

Include with your return.

For the calendar year 2021 or fiscal year beginning  M M D D 2 0 2 1  and ending  M M D D Y Y Y Y .

**NOTE: This credit is no longer available to corporate taxpayers.**

**All businesses must be certified by the Arizona Commerce Authority and the Department of Revenue before applying for this credit.**

Name as shown on Form 140, 140PY, 140NR, 140X, 140-SBI, 140PY-SBI, 140NR-SBI, 140X-SBI or 165	Social Security or Employer Identification Number
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**Part 1 Healthy Forest Enterprise Information**

- 1 Name of Healthy Forest Enterprise: \_\_\_\_\_
  
- 2 Employer identification number: \_\_\_\_\_
  
- 3 Reserved
- 4 Check one box to indicate the year this form represents for claiming the employment credit under A.R.S. § 43-1076:  
 First Year     Second Year     Third Year     Fourth Year     Fifth Year     Sixth Year or more

**Part 2 Average Number of Full-Time Employees**

5 Average number of full-time employees in the healthy forest enterprise during the current taxable year.....	<b>5</b>	
6 Average number of full-time employees in the healthy forest enterprise during the immediately preceding taxable year.....	<b>6</b>	
7 Net increase in average number of full-time employees: Subtract line 6 from line 5. Enter the difference.....	<b>7</b>	

**Part 3 Net Increase in Qualified Employment Positions**

8 Total number of filled, qualified employment positions created in the current year .....	<b>8</b>	
9 Net increase in average number of full-time employees: Enter the amount from Part 2, line 7 .....	<b>9</b>	
10 Net increase in qualified employment positions for this healthy forest enterprise: Enter the lesser of line 8 or line 9.	<b>10</b>	

**Part 4 Limitation on Number of Qualified Employment Positions**

11 Maximum number of filled, qualified employment positions on which a credit may be calculated .....	<b>11</b>	200
12 Maximum number of new qualified employment positions on which you may claim the credit: Enter the lesser of line 10 or line 11 .....	<b>12</b>	

**Part 5 Employment Credit Calculation**

	(a) Number of Qualifying Employees	(b) Qualifying Wages	(c) Percentage	(d) Allowable Credit
13 Qualified new employees .....		00	25%	00
14 Previously qualified employees in the second year of continuous employment.....		00	33.33%	00
15 Previously qualified employees in the third year of continuous employment.....		00	50%	00
16 Employment credit passed through from Partnerships .....				00
17 Add the amounts in column (d) for lines 13 through 16. Enter the total. This is the total employment credit....				00

Continued on page 2 →

Name (as shown on page 1)	EIN
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**Part 6 Recapture of the Employment Credit**

18 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	<b>18</b>	YYYY
19 Enter the first taxable year in which the employment credit for healthy forest enterprises was allowed.....	<b>19</b>	YYYY
20 Number of years between when the employment credit was first allowed and when the certification was revoked or terminated .....	<b>20</b>	
21 Enter the recapture percentage based on the number of years entered on line 20. See instructions.....	<b>21</b>	%
22 Enter the total amount of all employment credits previously allowed.....	<b>22</b>	00
23 Recapture of employment credit for healthy forest enterprises. Multiply line 22 by the percentage on line 21. Enter the result	<b>23</b>	00
24 Enter the total amount of the credit subject to recapture passed through to you from: Partnerships from Form 332-P, Part 3, line 8. ....	<b>24</b>	00
25 Add lines 23 and 24. Enter the total. This is the total amount of the employment credit subject to recapture. ....	<b>25</b>	00

**Part 7 Recapture of the Training Credit**

26 Enter the taxable year in which the certification of the business as a healthy forest enterprise was revoked or terminated...	<b>26</b>	YYYY
27 Enter the first taxable year in which the training credit for healthy forest enterprises was allowed.....	<b>27</b>	YYYY
28 Number of years between when the training credit was first allowed and when the certification was revoked or terminated.....	<b>28</b>	
29 Enter the recapture percentage based on the number of years entered on line 28. See instructions.....	<b>29</b>	%
30 Enter the total amount of all training credits previously allowed.....	<b>30</b>	00
31 Recapture of training credit for healthy forest enterprises. Multiply line 30 by the percentage on line 29. Enter the result. ....	<b>31</b>	00
32 Enter the total amount of the credit subject to recapture passed through to you from: Partnerships from Form 332-P, Part 3, line 11.....	<b>32</b>	00
33 Add lines 31 and 32. Enter the total. This is the total amount of the training credit subject to recapture.....	<b>33</b>	00

**Part 8 Partner's Share of Credits and Credit Recaptures**

Partnerships qualifying for the credit **must** pass it through to their individual partners. When passing the credit through to your individual partners, complete Form 332-P for each individual partner.

- Provide a copy of completed Form 332-P to each individual partner.
- Include a copy of each Form 332-P completed with your tax return.
- Keep a copy of each completed Form 332-P for your records.

After completing a Form 332-P for each individual partner, **STOP**. Do not complete the remainder of this form.

Name (as shown on page 1)	EIN
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**Part 9 Recapture Summary for Employment Credit**

<b>34</b>	Enter the taxable year(s) in which you took an employment credit or credit carryover for a disqualified healthy forest enterprise: _____		
<b>35</b>	Enter the total amount of the employment credit originally allowed .....	<b>35</b>	00
<b>36</b>	Enter the total amount of the employment credit to be recaptured from Part 6, line 25 .....	<b>36</b>	00
<b>37</b>	Subtract line 36 from line 35 and enter the difference. This is the amount of current employment credit allowable.....	<b>37</b>	00
<b>38</b>	Amount of employment credit on line 35 that you have claimed on prior years' returns .....	<b>38</b>	00
<b>39</b>	Subtract line 38 from line 37 and enter the difference. If the difference is POSITIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of employment credit carryover you have remaining for use in future years.</i></li> <li>• Adjust the amounts in Part 11, lines 46 through 50, column (d) so the total amount on line 51 equals the amount of the credit carryover remaining for use in future years. See instructions.</li> </ul> If the difference is NEGATIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of employment credit carryover you must recapture.</i></li> <li>• Adjust the amounts in Part 11, lines 46 through 50, column (d) to "0". There is no carryover amount for the employment credit. See instructions.</li> <li>• <i>Individuals:</i> Also, enter this amount as a POSITIVE number on <i>Form 301, Part 2, line 29.</i> (If you have a recapture of the employment credit <i>and</i> the training credit, add the amounts on Part 9, line 39 and Part 10, line 45. Enter the total on <i>Form 301, Part 2, line 29.</i>).....</li> </ul>	<b>39</b>	00

**Part 10 Recapture Summary for Training Credit**

<b>40</b>	Enter the taxable year(s) in which you took a training credit or credit carryover for a disqualified healthy forest enterprise: _____		
<b>41</b>	Enter the total amount of the training credit originally allowed .....	<b>41</b>	00
<b>42</b>	Enter the total amount of the training credit to be recaptured from Part 7, line 33.....	<b>42</b>	00
<b>43</b>	Subtract line 42 from line 41 and enter the difference. This is the amount of current training credit allowable.....	<b>43</b>	00
<b>44</b>	Amount of credit on line 41 that you have claimed on prior years' returns.....	<b>44</b>	00
<b>45</b>	Subtract line 44 from line 43 and enter the difference. If the difference is POSITIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of training credit carryover you have remaining for use in future years.</i></li> <li>• Adjust the amounts in Part 12, lines 52 through 54, column (d) so the total amount on line 55 equals the amount of the credit carryover remaining for use in future years. See instructions.</li> </ul> If the difference is NEGATIVE: <ul style="list-style-type: none"> <li>• <i>This is the amount of training credit carryover you must recapture.</i></li> <li>• Adjust the amounts in Part 12, lines 52 through 54, column (d) to "0". There is no carryover amount for the employment credit. See instructions.</li> <li>• <i>Individuals:</i> Also, enter this amount as a POSITIVE number on <i>Form 301, Part 2, line 29.</i> (If you have a recapture of the employment credit <i>and</i> the training credit, add the amounts on Part 9, line 39 and Part 10, line 45. Enter the total on <i>Form 301, Part 2, line 29.</i>).....</li> </ul>	<b>45</b>	00

Name (as shown on page 1)	EIN
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**Part 11 Available Employment Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
46		00	00	00
47		00	00	00
48		00	00	00
49		00	00	00
50		00	00	00
51	Total Available Carryover: Add lines 46 through 50 in column (d). Enter the total.....			51 00

**Part 12 Available Training Credit Carryover**

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used Expired or Recaptured	(d) Available Credit Carryover: Subtract column (c) from column (b).
52		00	00	00
53		00	00	00
54	Total Available Carryover: Add lines 52 through 54 in column (d). Enter the total.....			54 00

**Part 13 Total Available Credit**

55	<b>Current year's employment credit:</b> <ul style="list-style-type: none"> <li>• <i>Individuals:</i> Enter the amount from Part 5, line 17, column (d)</li> <li>• <i>Partnerships:</i> Enter "0".</li> <li>• <i>Individuals that did not make the Small Business Income election:</i> Also, enter this amount on Form 301, Part 1, line 13, column (a)</li> <li>• <i>Individuals that made the Small Business Income election:</i> Also, enter this amount on Form 301-SBI, Part 1, line 9, column (a).....</li> </ul>	55	00
56	Enter the available <b>employment credit carryover</b> from Part 11, line 51, column (d), if any.....	56	00
57	Enter the available <b>training credit carryover</b> from Part 12, line 54, column (d), if any. <ul style="list-style-type: none"> <li>• <i>Individuals that did not make the Small Business Income election:</i> Also enter the total of lines 56 and 57 (total carryover) on Form 301, Part 1, line 13, column (b)</li> <li>• <i>Individuals that made the Small Business Income election:</i> Also enter the total of lines 56 and 57 (total carryover) on Form 301-SBI, Part 1, line 9, column (b) .....</li> </ul>	57	00
58	<b>Total available credit:</b> Add lines 55 through 57. <ul style="list-style-type: none"> <li>• <i>Individuals that did not make the Small Business Income election:</i> Also, enter this amount on Form 301, Part 1, line 13, column (c)</li> <li>• <i>Individuals that made the Small Business Income election:</i> Also enter this amount on Form 301-SBI, Part 1, line 9, column (c) .....</li> </ul>	58	00

**Form 332-1**

**Qualified Employees of Healthy Forest Enterprise**

**2021**

Complete a Form 332-1 for each qualified employee of the Healthy Forest Enterprise. See instructions for Form 332-1 (included with Instructions for Form 332) about providing the requested information in an alternative format.

1 Employee name: \_\_\_\_\_

2 Employee's taxpayer identification number (TIN) ..... \_\_\_\_\_

3 Did employee reside in Arizona on date of hire? .....  Yes  No

4 Brief description of employee's job duties:

5 Current date of employment .....   M     M     D     Y     Y     Y  

6 If employee was previously employed by the business, list the previous date of employment. See instructions. ....   M     M     D     Y     Y     Y  

7a Is the employee in a permanent full time position?.....  Yes  No

7b If the answer to line 7a is "Yes", list the number of hours the employee actually worked during the taxable year ..... \_\_\_\_\_

7c If the answer to line 7b is less than 1550 hours annually, explain:

8 Employee's annual compensation for the taxable year ..... \$ 

	00
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9a Total cost of health insurance provided by employer for employee. See instructions. .... \$ 

	00
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9b Total cost of health insurance for employee paid by employer. See instructions. .... \$ 

	00
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10 Is this employee in a new qualified employment position? .....  Yes  No

11 Check only one box:  First year employee  Second year employee  Third year employee

**Form 332-2** **Qualified Employees for Which You are Taking the Employment Credit** **2021**

	(a) Employee's Name	(b) Social Security Number	(c) Type of Employee			(d) Total Wages Paid to the Employee During the Current Tax Year	(e) Maximum Allowable Wages:		
			Check the appropriate box. This employee is a:				Enter the lesser of column (d) or the maximum allowed below.		
			(c1) 1 <sup>st</sup> Year Employee	(c2) 2 <sup>nd</sup> Year Employee	(c3) 3 <sup>rd</sup> Year Employee		(e1) Year 1 \$2000	(e2) Year 2 \$3000	(e3) Year 3 \$3000
1						00			
2						00			
3						00			
4						00			
5						00			
6						00			
7						00			
8						00			
9						00			
10						00			
11						00			
12						00			
13						00			
14						00			
<b>15 TOTAL:</b>									
	<ul style="list-style-type: none"> <li>• For column (c), add the number of employees in each column (c1), (c2) and (c3), and enter the total for each column on line 15.</li> <li>• For columns (d) and (e), add the amounts in each column and enter the total for each column on line 15 .....</li> </ul>		<b>15</b>			00			

If you have more than 14 qualified employees, complete and include additional sheets of Form 332-2

**2021 Credit for Employment by a Healthy Forest Enterprise**

**CREDITS FOR HEALTHY FOREST ENTERPRISES  
CONTACT INFORMATION**

**Arizona Commerce Authority**

- Certification requirements      •Certification forms
- Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**Arizona Department of Revenue**

- Tax forms and instructions      •Information and assistance

Website: [www.azdor.gov](http://www.azdor.gov)

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

**General Instructions**

**Training Credit for Healthy Forest Enterprises**

Former Arizona Revised Statute (A.R.S.) § 43-1076.01 allowed a business that operated a healthy forest enterprise to receive a nonrefundable training credit against individual income tax liabilities.

*The last year the Training Credit could be established was taxable year 2017.* The unused portion of valid Training Credits may be carried forward for the remainder of the five-year carryforward period.

**Employment Credit for Healthy Forest Enterprises**

A.R.S. §§ 43-1076 allows a business that operates a healthy forest enterprise to receive a nonrefundable employment credit against individual income tax.

*The last year a corporate taxpayer could establish the Employment Credit was taxable year 2019. 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.*

**NOTE:** *In order to claim the Employment Credit, the business must be a qualified healthy forest enterprise, as certified by the Arizona Commerce Authority (Commerce). The business must provide a copy of its Commerce certification to the department for approval before using the certification to obtain this credit.*

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

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.

With respect to the same employees, the credit is in lieu of the credit for New Employment, claimed on Arizona Form 345.

In general, a qualified healthy forest enterprise is a business operation that enhances or sustains forest health, sustains or recovers watershed or improves public safety. A qualified healthy forest enterprise must be primarily engaged in the business of harvesting, transporting or processing of qualifying forest products for commercial use. To obtain information regarding additional criteria for qualification, contact Commerce using the contact information shown above.

The credit is based on the net increase in the number of qualified employment positions created and filled by a business operating a healthy forest enterprise.

The employment credit is computed using the wages of qualified employees of the business and the net increase in the number of qualified employment positions.

Positions occupied by employees that meet the following criteria are considered qualified employment positions.

**NOTE:**

- *If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.*
- *A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.*

**EMPLOYEES IN QUALIFIED POSITIONS**

- Must be Arizona residents on their hire date.
- Must be permanent, full-time employees in positions that require at least 1,550 hours per year. The 1,550 hour requirement does not include overtime hours. If forest closures or weather conditions beyond the taxpayer's control result in a shorter period, this would not disqualify the employee so long as the position is still permanent and full-time, and all other qualifications are met.
- Must have duties that primarily involve or directly support the harvesting, transporting or processing of qualifying forest products for commercial use.
- Must be compensated at wages equal to or greater than the wage offer of the county, as computed annually by the Arizona Department of Economic Security research administration division.
- Cannot have been employed by the business within the twelve months preceding their hire date.
- Must have been employed for at least ninety days during the first taxable year. An employee who is hired during the last ninety days of the taxable year shall be considered a new employee during the following taxable year.
- Must have employer-provided health insurance coverage, a portion of which must be paid for by the employer. The employer must pay for at least twenty-five percent of the premium or membership cost of the insurance program in the third year the employer claims the credit for healthy forest enterprises. The employer must pay at least forty percent of this cost in the fourth year it claims the credit, and at least fifty percent of the cost in the fifth year it claims the credit.

## Calculating the Credit

The number of qualified employment positions on which the credit can be computed cannot exceed 200 per year per taxpayer. For example, if a taxpayer has several healthy forest enterprises, the taxpayer would add up the net increase in qualified employment positions for all enterprises and compute the credit on that number, or 200, whichever is the lesser amount. Therefore, although a taxpayer may have more than 200 filled qualified employment positions, the taxpayer must select which of those positions should be used for computing the credit. The same employees who are used to compute the first year credit are used to compute the second and third year credits.

**NOTE:** *The number of qualified employment positions determined in the first year will never increase in the second or third year. Only the same positions that were qualified in the first year can be used to compute the credit in the two subsequent tax years.*

Once the taxpayer has determined which employees it will use to compute the credit, the credit amount allowed per employee is applied. Only employee wages incurred during the period the taxpayer has been certified may be used for this calculation. The credit amount per employee depends on the employee's year of employment, as follows.

**First year employees:** The lesser of \$500 or one-fourth of the taxable wages paid to an employee in a qualified employment position in the first year or partial year of employment.

**Second year employees:** The lesser of \$1,000 or one-third of the taxable wages paid to an employee in a qualified employment position in the second year of continuous employment.

**Third year employees:** The lesser of \$1,500 or one-half of the taxable wages paid to an employee in a qualified employment position in the third year of continuous employment.

**NOTE:**

- **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 301SBI, Nonrefundable Individual Tax Credits and Recapture for Small Business Income. Include both completed forms with your SBI Tax Return (Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI).
- **Partnerships passing this credit through to its individual partners:** Complete this credit form and Form 332-P for each individual partner of the partnership. Provide each individual partner a copy of his or her completed Form 332-P. Include Form 332 and one copy of each completed Form 332-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 all supporting forms 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 - Healthy Forest Enterprises Information

**NOTE:** *Taxpayers claiming only a pass through of this credit from Form 332-P and are claiming the Employment Credit, skip to Part 5, line 16, column (d).*

#### Lines 1 and 2

Enter the name and TIN of the healthy forest enterprise.

#### Line 3

Reserved for future use.

#### Line 4

Check the box on line 4 to indicate the year this form represents for claiming this credit.

### Part 2 - Average Number of Full-Time Employees

Use these lines to calculate the difference in the average number of full-time employees that worked for the healthy forest enterprise in this taxable year and the average for the immediately preceding taxable year. The worksheet on page 3 can be helpful in figuring the average. The column for each year corresponds to line 5 and line 6 on page 1 of Form 332.

On lines 1 through 12 of the worksheet, enter the number of full-time employees employed at the end of each month of the year indicated. If the enterprise was not in operation in the immediately preceding taxable year, that year's average is zero. Once the worksheet is completed, enter the amounts on page 1 of Form 332.



<b>Average Number of Full-Time Employees Worksheet</b>		(a) Line 5 Current Taxable Year	(b) Line 6 Immediately Preceding Taxable Year
1	January		
2	February		
3	March		
4	April		
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		
13	Total – add lines 1 through 12.		
14	Total number of months during the taxable year in which the healthy forest enterprise was in business.		
15	Average – divide the amount on line 13 by the amount on line 14.		

**Line 5**

Enter the average number of full-time employees in the healthy forest enterprise for the current taxable year from line 15, column (a) of the worksheet above.

**Line 6**

Enter the average number of full-time employees in the healthy forest enterprise for the immediately preceding taxable year from line 15, column (b) of the worksheet above.

**Line 7**

Subtract the amount on line 6 from the amount on line 5. If the difference contains a decimal, enter the whole number only - do not round up. This is the net increase in the average number of full-time employees. If the difference is zero, the enterprise cannot claim an employment credit for qualified employment positions created during the current taxable year. If the amount is greater than zero, enter the amount. Also, enter the amount in Part 3, line 9.

**Part 3 - Net Increase in Qualified Employment Positions**

**Line 8**

Enter the total number of filled qualified employment positions created during the current taxable year.

**NOTE:**

- If a qualified employment position is filled during the last ninety days of the taxable year, it is considered a new qualified employment position for the next taxable year.
- A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.

**Line 9**

Enter the net increase in average number of full-time employees from Part 2, line 7.

**Line 10**

Enter the lesser of line 8 or line 9. This is the increase in qualified employment positions for this healthy forest enterprise.

**Part 4 - Limitation on Number of Qualified Employment Positions**

**Line 12**

Compare the amounts on lines 10 and 11. Enter the lesser of line 10 or line 11. This is the maximum number of positions on which you may compute each of the credits.

**NOTE:** Before completing Part 5, lines 13 through 16, complete Forms 332-1 and 332-2. Use additional sheets, if necessary. See the instructions for Forms 332-1 and 332-2 on page 10 of these instructions.

**Part 5 - Employment Credit Calculation**

**Line 13 - Column (a)**

Enter the number of qualified net new employees from Form 332-2, line 15, column (c1). This number cannot exceed the maximum number shown on line 12, Part 4 of Form 332.

**Line 13 - Column (b)**

Enter the total allowable wages for qualified first year employees from Form 332-2, line 15, column (e1).

**Line 13 - Column (d)**

Multiply the amount entered on line 13, column (b) by the percent shown on line 13, column (c). Enter the result on line 13, column (d). This is the allowable credit for qualified new employees.

**Line 14 - Column (a)**

Enter the number of previously qualified employees in the second year of continuous employment from Form 332-2, line 15, column (c2).

**Line 14 - Column (b)**

Enter the total allowable wages for qualified second year employees from Form 332-2, line 15, column (e2).

**Line 14 - Column (d)**

Multiply the amount entered on line 14, column (b) by the percent shown on line 14, column (c). Enter the result on line 14, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

**Line 15 - Column (a)**

Enter the number of previously qualified employees in the third year of continuous employment from Form 332-2, line 15, column (c3).

**Line 15 - Column (b)**

Enter the total allowable wages for qualified third year employees from Form 332-2, line 15, column (e3).

**Line 15 - Column (d)**

Multiply the amount entered on line 15, column (b) by the percent shown on line 15, column (c). Enter the result on line 15, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

**Line 16 - Column (d)**

Enter the amount of the Employment Credit passed through from partnerships on Form 332-P, Part 2, line 5.

**Line 17**

Add the amounts on lines 13 through 16 in column (d). Enter the total.

**Part 6 - Recapture of the Employment Credit**

**NOTE:** Taxpayers recapturing *only* a pass through of this credit from Form 332-P who claimed:

- The Employment Credit, skip to Part 6, line 24.
- The Training Credit, skip to Part 7, line 32.

If your healthy forest enterprise had its qualification for the employment credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total employment credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control, as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the employment credit, complete Part 6. If not, skip to Part 7.

**Line 18**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2017, enter "2017").

**Line 19**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2016, enter "2016").

**Line 20**

Subtract line 19 from line 18. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 21**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 20 to the following table to determine the percentage of your Employment Credit to be recaptured. (For example: If the number on line 20 is "2", the percentage to be recaptured is 80%. If the number on line 20 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 22**

Enter the total amount of employment credits that you were previously allowed to claim.

**Line 23**

Multiply line 22 by the percentage on line 21. Enter the result.

**Line 24**

Enter the total amount of the employment credit subject to recapture passed through to you from partnerships on Form 332-P, Part 3, line 8.

**Line 25**

Add lines 23 and 24. Enter the total. This is the amount of your employment credit subject to recapture.

**Part 7 - Recapture of the Training Credit**

If your healthy forest enterprise had its qualification for the training credit terminated or revoked within five taxable years after you first claimed that credit, you must recapture a percentage of the total training credit you took in all prior years.

If your qualification was revoked due to reasons beyond your control as determined by Commerce, you do not have to recapture the credit.

If you are required to recapture the training credit, complete Part 7. If not, skip to Part 8.

**Line 26**

Enter the taxable year in which your certification as a healthy forest enterprise was revoked or terminated (i.e. if your taxable year end was 12/31/2017, enter "2017").

**Line 27**

Enter the first taxable year in which your employment credit for healthy forest enterprises was allowed (i.e. if your taxable year end was 12/31/2016, enter "2016").

**Line 28**

Subtract line 27 from line 26. Enter the difference. This is the number of years between when your employment credit was first allowed and when your certification was revoked.

**Line 29**

The amount of credit you must recapture depends on the year you first received the credit, and how long ago it was. Compare the number of years on line 28 to the following table to determine the percentage of your Training Credit to be recaptured. (For example, if the number on line 28 is "3", the percentage to be recaptured is 60%. If the number on line 28 is "6" or greater, the percentage to be recaptured is "0".) Enter that percentage.

Number of years since receiving the credit:	Percentage to recapture:
1	100%
2	80%
3	60%
4	40%
5	20%
6 or more	0%

**Line 30**

Enter the total amount of training credits that you were previously allowed to claim.

**Line 31**

Multiply line 30 by the percentage on line 29. Enter the result.

**Line 32**

Enter the amount of training credit subject to recapture that was passed through from partnerships on Form 332-P, Part 3, line 11.

**Line 33**

Add line 31 and 32. Enter the total. This is the amount of training credit subject to recapture.

**Part 8 - Partner's Share of Credits and Credit Recaptures**

Partnerships claiming these credits must pass them through to its individual partners. Proceed to the instructions for completing Form 332-P on page 11.

Each individual partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each 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 these credits. 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 these credits.*

**Part 9 - Recapture Summary for Employment Credit**

Use lines 34 through 39 to determine whether you have any allowable employment credit remaining, even if you have to recapture some of it.

**Line 34**

Enter the taxable year(s) in which you took an employment credit or credit carryover for the disqualified healthy forest enterprise.

**Line 35**

Enter the total amount of employment credit originally allowed for the disqualified healthy forest enterprise.

**Line 36**

Enter the amount from Part 6, line 25. This is the total amount of the employment credit to be recaptured.

**Line 37**

Subtract line 36 from line 35. Enter the difference. This is the amount of employment credit allowable for the disqualified healthy forest enterprise.

**Line 38**

Enter the amount of employment credit on line 35 that you claimed on prior taxable year's returns.

**Line 39**

Subtract line 38 from line 37. Enter the difference.

If the difference is POSITIVE:

- This is the amount of employment credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 11, lines 46 through 50 so the total amount on line 51 equals the amount of the credit carryover remaining for use in future years.

If the difference is NEGATIVE:

- This is the amount of employment credit you must recapture.
- Adjust the amounts in Part 11, lines 46 through 50, column (d) to zero, "0." There is no carryover amount for the employment credit.
  - *Individuals* - Also enter this amount as a POSITIVE number on Form 301, Part 2, line 28. (If you have a recapture of the employment credit *and* the training credit, and the amounts on Part 9, line 39 and Part 10, line 45. Enter the total on Form 301, Part 2, line 28.)

For additional guidance, refer to Examples 1 and 2 following the instructions for line 46.

**Part 10 - Recapture Summary for Training Credit**

Use lines 41 through 45 to determine whether you have any allowable training credit remaining, even if you have to recapture some of it.

**Line 40**

Enter the taxable year(s) in which you took a training credit or credit carryover for the disqualified healthy forest enterprise.

**Line 41**

Enter the total amount of training credit originally allowed for the disqualified healthy forest enterprise.

**Line 42**

Enter the amount from Part 7, line 33. This is the total amount of the training credit to be recaptured.

**Line 43**

Subtract line 42 from line 41. Enter the difference. This is the amount of training credit allowable for the disqualified healthy forest enterprise.

**Line 44**

Enter the amount of training credit on line 41 that you claimed on prior taxable year's returns.

**Line 45**

Subtract line 44 from line 43. Enter the difference.

## If the difference is POSITIVE:

- This is the amount of training credit carryover you have remaining for use in future years.
- Adjust the amounts in column (d) in Part 12, lines 52 through 54 so the total amount on line 55 equals the amount of the credit carryover remaining for use in future years.

## If the difference is NEGATIVE:

- This is the amount of training credit you must recapture.
- Adjust the amounts in Part 12, lines 52 through 54, column (d) to zero, "0." There is no carryover amount of the employment credit.

- *Individuals* - Also enter this amount as a POSITIVE number on Form 301, Part 2, line 28. (If you have a recapture of the training credit and the employment credit, add the amounts on Part 9, line 39 and Part 10, line 45. Enter the total on Form 301, Part 2, line 28.)

For additional guidance, refer to Examples 1 and 2 on the following pages.

**EXAMPLE 1 (In this example, line 39 is positive):**

Healthy Forest Enterprise A (A) claimed the employment credit on Form 332 for taxable years 2018 through 2020. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. A used \$1,500 of its employment credit, leaving it with a credit carryover of \$1,500 as of taxable year ending 2020.

During 2021, A was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$900.

A completes Part 9 of its Form 332 and finds that line 39 is **positive**. This means A still has a carryover of the employment credit in the amount of \$600.

At the end of taxable year 2020, A had an available employment credit carryover amount of \$1,500, shown on the schedule below (from Part 13 of its 2020 taxable year Form 332):

	<b>(a) Taxable Year</b>	<b>(b) Original Credit Amount</b>	<b>(c) Amount Previously Used, Expired, or Recaptured</b>	<b>(d) Available Credit Carryover</b>
47	2018	1,000	500	500
48	2019	1,000	500	500
49	2020	1,000	500	500
50				
51				
<b>52</b>	<b>Total Available Carryover:</b>			<b>1,500</b>

Following the instructions for line 40, A adjusts Part 11, Available Employment Credit Carryover, for the recapture of \$900. Part 11 of its 2021 taxable year Form 332 is shown below:

	<b>(a) Taxable Year</b>	<b>(b) Original Credit Amount</b>	<b>(c) Amount Previously Used, Expired, or Recaptured</b>	<b>(d) Available Credit Carryover</b>
46	2018	1,000	1,000	0
47	2019	1,000	900	100
48	2020	1,000	500	500
49				
50				
<b>51</b>	<b>Total Available Carryover</b>			<b>600</b>

- A increased its 2018 Amount Previously Used (Or Recaptured) by \$500. This eliminated its credit carryover from 2018.
- A increased its 2019 Amount Previously Used (Or Recaptured) by \$400. This reduced its credit carryover for 2019 from \$500 to \$100.
- A's 2020 Available Employment Credit Carryover remains unchanged.
- A has \$600 of Available Employment Credit Carryover it may use on its 2021 taxable year tax return.

**EXAMPLE 2 (In this example, line 39 is negative):**

Healthy Forest Enterprise B (B) claimed the employment credit on Form 332 for taxable years 2018 through 2020. The amount of credit claimed each year was \$1,000; the total credit claimed is \$3,000. B used \$2,500 of its employment credit, leaving it with a credit carryover of \$500 as of taxable year ending 2020.

During 2021, B was notified by the department it was subject to a recapture of 60% of the credit claimed, or \$900.

B completes Part 9 of its Form 332 and finds that line 39 is **negative**. This means B has no carryover of the employment credit and must report \$400 as a recapture on Form 301, Part 2, line 28. (See line 39 for instructions).

At the end of taxable year 2020, B had an available employment credit carryover amount of \$500, shown on the schedule below (from Part 14 of its 2020 taxable year Form 332):

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
47	2018	1,000	1,000	0
48	2019	1,000	1,000	0
49	2020	1,000	500	500
50				
51				
52	<b>Total Available Carryover:</b>			<b>500</b>

Following the instructions for line 39, B adjusts Part 9 for the recapture of \$900. Part 9 of its 2021 taxable year Form 332 is shown below:

	(a) Taxable Year	(b) Original Credit Amount	(c) Amount Previously Used, Expired, or Recaptured	(d) Available Credit Carryover
46	2018	1,000	1,000	0
47	2019	1,000	1,000	0
48	2020	1,000	1,000	0
49				
50				
51	<b>Total Available Carryover</b>			<b>0</b>

No adjustment is needed for 2018.

No adjustment is needed for 2019.

B increased its 2020 Amount Previously Used (Or Recaptured) by \$500. This eliminated its Employment Credit carryover for 2020.

B has no credit carryover of the Employment Credit.

## Part 11 - Available Employment Credit Carryover

Use Part 11 to figure your available employment credit carryover. Complete lines 46 through 50 if you claimed the employment credit on a prior taxable year return and your employment credit was more than your tax.

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.

### Lines 46 through 50

Enter the following information in the columns indicated on lines 46 through 50:

- Taxable Year – the taxable year from which you are carrying over the employment credit.
- Original Credit Amount - the amount of the credit you originally computed.
- Amount Previously Used – the employment credit from that taxable year you have already used or the amount of the credit that expired.
- Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available employment credit carryover available for the current taxable year.

### Line 51

Add the amounts on lines 46 through 50 in column (d). Enter the total. This is your available employment credit carryover for the current taxable year.

## Part 12 - Available Training Credit Carryover

Use Part 12 to figure your available training credit carryover. Complete lines 52 through 54 if you claimed the training credit on a prior year return and your training credit was more than your tax.

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.

## Lines 52 and 53

Enter the following information in the columns indicated on lines 52 and 53:

- Taxable Year – the taxable year from which you are carrying over the training credit.
- Original Credit – the amount of the credit you originally computed.
- Amount Previously Used the amount of the training credit from that taxable year you have already used or the amount of the credit that expired.
- Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available training credit carryover available for the current taxable year.

### Line 54

Add the amounts entered on lines 52 and 53 in column (d). Enter the total. This is the available training credit carryover available for the current taxable year.

## Part 13 - Total Available Credit

### Line 55 Current Year's Employment Credit

Enter the current year's employment credit.

*Individuals:* Enter the amount from Part 5, line 17, column (d).

*Partnerships:* Enter "0".

*Individuals that did not make the Small Business Income election:* Enter this amount on Form 301, Part 1, line 13, column (a).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 9, column (a).

### Line 56 Employment Credit Carryover

Enter the amount of available employment credit carryover from Part 11, line 51, column (d).

### Line 57 Training Credit Carryover

Enter the amount of available training credit carryover from Part 12, line 54, column (d).

*Individuals that did not make the Small Business Income election:* Enter the total of lines 56 and 57 on Form 301, Part 1, line 13, column (b).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 9, column (b).

### Line 58 Total Available Credit

Add lines 55 through 57 and enter the total.

*Individuals that did not make the Small Business Income election:* Enter the total available credit on Arizona Form 301, Part 1, line 13, column (c).

*Individuals that made the Small Business Income election:* Enter this amount on Form 301-SBI, Part 1, line 9, column (c).

**FORM 332-1 QUALIFIED EMPLOYEES**

Alternative formats prescribed by the department may also be used to file this form. For example, the department will accept a hard copy spreadsheet that contains all the requested information or the information may be compiled with a spreadsheet program such as Microsoft Excel and submitted on a CD-ROM or DVD-ROM. The chosen media must be Microsoft Windows compatible. Regardless of the form, the information must be filed on or before the due date of the tax return, including any extensions.

Taxpayers submitting the information on CD-ROM or DVD-ROM should secure the CD-ROM or DVD-ROM in a hard case and include it with the tax return. Arizona Forms 332-1, and 332-2 submitted on CD-ROM or DVD-ROM are part of the income tax return, are subject to the sworn statement on the return that they are true, and correct to the best of the signer's knowledge and belief.

The CD-ROM or DVD-ROM should be labeled as Forms 332-1, or 332-2, with the taxpayer's name, EIN and taxable year listed.

Taxpayers may password protect the CD-ROM or DVD-ROM and email the password separately to MediaLibrarian@azdor.gov. Include "Form(s) 332-1, and/or 332-2" in the subject line of the email. In the body of the email, include the same information that is on the CD-ROM or DVD-ROM label. The department will not return or copy any media.

**CAUTION:** *Taxpayers that substitute the CD-ROM or DVD-ROM do so at their own risk and understand that the information may need to be provided to the department again at a later date if it is not accessible by the department for any reason.*

Complete one Form 332-1 for each qualified employee. Include the employee's name, SSN, and the date each employee was hired. If an employee's job duties do not involve or directly support the harvesting, transporting or processing of qualifying forest products in a qualified project, the employee is not in a qualified employment position. Do not complete a Form 332-1 for employees that are not in qualified employment positions. These employees should not be listed on Form 332-2, and will not be used to compute the credits.

**FORM 332-1, LINE 6** - complete this line if the employee was previously employed by the business (prior to current employment).

**FORM 332-1, LINES 9a AND 9b** - on line 9a, enter the total amount of the insurance premium or membership cost provided for the employee. If the business is self-insured, list the total amount of a predetermined fixed cost for the employee for an insurance program that is payable whether or not the employee has filed claims. On line 9b, enter the total amount of the insurance premium or membership cost paid by the employer.

**FORM 332-2 QUALIFIED EMPLOYEES FOR WHICH YOU ARE TAKING THE EMPLOYMENT CREDIT**

Complete the requested information for each employee in a qualified employment position for whom you are taking the employment credit. Use Forms 332-1 and 332-2 to complete Part 5, lines 13 through 17 on Form 332.



## Form 332-P, Distribution to Individual Partners of a Partnership

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

Complete Form 332-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 332-P, including additional schedules as needed.

### Part 1 - Partnership and 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.

#### Line 3

If the name and EIN of the partnership is different from the name and EIN of the Healthy Forest Enterprise, enter the name and EIN of the Healthy Forest Enterprise in the spaces provided. If the name and EIN of the partnership is the same as the name and EIN of the Healthy Forest Enterprise, indicate, "SAME."

### Part 2 - Distribution of the Credit

#### Line 4

Enter the amount of the partnership's employment credit from Form 332, Part 5, line 17, column (d).

#### Line 5

Multiply line 4 by the percentage on line 2(c). Enter the result. This is the individual partner's portion of the employment credit.

### Part 3 - Credit Recapture

#### Line 6

Enter the total amount of the partnership's employment credit previously passed through to the individual partner.

#### Line 7

Enter the recapture percentage of the employment credit amount previously passed through that is subject to recapture from Form 332, Part 6, line 21.

#### Line 8

Multiply line 6 by the percentage on line 7. Enter the result.

- *Individual Partners:* Enter this amount on *your* Form 332, Part 6, line 24.

This is the individual partner's portion of the employment credit subject to recapture.

**NOTE:** *If you have recapture amounts for the employment credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 8.*

#### Line 9

Enter the total amount of the partnership's training credit that was previously passed through to the individual partner.

#### Line 10

Enter the recapture percentage of the training credit amount that was previously passed through that is subject to recapture from Form 332, Part 7, line 29.

#### Line 11

Multiply line 9 by the percentage on line 10. Enter the result.

- *Individual Partners:* Enter this amount on *your* Form 332, Part 7, line 32.

This is the individual partner's portion of the training credit subject to recapture.

**NOTE:** *If you have recapture amounts for the training credit from more than one source, calculate each recapture amount separately. Total the amounts subject to recapture and enter that amount on line 11.*

*Each individual partner will use this form to complete his or her own Form 332.*