arizona tax return:

- **Full-year resident partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) to figure the allowable subtraction on the Worksheet included in the instructions for Form 140.
- **Part-year resident partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) that are included in your Arizona gross income to figure the allowable subtraction on the Worksheet included in the instructions for Form 140PY.
- **Resident estate or trust partners**, use the amounts on line 6, line 7, column (c), and line 8, column (c) to complete the Worksheet included in the instructions for Form 141AZ. If the resident estate or trust distributed the gain (loss) to the beneficiaries, 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.