

**COMPARISON OF ARIZONA INDIVIDUAL INCOME TAX PROVISIONS THAT DIFFER FROM  
FEDERAL INDIVIDUAL INCOME TAX**

Estimated change in total Arizona tax liability (resident filers only) when conforming to the federal level of each provision

	Notes		TAX YEAR
	Federal	Arizona	2006 in millions
<b>ADDITIONS TO INCOME</b>			
Non-Arizona municipal interest excluded on fed return			(\$15.98)
Ordinary income portion of lump-sum distributions excluded on fed return			(\$0.11)
Total federal depreciation deducted on fed return		non conformity adjustment	(\$31.76)
Medical savings account (MSA) distributions			(\$0.00)
IRC Section 179 expense deducted on fed return in excess of allowable amount		non conformity adjustment	(\$9.77)
Other additions to income			(\$4.81)

**SUBTRACTIONS FROM INCOME**

Interest on U.S. obligations		federally required	\$10.17
Exclusion for federal, Arizona or local pensions		\$2,500 per taxpayer	\$8.17
Exempt Arizona lottery winnings included as income on fed return		up to \$5,000	\$0.30
SS or RR benefits included on fed return			
Estimated Social Security portion			\$67.03
Estimated Railroad Retirement benefits portion		federally required	\$20.00
Recalculated Arizona depreciation		non conformity adjustment	\$43.65
Certain wages of Native Americans		federally required	\$18.34
Income tax refunds from other states			\$0.53
Deposits and employee contributions into medical saving accts (MSA)			\$0.03
Active duty military pay included in FAGI			\$0.38
Other subtractions from income			\$13.13

**EXEMPTIONS**

Personal exemption	\$3,300 per exemption (limited if FAGI over \$112,875)	\$2,100 s/mfs \$4,200 mfj \$6,300 mfj w/at least 1 child \$4,200 hoh \$3,150 mfs w/at least 1 child	(\$43.82)
Preferential personal exemption for hoh filers	na	\$4,200 hoh	\$13.09
Preferential personal exemption for married filers w/at least 1 child	na	\$6,300 mfj w/at least 1 child \$3,150 mfs w/at least 1 child	\$27.80
Age 65 or older exemption	\$1,000 mfj/mfs per exemption \$1,250 s/hoh per exemption	\$2,100 per exemption	\$10.09
Dependent exemption	\$3,300 per exemption	\$2,300 per exemption	(\$37.85)
Blind exemption	\$1,000 mfj/mfs per exemption \$1,250 s/hoh per exemption	\$1,500 per exemption	\$0.06
Qualifying parent or ancestor exemption	na	\$10,000 per exemption	\$1.75

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<b>ITEMIZED DEDUCTIONS</b>			
Value of additional medical expenses allowed by Arizona	cap at 7.5% of FAGI	100% allowed	\$82.09
Adjustment to interest deduction for federal credit for interest paid on mortgage credit certificates		may deduct amount of mortgage int paid equal to federal credit	\$0.04
Adjustment to gambling losses		may deduct wagering losses only to the extent of wagering gains	(\$0.51)
Adjustment to charitable contributions		may not claim a credit and deduction for same donation	(\$2.55)
Adjustment for federal itemized deduction that relates to income not subject to Arizona tax		may not deduct an expense related to income not subject to AZ tax	(\$5.68)
<b>STANDARD DEDUCTION</b>			
Standard deduction	\$5,150 s/mfs \$10,300 mfj \$7,550 hoh	\$4,247 s/mfs \$8,494 mfj/hoh	(\$22.39)
Preferential standard deduction for hoh filers		\$8,494 hoh	\$18.28