

Arizona Nonresident and Out-of-State Partner's
Share of Income and Deductions

2013

Schedule K-1(NR)

For the calendar year 2013 or fiscal year beginning MM,DD,2013 and ending MM,DD,YYYY.

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, etc.)		

NOTE: All corporate partners must use this schedule.

Part I: Distributive Share Items From Federal Form 1065, 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 Guaranteed payments to partner.....				
11 Net IRC Section 1231 gain (loss)				Line B10
12 Deferred amount of discharge of indebtedness income included in federal income in the current year under IRC Section 108(i).....				Line B11
13 Other income (loss) – attach schedule.....				Line B12
14 IRC Section 179 expense.....				Line B11
15 Deferred amount of original issue discount deduction included in federal income in the current year under IRC Section 108(i)				Line B11
16 Other deductions – attach schedule.....				

Part II: Partner's Distributive Share of the Adjustment of Partnership Income From Federal to Arizona Basis	(a) Distributive Share Amount	(b) Arizona Apportionment Ratio	(c) Arizona Source Income	Form 140NR Filers: Enter the amount in column (c) on:
17 Adjustment of partnership income from federal to Arizona basis – from Form 165, page 1, line 6.....				Line C20 or D31

NOTE: Corporate partners see Form 120 or Form 120A instructions for information on reporting the amount from line 17.

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

INSTRUCTIONS FOR THE PARTNERSHIP:

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, a partner that is a pass-through entity (estate, partnership, S corporation 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; or Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder; or Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner.

If the partner's federal Schedule K-1 (Form 1065) includes capital gain (loss), complete line 18, columns (a) through (d). If the partner's federal Schedule K-1 (Form 1065) does not include any capital gain (loss), the partnership is not required to complete Part III.

	(a)	(b)	(c)	(d)
Item From Federal Form 1065, 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
18 Total net long-term capital gain (loss)..... 18				

INSTRUCTIONS FOR THE INDIVIDUAL PARTNER:

To determine if you qualify to take a subtraction from income on your Arizona personal income 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 nonresident income tax return (Arizona Form 140NR).

Nonresidents use only the amount of Arizona-sourced, net long-term capital gain (loss) entered on line 18, column (d) to figure the allowable subtraction on the worksheet that is included with Arizona Form 140NR.

INSTRUCTIONS FOR THE FIDUCIARY PARTNER:

If the net long-term capital gain (loss) on Part III, line 18, 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 III, line 18, 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 PARTNERSHIP OR S CORPORATION PARTNER:

The information in Part III, above, should be used 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 165 or Arizona Form 120S. The worksheet will assist the partnership or S corporation in completing the *Net Long-Term Capital Gain Subtraction – Information Schedule* on Arizona Form 165, Schedule K-1 or Schedule K-1(NR), for each partner; or Arizona Form 120S, Schedule K-1 or Schedule K-1(NR), for each shareholder.

INSTRUCTIONS FOR THE C CORPORATION OR EXEMPT ORGANIZATION PARTNER:

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

2013 Arizona Nonresident and Out-of-State Partner's Share of Income and Deductions

Arizona Form

165

Schedule K-1(NR)

Part I Instructions for Individuals and Fiduciaries

Column (c) is your Arizona source income. Nonresident individuals should report the amounts in column (c) on Form 140NR line numbers indicated on Form 165, Schedule K-1(NR). Nonresident trusts or nonresident estates should add lines 4 through 13, column (c), and enter the total on Form 141AZ, page 2, Schedule A.

However, if Form 165, 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 (trust 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 a partnership that was derived from Arizona sources, you would not necessarily begin the Arizona return with the amounts shown in column (c) of Form 165, Schedule K-1(NR). For Arizona purposes, you must first determine if any portion of the loss shown on Form 165, 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 Instructions for Individuals and Fiduciaries

Line 17 –

Line 17 reflects the amount of partnership income which must be adjusted to determine the difference between Internal Revenue Code § 702(a)(8) and A.R.S. § 43-1401(2). If the amount on line 17 is a positive number, individual partners should enter this amount as an "other addition to income" on Form 140NR, line C20. Fiduciaries should enter a positive amount on line 17 as an "other addition" on Form 141AZ, page 2, line B3. If the amount on line 17 is a negative number, individual partners should enter this amount as an "other subtraction from income" on Form 140NR, line D31. Fiduciaries should enter a negative amount on line 17 as an "other subtraction" on Form 141AZ, page 2, line B8.

Part II Instructions for Corporate Partners

Corporate partners should report the amount on line 17 of Form 165, Schedule K-1(NR) according to the instructions for Form 120 or Form 120A.