

2009 Credit for Investment in Qualified Small Businesses

Arizona Form 338

Phone Numbers

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at: www.azdor.gov

General Instructions

For taxable years beginning from and after December 31, 2006 through December 31, 2014, Arizona law allows a credit for investments made after June 30, 2006, in qualified small businesses.

The amount of the credit is the amount determined and authorized by the Arizona Department of Commerce.

To claim this credit, you must attach a copy of the Arizona Department of Commerce's Authorization of Tax Credits to your income tax return.

You must claim the credit on a timely filed return filed for the tax year in which the credit is available. A timely filed return is a return that you file by the return's original or extended due date. If you fail to timely file a return claiming the credit for a taxable year, the credit expires for that taxable year and there is no carryforward of the expired credit.

If the allowable tax credit is more than your tax liability or if you have no tax liability, you may carry the unused credit forward for up to the next 3 consecutive tax years.

This credit is available to individuals only. A corporation, including an S corporation, may not claim this credit. However, an S corporation may pass the credit through to its individual shareholders. A partnership may pass the credit through to its individual partners.

The basis of any investment with respect to which you claim a credit must be reduced by the amount of the credit claimed with respect to the investment.

Small Business Capital Investment Program

The small business capital investment program is administered by the Arizona Department of Commerce. The Arizona Department of Commerce cannot allocate tax credits exceeding \$20 million during the life of the program. Tax credits are authorized on a first come, first served basis. Income tax credits are equal to 30% or 35% of the investment amount and are claimed over a three year period.

To seek a tax credit under this program, you must submit an application for an Authorization of Tax Credits to the

Arizona Department of Commerce. To obtain an Authorization of Tax Credits, you must document that each investment and the small business meet the eligibility requirements. The Arizona Department of Commerce will issue an Authorization of Tax Credits after determining eligibility of the investor. For more information about this credit, visit the Arizona Department of Commerce's web site at: www.azcommerce.com.

Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Form 140, 140PY, 140NR, 140X, 120S or 165. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the preparer TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

Part I - Credit

Line 1 -

Enter the amount of credit shown for the taxable year on the Arizona Department of Commerce's Authorization of Tax Credits. On line 1, enter only the credit available for the current taxable year. You must attach a copy of each Arizona Department of Commerce Authorization of Tax Credits to Form 338 when you file.

Part II - S Corporation Individual Shareholder's Share of Credit

Lines 2 through 4 -

An S corporation cannot claim this credit, but it may pass the credit through to its individual shareholders. If an S corporation is passing the credit through to its individual shareholders, the S corporation must complete lines 2 through 4.

An S corporation must complete line 1 of Form 338. Then, complete lines 2 through 4 separately for each individual shareholder. Each individual shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each individual shareholder with a copy of the completed Form 338.

Each shareholder must complete Part IV and Part V.

Part III - Individual Partner's Share of Credit

Lines 5 through 7 -

A partnership must complete line 1 of Form 338. Then, complete lines 5 through 7 separately for each individual partner. Each individual partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each individual partner with a copy of the completed Form 338.

Each partner must complete Part IV and Part V.

Part IV - Available Credit Carryover

Lines 8 through 11 -

Use Part IV to figure your total available credit carryover. Complete lines 8 through 11 if you claimed the credit on your 2007 return and/or 2008 return and the credit was more than your tax liability.

In column (b), enter the credit originally computed for the taxable year listed in column (a). In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 8 through 10 in column (d). Enter the total on line 11, column (d).

Part V - Total Available Credit

Line 12 Current Year's Credit -

If you are the investor, enter the amount from Part I, line 1. If you are receiving the credit as an S corporation shareholder, enter the amount from Part II, line 4. If you are receiving the credit as a partner in a partnership, enter the amount from Part III, line 7.

Line 13 Available Carryover -

Enter the amount from Part IV, line 11.

Line 14 Total Available Credit -

Add the amount on line 12 and line 13. Enter the total here and also on Form 301, Part I, line 22.