



2019 Individual Income Tax Changes

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Conformity For 2018 and 2019 Tax Returns

Arizona conformed to the version of the internal revenue code in effect on 1/1/2019 for purposes of:

- Determining the starting point for the Arizona return – federal adjusted gross income (FAGI) for individuals and federal taxable income (FTI) for corporate taxpayers.
- Determining the starting point for itemized deductions for individuals.



2019 Standard Deduction

- The Arizona standard deduction amounts were adjusted to the same amounts as the federal standard deduction:
 - \$12,200 for single or married filing separately (was \$5,312)
 - \$18,350 for head of household (was \$10,336)
 - \$24,400 for married filing joint (was \$10,336)
- The standard deduction can be increased by 25 percent of the charitable deductions the taxpayer would have claimed if they had itemized their deductions. This increased amount cannot be claimed on the 140EZ or 140A.

43 Deductions: <i>Check box and enter amount.</i> See instructions.....	43I <input type="checkbox"/> ITEMIZED...43S <input type="checkbox"/> STANDARD	43	00
44 If you checked box 43S and claim charitable deductions, Check 44C <input type="checkbox"/> Complete page 3. See instructions.....	44		00



Increased Standard Deduction For Charitable Contributions

A new page three was added to Arizona Form 140 for determining the increase to the standard deduction for charitable contributions.

2019 Form 140 - Standard Deduction Increase for Charitable Contributions

You must complete this worksheet if you are taking an increased standard deduction for charitable contributions. Include the completed worksheet with your tax return, when filed. If you do not include the completed worksheet, your standard deduction will not be increased.

For taxable years beginning from and after December 31, 2018, certain taxpayers electing to take the Standard Deduction may *increase* the standard deduction amount by 25% (.25) of the total amount of the taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions on the Arizona return.

Charitable contributions (lines C1, C2, and C3) are those gifts allowed on federal 1040 Schedule A (Gifts to Charity) that you would have claimed had you elected to take itemized deductions on your federal return.

Complete the worksheet to determine the increased amount allowed in addition to your standard deduction.

C1	Gifts by cash or check.....	C1	00
C2	Other than by cash or check.....	C2	00
C3	Carryover from prior year.....	C3	00
C4	Add lines C1 through C3.....	C4	00
C5	Enter the total amount of charitable contributions for which you are claiming a credit under Arizona law for the current or prior tax year.....	C5	00
C6	Subtract line C5 from line C4 and enter the difference.....	C6	00
C7	Multiply line C6 by 25% (.25). Enter the result.....	C7	00

- Enter the amount shown on line C7 on page 2, line 44.
- Be sure to check box 43S for Standard Deduction on line 43.
- Check box 44C for charitable deductions on line 44. If you do not check this box, you may be denied the increased standard deduction.



Tax Rates

Individual income tax rates were reduced:

- The first two tax brackets were combined together into the lower tax bracket, and
- The rate dropped by a small amount for all other tax brackets.

Table X – Use Table X if your filing status is Single or Married Filing Separate

(a) If taxable income is:		(b) Taxable income. Enter the amount of your taxable income from Form: • 140, line 45 • 140NR, line 55 • 140PY, line 55	(c) Multiply the amount entered in column (b) by	(d) Enter the result	(e) Subtract	(f) Your tax. Round the difference and enter this amount on your tax form: • 140, line 46 • 140NR, line 56 • 140PY, line 56
Over	But not Over					
\$0	\$26,500		X .0259	=	- 0.00	=
\$26,500	\$53,000		X .0334	=	- \$199	=
\$53,000	\$159,000		X .0417	=	- \$639	=
\$159,000	and over		X .0450	=	- \$1,163	=



Dependents

The dependent deduction (\$2,300 per dependent) was repealed and replaced with a dependent tax credit. The credit is:

- \$100 for each dependent under 17 years of age at the end of the year.
- \$25 for each dependent that is at least 17 years of age at the end of the year.
- Reduced by 5 percent for each \$1,000 (or fraction of \$1,000) that the taxpayer's FAGI exceeds \$400,000 if filing married joint or \$200,000 for all others.
- Must be prorated for those that file a part year or non-resident return.

EXEMPTION	8	Age 65 or over (you and/or spouse)	If completing lines 8, 9, and 11a, also complete lines 38, 39, and 41. For lines 10a and 10b, also complete line 49.	81 PM		80 RCVD	
	9	Blind (you and/or spouse)					
	10a	Dependents: under age of 17.	10b <input type="checkbox"/>	Dependents: Age 17 and over.			
	11a	Qualifying parents and grandparents					

(Box 10a and 10b): Dependent Information. See instructions. For more space, check the box and complete page 4, Part 1.

(a)	(b)	(c)	(d)	(e)		(f)
FIRST AND LAST NAME (Do not list yourself or spouse)	SOCIAL SECURITY NO.	RELATIONSHIP	NO. OF MONTHS LIVED IN YOUR HOME IN 2019	Dependent Age included in:		if you did not claim this person on your federal return due to educational credits
				1	2	
				(Box 10a)	(Box 10b)	



Dependents

Complete the following tables to compute your allowable Dependent Tax Credit.

(a)	(b)	(c) Credit amount	(d) Multiply column (b) by column (c)
1. Enter number of dependents from page 1, box 10a....		\$ 100	\$.00
2. Enter number of dependents from page 1, box 10b....		\$ 25	\$.00
3. Credit amount before adjustment. Add lines 1 and 2. Enter total in column (d).			\$.00

All taxpayers go to Table II.

If your filing status is single, married filing separate, or head of household; is your federal adjusted gross income on page 1, line 12, more than \$200,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If your filing status is married filing joint, is your federal adjusted gross income on page 1, line 12, more than \$400,000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

- If you answered "No", you are not required to reduce the amount of credit computed in Table I. Enter the amount from Table I, line 3 on page 2, line 49.
- If you answered "Yes", you are required to reduce the amount of credit computed in Table I.

Complete Table III or Table IV.

1. Enter your federal adjusted gross income from page 1, line 12.....	\$.00
2. Federal adjusted gross income limit.....	\$ 200,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, 'STOP' you cannot claim the dependent tax credit.</i>	\$.00
4. Enter amount from Table I, line 3, column (d).....	\$.00
5. Based on the amount on line 3, enter the number from Table V. For example if line 3 is \$1,500, enter .90.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$.00

1. Enter your federal adjusted gross income from page 1, line 12.....	\$.00
2. Federal adjusted gross income limit.....	\$ 400,000.00
3. Subtract line 2 from line 1. Enter the difference..... <i>If the difference is greater than \$19,000, 'STOP' you cannot claim the dependent tax credit.</i>	\$.00
4. Enter amount from Table I, line 3, column (d).....	\$.00
5. Based on the amount on line 3, enter the number from Table V. For example: if line 3 is \$1,500, enter .90.....	
6. Multiply line 4 by line 5. Enter the result. Also, enter the result on page 2, line 49.....	\$.00

If the amount on line 3 from Table III or Table IV is:	Enter on line 5	If the amount on line 3 from Table III or Table IV is:	Enter on line 5
\$ 1 – 1,000	.95	\$ 10,001 – 11,000	.45
\$ 1,001 – 2,000	.90	\$ 11,001 – 12,000	.40
\$ 2,001 – 3,000	.85	\$ 12,001 – 13,000	.35
\$ 3,001 – 4,000	.80	\$ 13,001 – 14,000	.30
\$ 4,001 – 5,000	.75	\$ 14,001 – 15,000	.25
\$ 5,001 – 6,000	.70	\$ 15,001 – 16,000	.20
\$ 6,001 – 7,000	.65	\$ 16,001 – 17,000	.15
\$ 7,001 – 8,000	.60	\$ 17,001 – 18,000	.10
\$ 8,001 – 9,000	.55	\$ 18,001 – 19,000	.05
\$ 9,001 – 10,000	.50	\$ 19,001 and over	.00



Other Exemptions

The following exemptions, previously allowed on the dependent line of the return are now allowed on the “**other exemptions**” line of the return:

- There is \$2,300 for each person 65 years of age or older regardless of the person’s relationship with the taxpayer:
 - If the taxpayer pays for more than one-fourth of the total cost of maintaining that person in a nursing care institution, residential care institution or assisted living facility if such payments exceed \$800 in the taxable year.
 - If the taxpayer otherwise makes payments exceeding \$800 in the taxable year for home health care or other types of medical care.
- There is \$2,300 for each birth for which a certificate of birth resulting in stillbirth was issued if the child would have otherwise become a member of the taxpayer’s household. Allowed in the year in which the stillbirth occurred.
- The exemption on the “**other exemptions**” line is instead of any other exemption or credit for the same individual.



Other Exemptions

Part 3: Other Exemptions

Information used to compute your allowable **Other Exemptions** on page 2, line 40.

	(a) FIRST AND LAST NAME (Do not list yourself or spouse.)	(b) SOCIAL SECURITY NO.	(c) ✓ AGE 65 OR OVER (see instructions)		(d) ✓ STILLBORN CHILD IN 2019
			C1	C2	
1			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Enter the total number of individuals listed in Part 3 in box 40E on page 2, line 40.



Additional 2019 Changes in The Conformity Bill

- Personal exemptions were repealed (was \$2,200 to \$6,600).
- The \$5,000 subtraction for lottery winnings was repealed. Arizona Schedule A amended to conform.



What about QBI?

On the federal income tax return, taxpayer's are allowed a 20 percent deduction for "Qualified Business Income" (QBI); does Arizona allow a similar deduction?

The starting point for the Arizona individual income tax return is the federal adjusted gross income (FAGI) determined on the federal return. This number is then adjusted for specific Arizona additions, subtractions, deductions and exemptions to determine Arizona taxable income.

The deduction taken on the federal return for qualified business income (QBI) is taken after the determination of FAGI on the federal return; therefore, the deduction is not part of Arizona's starting point. In addition, Arizona does not have an Arizona specific adjustment to allow the QBI deduction.

Therefore, QBI may not be deducted on the Arizona return.



Uniformed Services Pensions

The subtraction for benefits, annuities and pensions received as retired or retainer pay of the uniformed services of the United States was increased to \$3,500.

The subtraction for all other United States Government or Arizona (including subdivisions) pensions remains at \$2,500.

Note: The Uniformed Services of the United States consists of the armed forces (Army, Navy, Air Force, Marine Corps, and the Coast Guard), the commissioned Corps of the Public Health Service (USPHS) or the commissioned Corps of the National Oceanic and Atmospheric Administration.



Charitable Credits

- Taxpayers who make contributions to qualified charitable organizations (QCOs) (Form 321), or qualifying foster care charitable organizations (QFCOs) (Form 352), between January 1, 2020 and April 15, 2020, may claim the allowable credit on either the 2019 or 2020 tax return using forms 321 (QCO) or 352 (QFCO).
- **Form 321** – maximum credit \$400 for single/head of household; \$800 for married filing joint.
- **Form 352** – maximum credit \$500 for single/head of household; \$1,000 for married filing joint.

Note: A change to the definition of “qualifying charitable organization” may allow more entities to qualify for 2019.



Charitable Credits

[For a list of QCOs or QFCOs go to the following:](#)

- <https://azdor.gov/tax-credits/contributions-qcos-and-qfcos>, or
- go to www.azdor.gov and click on “Tax Credits” then “Contributions to QCOs and QFCOs.”

List of Qualifying Charities

2019	QCO	QFCO
2018	QCO	QFCO
2017	QCO	QFCO
2016	QCO	QFCO
2015	QCO	QFCO
2014	QCO	QFCO
2013	QCO	QFCO
2012	QCO	N/A



QCO and QFCO Codes Required

Don't forget to include the QCO or QFCO codes when completing the credit forms.

- The codes are available with the organization lists mentioned in the previous slides.
- See the note at the end of the list for the code to be used if the donation is made through an umbrella charitable organization.

LIST OF QUALIFYING CHARITABLE ORGANIZATIONS FOR 2019

—Qualifying organizations for cash donations made between January 1, 2019 and December 31, 2019—

QCO Code	Name of Organization	Address	URL*	Phone #
20266	1st Way Pregnancy Center	PO Box 5294, Phoenix, AZ 85016	URL	(602) 261-7522
20135	4Freedom, Inc. dba Sold No More	PO Box 68888, Oro Valley, AZ 85737	URL	(520) 917-6528
20075	A New Leaf, Inc.	868 E University Drive, Mesa, AZ 85203	URL	(480) 969-4024
20920	Abaka Developmental Preschool & Childcare Foundation	6620 W Shaw Butte Drive, Glendale, AZ 85304	URL	(602) 677-2968
20732	Abide Maternity Home	499 2nd Street, Camp Verde, AZ 86322	URL	(928) 202-9402



Credit for Contributions to School Tuition Organizations

- The maximum credit amount that may be taken for tax year 2019 for making a donation to a school tuition organization for scholarships to private schools is \$569 (was \$555) for single, unmarried head of household and married filing separate filers and \$1,138 (was \$1,110) for married filing joint filers.
- The tax credit for contributions to **private school tuition organizations** is claimed by the individual taxpayer on [Form 323](#).
- Taxpayers who make contributions to private school tuition organizations (Form 323), between January 1, 2020 and April 15, 2020, may claim the allowable credit on either the 2019 or 2020 tax return.
- Publication 707 provides detailed questions and answers regarding both the private and the public school credits.



Credit for Contributions to Certified School Tuition Organizations

- An individual may claim an additional credit for making a donation to a school tuition organization if the amount contributed is greater than the maximum amount that can be claimed on Form 323.
- The maximum credit amount that may be taken for tax year 2019 is \$566 (was \$552) for single, unmarried head of household and married filing separate filers and \$1,131 (was \$1,103) for married filing joint filers. The tax credit for contributions to *certified school tuition organizations-individuals* is claimed by the individual taxpayer on [Form 348](#).
- Taxpayers who make contributions to certified school tuition organizations (Form 348), between January 1, 2020 and April 15, 2020, may claim the allowable credit on either the 2019 or 2020 tax return.



Credit for Contributions Made or Fees Paid to Public Schools

- The public school credit is for fees paid or cash contributions made by the taxpayer to an Arizona public school for:
 - Standardized testing.
 - Career and technical education industry certification assessment.
 - Cardiopulmonary resuscitation training.
 - Extracurricular resuscitation training.
 - Extracurricular activities.
 - Character education programs.
 - For the period July 1, 2019 through June 30, 2022 contributions may be used for acquiring certain capital items (books, equipment etc.), community school meal programs, student consumable health care supplies and playground equipment (including shades for the equipment).
- The credit is \$200 for single or head of household and \$400 for married filing joint. The credit is claimed on Form 322.
- Taxpayers who make qualified contributions or pay qualified fees to public school (Form 322), between January 1, 2020 and April 15, 2020, may claim the allowable credit on either the 2019 or 2020 tax return.



Public School Credit (continued)

- Remember to include the CTDS code assigned to the school when claiming the public school credit. CTDS stands for *County Code, Type Code, District Code and Site Number*.

For a list of Public Schools and CTDS codes go to the following:

- https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf
- Or go to www.azdor.gov and click on “Tax Credits” then “Public School Tax Credits” then click on List of Schools and CTDS.

List of Schools and CTDS - County Code, Type Code, and District Code & Site Number

CTDS	School Name
108731101	A CHILD'S VIEW SCHOOL-CLOSED
120201114	A J MITCHELL ELEMENTARY SCHOOL
100206038	A. C. E.
078707202	AAEC - PARADISE VALLEY
078993201	AAEC - SMCC CAMPUS



How to Find the Documents Mentioned in this Presentation

- Rulings available at:
<https://azdor.gov/legal/rulings>
- Procedures available at:
<https://azdor.gov/legal/procedures>
- Publications available at:
<https://azdor.gov/reports-statistics-and-legal-research/publications>
- Information on tax credits available at:
<https://azdor.gov/tax-credits>



Questions?

