

# 2007 Credit for Taxes Paid to Another State for Arizona Residents Who Are Also Considered to Be a Statutory Resident of Another State

## Arizona Form 309-D

### Phone Numbers

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Form orders	(602) 542-4260
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 & 928 toll-free	(800) 845-8192
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](http://www.azdor.gov)

### Why Has Arizona Form 309 Changed?

Changes made to Arizona law may allow you to claim a credit for taxes paid to another state if you are an Arizona resident who is also considered to be a resident of another state under the laws of that other state.

### Which Form Should I Use?

#### Form 309-D

Use Form 309-D to figure your credit if you are a full-year Arizona resident filing Form 140, you are also considered to be a resident of another state under the laws of that other state, and you are filing a resident return to that other state. See the following instructions for more information.

#### Form 309-R

Use Form 309-R to figure your credit if you are a full-year Arizona resident filing Form 140, you have source income from another state, and you qualify to claim the credit. See Form 309-R for more information.

#### Form 309-PY

Use Form 309-PY to figure your credit if you are a part-year Arizona resident filing Form 140PY and you qualify to claim the credit. See Form 309-PY for more information.

#### Form 309-NR

Use Form 309-NR to figure your credit if you are a nonresident of Arizona filing Form 140NR and you qualify to claim the credit. See Form 309-NR for more information.

### Purpose of Form

Use Form 309-D if you are a full-year Arizona resident filing Arizona Form 140 and you are also considered to be a full-year resident of another state under the laws of that other state. Use Form 309-D to figure your credit for taxes paid to Arizona and another state on the same income, but only on income that would be sourced to the other state if you had to report that income as a nonresident.

If claiming a credit for more than one state, make a separate computation for each state.

For more information about this credit, see Arizona Department of Revenue Income Tax Procedure ITP 07-1. To get a copy of this procedure, visit the department's web site at [www.azdor.gov](http://www.azdor.gov), or call one of the phone numbers listed on this page.

**NOTE:** You must notify the department immediately if the other state credits or refunds taxes for which you have received an Arizona credit. In this case, you must file an amended return.

Complete Form 309-D only if you meet the following.

1. You are filing a 2007 Arizona full year resident income tax return (Form 140).
  2. You are considered to be a full-year resident of another state under the laws of that other state.
  3. You paid a **net** income tax to that other state.
- Payroll taxes withheld from income do not constitute a net income tax. Having tax withheld from your pay by Arizona and another state does not by itself qualify you for this credit. You must file a net income tax return to the other state.

You may not claim this credit for the following.

1. Income taxes paid to any city or county.
2. Interest or penalties paid to another state.

**NOTE:** If you file an amended return after you claim this credit, be sure to recalculate the credit, if required.

### Application of Credit

Claim this credit only if the income was subject to tax in both Arizona and the other state in the same tax year.

You cannot apply this credit against interest or penalties payable to Arizona.

**NOTE:** You may use this credit only in the year incurred. You cannot carry the credit forward to the next year. You also cannot carry the credit back to a prior year.

### Required Attachments

You must attach a copy of the tax return filed to the other state.

**NOTE:** If you do not attach a copy of the return filed with the other state you may not claim the credit.

### Line-by-Line Instructions for Form 309-D

Enter your name and SSN as shown on Arizona Form 140 or 140X.

Make sure that every return, statement, or document that you file with the department has your SSN. Failing to include the proper numbers may subject you or your preparer to a penalty. Make sure that all of the required identification numbers are clear and correct. Your return may take longer to process if identification numbers are missing, incorrect, or unclear.

If your name appears first on the return, make sure your social security number is the first number listed.

Enter in the space provided, the two letter abbreviation for that state for which you are claiming a credit. See page 5 of these instructions for a list of state abbreviations.

**Computation of Income Sourced to the Other State Subject to Tax by Both Arizona and the Other State During 2007**

An Arizona resident who is also considered to be resident of another state under the laws of that state is allowed a credit against Arizona income taxes for net income taxes imposed by and paid to that other state if the following apply.

1. The other state taxes the income of the Arizona resident and does not allow the Arizona resident a credit for taxes imposed on income subject to tax in both Arizona and the other state.
2. The credit is allowed only for taxes imposed on income that would have been sourced to the other state if the Arizona resident had filed as a nonresident to the other state.

**Schedule of Income Allocation**

**NOTE:** *You must complete the Schedule of Income allocation on page 2 of Form 309-D before you complete page 1 of Form 309-D.*

Because the Arizona credit allowed for an Arizona resident that is also considered to be a resident of another state is for taxes paid to another state on income that is sourced to that other state, you must complete the Schedule of Income Allocation before you can complete lines 1 through 3 of Form 309-D. This schedule allocates income between income sourced to the other state and income from everywhere else that is taxable to the other state. Complete column (a) before completing columns (b) through (d). On lines 1 through 9c of column (a), for each line, enter the

amounts reported on your federal income tax return. In column (b), enter the amounts listed in column (a) that are included in income reported on your Arizona return. In column (c), enter the amounts listed in column (a) that are included in income reported on the return filed with the other state. In column (d), enter the amounts listed in column (c) that would be sourced to the other state if you were a nonresident of that state filing a nonresident return to that state.

**Line 1 -**

Enter the income item and amount from column (d) of the Schedule of Income Allocation that is subject to tax in both Arizona and the other state. If you have more than one income item, complete lines 1(b) through 1(d) as necessary. Examples of such income are business income, partnership income, wages, etc. Enter an item and an amount on lines 1(a) through 1(d) only if your Arizona gross income and the gross income of the return filed with the other state includes the income from that item.

**Line 2 -**

Add the amounts entered on lines 1(a) through 1(d). Enter the total on line 2.

**Line 3 -**

Enter the amount of income from line 2 that is included in both Arizona adjusted gross income and in the other state's equivalent of Arizona adjusted gross income. This is the amount of income reportable to both Arizona and the other state adjusted by additions and subtractions related to that income required under Arizona law, or any additions or subtractions related to that income required under the other state's law.

**The following example illustrates how to complete the Schedule of Income Allocation and lines 1 through 3 of Arizona Form 309-D.**

**EXAMPLE:**

**Facts:**

Mr. and Mrs. R are Arizona residents who are temporarily living and working in State Z. They will be there for one year and then they will return to Arizona. During the current taxable year, Mr. and Mrs. R have been living and working in State Z for 10 and one-half months. Because Mr. and Mrs. R have been living in State Z for more than 183 days during the tax year, State Z considers Mr. and Mrs. R to be residents of State Z and taxes all of their income from the time they moved to State Z. Because Mr. and Mrs. R are Arizona residents who are temporarily out of Arizona, they are still full-year Arizona residents for Arizona income tax purposes and must file a full-year Arizona income tax return and include all income for the taxable year, wherever derived. For the taxable year, Mr. and Mrs. R have the following income.

Mr. R's wages from employment in Arizona	\$ 15,000
Mr. R's wages from employment in State Z	\$ 42,000
Mrs. R's wages from employment in State Z	\$ 5,000
Interest income	\$ 5,000
Rental income from AZ property	\$ 20,000
Total income	<u>\$ 87,000</u>

As Reported on State Z Return		As Reported on Arizona Return	
Wages (Mr. R's State Z wages \$42,000 + Mrs. R's State Z wages \$5,000)	\$ 47,000	Federal adjusted gross income	\$ 87,000
Interest income received after moving to State Z	4,375	Less subtractions from income (dependent exemption \$2,300)	(2,300)
Rental income from Arizona property received after moving to State Z	17,500	Arizona adjusted gross income	\$ 84,700
State Z gross income	68,875		
Plus additions to income	0		
Less subtractions (dependent \$4,000)	( 4,000)		
State Z adjusted gross income	\$ 64,875		

Before Mr. and Mrs. R can complete Arizona Form 309-D, they must complete the Schedule of Income Allocation on page 2 of Form 309-D. This will help Mr. and Mrs. R determine the income that is taxable in both Arizona and State Z that would be sourced to State Z if Mr. and Mrs. R were filing a nonresident return to State Z.

### Schedule of Income Allocation

	(a) Reported on Federal return	(b) Amount Entered in Column (a) Reported on Your 2007 Form 140	(c) Amount Entered in Column (a) Reported on Your Return Filed to Your Statutory State of Residence	(d) Amount Entered in Column (c) That Could be Sourced to Your Statutory State of Residence as Income of a Nonresident of that State
1. Wages, salaries, tips, etc	62,000	62,000	47,000	47,000
2. Interest	5,000	5,000	4,375	0
3. Dividends				
4. Business income (or loss) from federal Schedule C				
5. Gains (or losses) from federal Schedule D				
6. Rents, royalties, partnerships, estates, trusts, small business corporations from federal Schedule E	20,000	20,000	17,500	0
7. Other income reported on your federal return				
8. Total income: <i>Add lines 1 through 7</i>	87,000	87,000	68,875	47,000
9a. Other federal adjustments. <i>List</i>				
9b.				
9c.				
10. Adjusted gross income. <i>Subtract the sum of amounts entered on lines 9a through 9c from line 8.</i>	87,000	87,000	68,875	47,000

If Mr. and Mrs. R had filed a nonresident return to State Z, they would have reported \$47,000 of wage income to State Z as State Z source income. Therefore, when Mr. and Mrs. R complete Form 309-D, they would complete lines 1 through 3 as follows:

1a wages	\$47,000
1b	
1c	
1d	
2 Add lines 1a through 1d	\$47,000
3 Amount of income from line 2 included in both Arizona adjusted gross income and the adjusted gross income equivalent of the other state computed as if a nonresident of that other state.	\$47,000

**Portion of Income Sourced to the Other State Taxable to Arizona - Lines 4 through 12 -**

Complete lines 4 through 12 to figure the amount of income sourced to the other state that is taxable to Arizona. To determine this amount, you must apportion your deductions and exemptions between income subject to tax in Arizona and income sourced to the other state that is also subject to tax in both Arizona and the other state.

**Line 4 -**

Enter the amount from Form 140, page 1, line 16.

**Line 5 -**

Enter the amount from Form 140, page 2, line C18.

**Line 8 -**

Enter the amount from Form 140, page 1, line 17.

**Line 9**

Enter the sum of the amount from Form 140, page 1, line 18 plus the amount entered on Form 309-D, line 5.

**Lines 10 through 12 -**

To complete lines 10 through 12, follow the instructions on Form 309-D for those lines.

**Portion of Income Sourced to the Other State Taxable to the Other State - Lines 13 through 21 -**

Complete lines 13 through 21 to figure the amount of income sourced to the other state that is taxable to the other state. To determine this amount, you must apportion your deductions and exemptions between income sourced to the other state and all other income reported to the other state.

**Line 13 -**

Enter the other state's equivalent of Arizona adjusted gross income.

**Line 14 -**

Enter the other state's equivalent of the Arizona exemptions for age 65 or over, blind, dependents or qualifying parents or ancestors.

**Line 17 -**

Enter the amount of itemized or standard deductions claimed on the return filed with the other state.

**Line 18 -**

Enter the other state's equivalent of the Arizona personal exemptions plus the amount entered on Form 309-D, line 14.

**Lines 19 through 21 -**

To complete lines 19 through 21, follow the instructions on Form 309-D for those lines.

**Credit Computation - Lines 22 through 31 -**

**Line 22 - Arizona Taxable Income**

Enter your Arizona taxable income from Form 140, page 1, line 19.

**Line 24 - Other State Taxable Income**

Enter the taxable income from the return filed with the other state.

**Line 26 - Tax Paid to the Other State**

Enter the amount of income tax paid to the other state. This is the tax paid to the other state or country minus any tax credits claimed against the other state's or country's income tax. Do not include any taxes paid to a city or county. Also, do not include any amount paid to the other state for penalty or interest. Amounts of tax paid or accrued do not include amounts that are reasonably certain to be refunded, credited, rebated, abated, or forgiven.

**Line 29 - Arizona tax**

Enter your Arizona tax liability less any credits. However, do not reduce your Arizona tax liability by the other state tax credit.

For 2007, use the chart below to help you figure your Arizona tax liability prior to tax credits.

Form	
140	Subtract line 21 from line 25.
140X	Subtract line 27 from line 30

**NOTE:** *If you are taking other tax credits, you must reduce your Arizona tax by the amount of those other tax credits. For the purpose of this computation, be sure to reduce your Arizona tax by both refundable and nonrefundable credits.*

**Line 31 -**

Enter the smaller of the amount entered on line 27 or line 30. Enter the result here and also on Arizona Form 301, line 7d.

### List of State Abbreviations

State		State		State		State	
Alabama	<b>AL</b>	Indiana	<b>IN</b>	Mississippi	<b>MS</b>	Oklahoma	<b>OK</b>
Arkansas	<b>AR</b>	Iowa	<b>IA</b>	Missouri	<b>MO</b>	Oregon	<b>OR</b>
California	<b>CA</b>	Kansas	<b>KS</b>	Montana	<b>MT</b>	Pennsylvania	<b>PA</b>
Colorado	<b>CO</b>	Kentucky	<b>KY</b>	Nebraska	<b>NE</b>	Rhode Island	<b>RI</b>
Connecticut	<b>CT</b>	Louisiana	<b>LA</b>	New Jersey	<b>NJ</b>	South Carolina	<b>SC</b>
Delaware	<b>DE</b>	Maine	<b>ME</b>	New Mexico	<b>NM</b>	Utah	<b>UT</b>
Georgia	<b>GA</b>	Maryland	<b>MD</b>	New York	<b>NY</b>	Vermont	<b>VT</b>
Hawaii	<b>HI</b>	Massachusetts	<b>MA</b>	North Carolina	<b>NC</b>	Virginia	<b>VA</b>
Idaho	<b>ID</b>	Michigan	<b>MI</b>	North Dakota	<b>ND</b>	West Virginia	<b>WV</b>
Illinois	<b>IL</b>	Minnesota	<b>MN</b>	Ohio	<b>OH</b>	Wisconsin	<b>WI</b>