

**2023 Agricultural Pollution Control Equipment Credit**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

**Publications**

To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

**General Instructions**

Arizona Revised Statutes § 43-1081.01 provide nonrefundable individual income tax credits for expenses that a taxpayer incurred during the taxable year to purchase agricultural pollution control equipment.

**NOTE:** *Taxable year 2019 was the last year a corporate taxpayer could claim this credit. S Corporations may not claim this credit at the corporate level or pass it through to its shareholders. A partnership may not pass this credit through to its corporate partners; it may, however, pass this credit through to its individual partners.*

The amount of the credit is equal to 25% of the cost of the property. The maximum credit that a taxpayer may claim in a taxable year is \$25,000.

Individual partners in a partnership may each claim only the *pro rata* share of the credit allowed based on their ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

**To Qualify for the Credit:**

- The individual taxpayer must be involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products; AND
- The individual taxpayer must purchase tangible personal property that is primarily used in the taxpayer's trade or business in Arizona to control or prevent pollution.
  - Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution.

- Qualifying property includes a portion of a structure, building, installation, excavation, machine, equipment, or device, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property.

**Amounts that qualify for the credit** must be includible in the individual taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

**NOTE – To claim this credit:**

- **Individual taxpayers that did not make the Small Business Income election:** Complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your Individual Income Tax Return, (Form 140, 140PY, 140NR, or 140X).
- **Individual taxpayers that made the Small Business Income election:** Complete this credit form and Arizona Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture for Form 140-SBI, 140PY-SBI, 140NR-SBI, and 140X-SBI. Include both completed forms with your SBI Tax Return (Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI).
- **A partnership may pass this credit through to its individual partners:** Complete this credit form and Form 325-P for each individual partner of the partnership. Provide each individual partner a copy of his or her completed Form 325-P. Include Form 325 and one copy of each completed Form 325-P with your tax return.

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a partnership is its employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10**

**Column (a):** Enter the date the qualifying agricultural property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the Arizona property used in the taxpayer's business to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying agricultural property used to reduce pollution. For additional information, see the section "To Qualify for the Credit" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 325.

#### Line 11

Add lines 1 through 10 in column (c) and enter the total.

#### Line 12

Enter the total cost of equipment from additional schedules.

#### Line 13

Add lines 11 and 12 and enter the total. This is the total cost of agricultural pollution control equipment incurred during this taxable year.

#### Line 14

Multiply line 13 by 25%. Enter the result.

### Part 2 – Credit Passed Through From Partnerships

**NOTE:** *If you received a pass through of this credit from more than one partnership, total the amounts received from all Forms 325-P and enter the total. Include a copy of each Form 325-P you received with your return.*

#### Line 15

Enter the total amount of the credit passed through from partnerships on Form(s) 325-P, line 4.

### Part 3 - Total Current Year Credit

#### Line 16

Add lines 14 and 15. Enter the total.

#### Line 17 - Maximum Credit Allowed

The maximum credit amount allowed for this credit is \$25,000.

#### Line 18

Enter the lesser of line 16 or line 17. This is your maximum current year credit for agricultural pollution control equipment.

**Partnerships** - continue to Part 4.

**Individuals** - skip to Part 5.

### Part 4 - Partnerships Passing Through the Credit

Partnerships claiming this credit must pass it through to its partners. Proceed to the instructions on page 3 for completing Form 325-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

### Part 5 - Available Credit Carryover

Complete Part 5 only if you claimed this credit for prior taxable years and the credit exceeded your Arizona income tax liability for those taxable years.

#### Lines 19 through 23

Enter the taxable years from which the credit is carried over in column (a) on lines 19 through 23. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).

#### Line 24

Add the amounts entered on lines 19 through 23 in column (d). Enter the total on line 24, column (d).

### Part 6 - Total Available Credit

#### Line 25

*Individuals:* Enter the current year's credit from Part 3, line 18.

*Partnerships:* Enter "0".

*Individuals that did not make the Small Business Income election:* Enter this amount on Form 301, Part 1, line 9, column (a).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 5, column (a).

#### Line 26

*Individuals:* Enter the amount from Part 5, line 24, column (d). This is the total available credit carryover.

*Individuals that did not make the Small Business Income election:* Enter this amount on Form 301, Part 1, line 9, column (b).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 5, column (b).

#### Line 27

*Individuals:* Add line 25 and line 26. Enter the total. This is the total available agricultural pollution control equipment credit that may be applied to the current taxable year's tax liability.

*Individuals that did not make the Small Business Income election:* Enter this amount on Form 301, Part 1, line 9, column (c).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 5, column (c).

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**Form 325-P,  
Distribution to Individual Partners of a  
Partnership**

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Enter the taxable year from which this credit is being passed through to your individual partners.

Complete Form 325-P for each individual partner of the partnership *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each individual partner with their completed copy of Form 325-P, including additional schedules as needed.

**Part 1 – Partnership and Individual Partner Information**

**Line 1**

Enter the partnership name and EIN in the spaces provided.

**Line 2**

Enter the individual partner's name, SSN, and ownership percentage in the spaces provided.

**Part 2 – Distribution of the Credit**

**Line 3**

Enter the total amount of the partnership's credit for Agricultural Pollution Control Equipment from Form 325, Part 3, line 18.

**Line 4**

Multiply the amount on line 3 by the individual partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of this credit.

*Each individual partner will use this form to complete their own Form 325.*