

Instructions for Partnerships

Use Form 165PA, Schedule K-1(NR) for all nonresident partners, nonresident estate partners, nonresident trust partners, partnerships that are partners in the partnership, and *all* corporate partners. Use Form 165PA, Schedule K-1, for all other partners.

Complete Schedule K-1(NR) Using Form 165PA

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165PA, Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

Check the box to indicate this is an "Original" Form 165PA, Schedule K-1(NR).

NOTE: *The amount reported on an "Original" Form 165PA, Schedule K-1(NR) is in addition to any other amounts reported on the partner's Arizona income tax return.*

Line 1 –

Enter the date the IRS made its final determination.

Line 2 –

Leave this line blank.

Partner's Portion of the Arizona Partnership Adjustment

Line 3 –

Multiply the amount on line 5 of Arizona Form 165PA by the partner's percentage of the Arizona partnership adjustment. (See **NOTE** below.) Enter the result here. This is the partner's portion of the Arizona partnership adjustment. **If the amount is less than zero, use brackets to indicate the negative amount.**

NOTE:

Generally, the partner's percentage of the partnership adjustment will be the partner's ownership percentage.

In cases in which one or more of the partners of the partnership are tax-exempt organizations, the portion of the adjustment related to the tax exempt organization(s) is already removed from the federal adjustment. Therefore, the remaining partners' portion of the Arizona partnership adjustment cannot be determined by multiplying each partner's ownership percentage by the Arizona partnership adjustment.

To determine each remaining partner's percentage of the Arizona partnership adjustment, subtract the percentage of the partnership owned by the tax-exempt organization(s) from 100%. This determines the percentage of the partnership not owned by tax-exempt organizations. Then, divide each remaining partner's ownership percentage of the partnership by the partnership percentage not owned by tax-exempt organizations.

EXAMPLE:

Partnership XYZ is owned by 10 partners. Each partner owns the indicated percentage of XYZ:

Partner	Ownership %
A	19.10%
B	6.20%
C	4.10%
D	3.25%
E	32.25%
F	17.30%
G	3.75%
H	3.90%
I	1.70%
J	8.45%

Total 100.00%

Partner A is a tax-exempt organization and owns 19.10% of the partnership.

To determine the remaining partners portion of the Arizona partnership adjustment begin by:

- *Subtracting Partner A's ownership percentage from 100% (100% - 19.10% = 80.9%).*
- *Divide each remaining partner's ownership by 80.9% to determine each partner's portion of the Arizona partnership adjustment. (Partner B owns 6.2% of XYZ; 6.2%/80.9% = 7.66%. Partner B's portion of the Arizona adjustment is 7.66% of the total.) Continue this process for all remaining partners.*

After excluding the tax-exempt partner, Partner A, each remaining partner's share of the Arizona Adjustment is:

Partner	AZ Adjustment %
A	0.00%
B	7.66%
C	5.07%
D	4.02%
E	39.86%
F	21.38%
G	4.64%
H	4.82%
I	2.10%
J	10.44%

Total 100.00%

Multiply each remaining partner's AZ Adjustment % by the amount of the Arizona partnership adjustment. Enter that amount as the "Partner's portion of the Arizona partnership adjustment" on each partner's Form 165PA, Schedule K-1, line 3 or Form 165PA, Schedule K-1(NR), line 3.

Line 4 –

Enter the partnership's Arizona apportionment ratio.

NOTE:

Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Form 165, Schedule C, line C5. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio here. Include a schedule detailing the changes with your return.

See the instructions for Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.

NOTE:

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

Line 5 –

Multiply the amount on line 3 by the ratio on line 4. Enter the amount here. This is the partner's Arizona source partnership adjustment.

Complete Schedule K-1(NR) Using Form 165PA-X

Type or print the required information in the name, address, and information boxes on the top of the Arizona Form 165PA, Schedule K-1(NR). Indicate whether the partnership's taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the period covered by the taxable year on the schedule.

- If box A1 on Form 165PA-X is checked and the amount on Part 2, line 5 of that form is negative, check the box labeled "Original" at the top of Arizona Form 165PA, Schedule K-1(NR).
- If box A2 on Form 165PA-X is checked and the amount on Part 4, line 19 of that form is zero, check the box labeled "Amended" at the top of Arizona Form 165PA, schedule K-1(NR).

NOTE:

- *The amount reported on an "Original" Form 165PA, Schedule K-1(NR) is in addition to any other amounts reported on the partner's Arizona income tax return.*
- *The amount reported on an "Amended" Form 165PA, Schedule K-1(NR) replaces the amount from the previously provided Form 165PA, Schedule K-1(NR).*

Line 1 –

Enter the date the IRS made its final determination.

Line 2 –

If the "Amended" box is checked, enter the date the original Form 165PA was previously submitted.

Partner's Portion of the Arizona Partnership Adjustment**Line 3 –**

Enter the partner's portion of the Arizona partnership adjustment:

- If the box labeled "Original" on this form is checked, multiply the amount on Part 2, line 5 of Arizona Form 165PA-X by the partner's percentage of the amended Arizona partnership adjustment. Enter the result here.
- If the box labeled, "Amended" on this form is checked, multiply the amount on Part 4, line 17 of Arizona Form 165PA-X by the partner's percentage of the amended Arizona partnership adjustment. Enter the result here.

If the partnership has tax-exempt partners, see the Note, and Example boxes on page 1 for a discussion of how to exclude a tax-exempt partner from the Arizona partnership adjustment.

Line 4 –

Enter the partnership's Arizona apportionment ratio.

NOTE:

Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Form 165, Schedule C, line C5. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio on line 4. Include a schedule detailing the changes with your return.

See the instructions for Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.

NOTE:

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

Line 5 –

Multiply the amount on line 3 by the ratio on line 4. Enter the result here. This is the partner's Arizona source partnership adjustment.