

## 2022 Arizona Corporation Income Tax Return (Short Form)

**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* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

**Publications**

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

### General Instructions

**Which Corporations Must File a Return**

Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return.

**Which Corporations May Use Arizona Form 120A**

The short form, Arizona Form 120A, is designed for corporate taxpayers with less complex filing requirements.

A corporation may use Arizona Form 120A if it files its return on a separate company (separate entity) basis and it is taxable entirely within Arizona.

A corporation files on a separate company (separate entity) basis if:

- It is not part of a group of corporations that was part of a unitary business; and
- It is not a member of an affiliated group that elected to file an Arizona consolidated return.

A corporation **MUST FILE** Arizona Form 120 if it:

- Has income from business activity that is taxable in more than one state (a "multistate corporation");
- Is a partner in:
  - A multistate partnership; and/or
  - A partnership that conducts no business in Arizona.
- Is a member of a unitary group of corporations that files an Arizona return on a combined basis; or
- Is a member of an affiliated group of corporations that elects to file an Arizona consolidated return.

**Entity Classification under the Federal "Check-the-Box Rules"**

The federal tax classification of an entity under the federal "check-the-box rules" determines the entity's classification for Arizona tax purposes. Refer to the department's ruling, CTR 97-1, *Federal "Check-The-Box Rules" on Elective Tax Classification*, for further information. An entity that is disregarded as an entity separate from its owner is included in the tax return of its owner.

**Limited Liability Companies**

A limited liability company (LLC) that made a valid federal election to be treated as an association taxable as a corporation must file an Arizona corporate income tax return.

A single member LLC that is disregarded as an entity for federal income tax purposes is treated as a branch or division of its owner, and is included in the tax return of its owner. Refer to the department's ruling, CTR 97-2, *Limited Liability Companies*, for further information.

**Electing Small Business Corporations**

Corporations taxed as S Corporations under Subchapter S of the IRC must file Arizona Form 120S.

**Homeowners Associations**

Homeowners associations that file federal Form 1120-H or federal Form 1120 are not exempt from Arizona income tax. These associations must file an Arizona corporate income tax return on Arizona Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under as social welfare organizations, or as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and are not required to file an Arizona information return.

**Marijuana Establishments, Marijuana Testing Facilities, Dual Use Licensees and Nonprofit Medical Marijuana Dispensaries**

- A corporation licensed by the Arizona Department of Health Services (ADHS) as a Marijuana Establishment (Adult Use), or as a Marijuana Testing Facility (Adult Use), must file an Arizona Corporate Income Tax Return – either Arizona Form 120 or Arizona Form 120A – to report the income and expenses of its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Use Licensee (Dual Licensee) that elected to operate on a for-profit basis, must file an Arizona corporate income tax return, Arizona Form 120 or Arizona Form 120A, to report the income and expenses of ALL its operations for the taxable year.
- A corporation licensed by ADHS as a Dual Licensee that did NOT make the election to operate on a for-profit basis, must file Arizona Form 99M to report its income and expenses from the NMMD portion of its operations and also file Arizona Form 120 or Arizona Form 120A.
- A corporation registered by ADHS as a Nonprofit Medical Marijuana Dispensary **only**, must file Arizona Form 99M to meet the filing requirements of Arizona Revised Statutes § 43-1201(B).

**Records**

Every corporation should maintain books and records substantiating information reported on the return and keep these documents for inspection. See the department's ruling, GTR 96-1, *Electronic Data Processing*, for more information about record retention requirements.

## IRC § 7519 Required Payments

Taxpayers cannot deduct the federal required payments on their Arizona tax returns as an ordinary and necessary business expense or otherwise.

## Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

### Examples:

*Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.*

*Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).*

*Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).*

## Taxable Year Covered by Return

File the 2022 Arizona Form 120A for calendar year 2022 and fiscal years that begin in 2022 and end in 2023. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2022 Arizona Form 120A can also be used if the corporation has a tax year of less than 12 months that begins and ends in 2023 and the 2023 Arizona Form 120A is not available at the time the corporation is required to file its return. The corporation must show its 2023 year on the 2022 Arizona Form 120A and take into account any tax law changes that are effective for tax years beginning after December 31, 2022. If submitting the 2022 Arizona Form 120A for a 2023 short-period return, submit a paper filed return. Do not submit this short-period return electronically.

## Timely filing of returns

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

## Extension of Time to File a Return

- A request for an extension of time to file an Arizona corporate income tax return **must** be submitted by the original due date of the return.
- Beginning with taxable year 2021, the department may grant an extension request for a C Corporation for a maximum of seven (7) months.**
- The extension request can be made by filing an Arizona extension request, Arizona Form 120/165EXT.
- The department will also accept a valid federal extension for the same period of time covered by the Arizona extension, seven (7) months.
- If the return is filed under extension, check box 82F on page 1 of the return.
- Do not include a copy of the extension with your return.
- If the corporation has a tax liability of less than \$500 for the year, Arizona Form 120/165EXT may be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Arizona Form 120/165EXT).
- Corporations with a tax liability of \$500 or more for the 2022 taxable year must pay their tax liability by Electronic Funds Transfer. (See *Payment by Electronic Funds Transfer*, beginning on page 3 for details.)
- If you made extension payments over the Internet, you are not required to file Arizona Form 120/165EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, but they do not provide an extension of time to pay tax.
  - You must pay 90% of your tax liability (including the \$50 minimum tax) by the original due date of your return.
  - The department imposes the extension underpayment penalty on any late or underpaid extension requests.
- See the department's ruling, CTR 01-3, *Extensions*, for additional information.
- Submit the extension request to the department electronically, or mail Form 120/165EXT to:  
Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

## Filing Original Returns

- Returns are due by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the taxable year.
- A corporation filing a short-period return must file by the 15<sup>th</sup> day of the 4<sup>th</sup> month after the short period ends.
- If the taxpayer has a valid federal or Arizona filing extension, the return is due by the extended due date. See the examples in “*Extension of Time to File a Return*” to determine the extended due date of a return filed using a federal extension or an Arizona extension.
- If the return is filed under extension, check box 82F on page 1 of the return.
- If the original due date or extended due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department’s ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.
- The return must be signed by one or more of the officers of the corporation (President, Treasurer, or any other principal officer).
- Do not submit a blank Arizona return with a copy of the federal return.
  - Taxpayers must furnish complete data.
  - Answer all questions on the return.
  - Complete all applicable schedules.
  - Include all appropriate supplementary schedules.
- You must electronically submit Arizona Form 120A unless you have one of the following:
  - A federal waiver from electronically filing your federal return.
  - You meet one of the federal exemptions from electronically filing your federal return.
  - You received an Arizona filing waiver pursuant to A.R.S. §43-323(F).
  - You meet one of the Arizona exemptions from electronically filing your Arizona return.
  - You have been directed by the IRS or the department to paper file your return.
- If you have been granted a waiver from electronically filing Arizona Form 120A, or you are not required to e-file your return, mail the return to:
 

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079
- The department requests that taxpayers include a copy of their “as-filed” federal return (i.e. federal Form(s) 1120, 1120-F, etc.) and all its schedules and attachments with their Arizona return.
  - ***Corporations filing Arizona Form 120A electronically or by paper:*** To reduce the size of the return, the detail of Schedule M-3 may be omitted. In addition, it is not necessary to include copies of the following federal Forms: Form 5471, Form 8621, and Form 8858.
  - ***Corporations wishing to file Arizona Form 120A electronically, please note:*** due to system constraints, the department’s computer system can handle an electronically filed return up to 20MB in size.

The department requests that returns in excess of 20MB in size be filed as paper returns. (For additional limitations on e-filed returns, refer to *Which Corporations Are Not Required to Electronically (E-File) Their Arizona Income Tax Returns?* on page 5 of these instructions.)

## Filing Amended Returns

Electronic filing of amended returns for the 2022 taxable year is not currently available. Mail Arizona Form 120X to:

Arizona Department of Revenue  
P.O. Box 29079  
Phoenix, AZ 85038-9079

Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on Arizona Form 120X within 90 days of final determination of the federal amended return by the IRS.

- Taxpayers *must* report changes or corrections of the taxpayer’s taxable income by the IRS or as a result of renegotiation of a contract or subcontract with the United States to the department.
- Within 90 days after the final determination of the change or correction, the taxpayer must:
  - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department recompute the tax owed Arizona, or
  - File an amended return as required by the department.
- The taxpayer must provide sufficient information for the department to recompute the taxpayer’s Arizona taxable income based on the Revenue Agent Report changes.
- The department may require the taxpayer to file an amended return if the department does not have this information.
- Mail Arizona Form 120X to the address shown on the form.
- If the corporation was required to make its tax payments for the 2022 taxable year by electronic funds transfer (EFT), it *must* pay any additional tax due from an amended return by EFT.

**NOTE:** File amended returns for prior taxable years on the respective Arizona Form 120X for those taxable years. Use the 2022 Arizona Form 120X to amend only the taxable year 2022.

Do NOT file an amended return until your original return has been processed.

## Estimated Tax Payments

Corporations expecting an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All corporations required to make Arizona estimated payments must make those payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of their taxable year.

Corporations that fail to make the required estimated tax payments are subject to a penalty on any estimated tax payment which is late or underpaid.

The Arizona required annual payment of corporate estimated tax is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or

- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year. For a corporation to base its Arizona estimated tax payments on its prior taxable year's tax liability:
  - The corporation's return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and
  - The corporation's return filed for the prior taxable year must have been for a period of twelve months.

Complete Arizona Form 120/PTE-W to compute the amount of the estimated payment(s) for 2022 and to compute the required installments.

**NOTE:** *Taxpayers required to make corporate estimated payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*

*For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

#### **MAKING ESTIMATED TAX PAYMENTS FOR 2022**

Corporations making estimated tax payments for 2023 that expect a 2023 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment Electronic Funds Transfer* on page 5 for details on making tax payments by EFT.

**NOTE:** *Corporations that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Corporations making estimated payments for 2023 that expect a 2023 income tax liability of less than \$500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer* on page 6 for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

**Is the corporation subject to the Estimated Underpayment Penalty for the 2022 taxable year?**

*See the instructions for Arizona Form 220/PTE.*

#### **Penalties and Interest**

**NOTE:** *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

##### **A. Late Filing Penalty**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

##### **B. Extension Underpayment Penalty**

The taxpayer must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or

underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

##### **C. Late Payment Penalty**

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

**NOTE – Amended Return Filers:** *For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension* regarding the application of penalties to returns filed under extension.

##### **D. Underpayment of Estimated Tax Penalty**

The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to the instructions for line 29 on page 11, or to Arizona Form 220/PTE for further details.

##### **E. Failure to Pay by Electronic Funds Transfer**

Corporations that anticipate a tax liability of \$500 or more for the taxable year must pay their tax liability by Electronic Funds Transfer (EFT).

Corporations required to pay their tax liability by EFT that fail to do so may be subject to a penalty equal to five percent (5%) of the amount of the payment not made by EFT.

##### **F. Interest**

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

**NOTE:** *The entire amount of tax, penalties, and interest is due by the original due date of the return.*

##### **Electronic Filing of Corporate Income Tax Returns**

**Electronic filing of Arizona corporate income tax returns is required for the 2022 taxable year.** Please see the department's website at <https://azdor.gov/e-services/approved-vendors> for a list of approved software vendors.

### Which Corporations Are Not Required to Electronically File (e-file) Their Arizona Income Tax Returns?

Corporations that cannot e-file their federal return cannot e-file their Arizona return.\* Corporations filing any of the following forms as a stand-alone return cannot e-file their federal return. As a result, those corporations cannot e-file their Arizona corporate income tax return and they are not required to obtain a filing waiver from the department.

Federal Form	Entity Type
1120-C	Farmer's Cooperative Association
1120-FSC	Foreign Sales Corporation
1120-H	Homeowners Association
1120-IC-DISC	Interest Charge Domestic International Sales Corporation
1120-ND	Nuclear Decommission Trust
1120-REIT	Real Estate Investment Trust
1120-RIC	Regulated Investment Company
1120-SF	Settlement Fund

In addition:

- Any corporation receiving a federal waiver from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation having a federal exemption from electronically filing its federal return is not required to e-file its Arizona return.
- Any corporation whose request for an Arizona filing waiver was not denied is not required to e-file its Arizona return.
- Any corporation having an Arizona exemption is not required to e-file its Arizona return.
- Any corporation submitting the 2022 Arizona Form 120A for a 2023 short period return, submit a paper filed return. Do NOT submit this short period return electronically.
- Due to system constraints, the department's computer can handle an electronically filed return up to 20MB in size. The department requests that returns in excess of 20MB in size be filed as a paper return.

### Requesting an Electronic Waiver

Any corporate taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing requirements at the expiration of your waiver.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

\* See IRS Publication 4163, for Tax Returns Processed in Year 2022.

A waiver is not required if the corporate income tax return cannot be electronically filed for reasons beyond the taxpayer's control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona corporate income tax return. If your return has been rejected, please include the Arizona submission ID and the form type (i.e. Form 120A) in your correspondence.

### Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return.

### Payment by Electronic Funds Transfer

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes \$500 or more for any taxable year beginning from and after December 31, 2020.

**NOTE:** If a corporation was required to pay its 2022 tax liability by EFT, it must also pay any additional tax due from an amended return by EFT.

### Requesting a Waiver from the EFT Requirement

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31<sup>st</sup> of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments, and,
  - No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

**NOTE:** A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

### How to Make EFT Payments

Corporations making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2022. Visit [AZTaxes.gov](http://AZTaxes.gov), click "Make a Corporation/S Corporation/Partnership Payment" and follow the prompts.

- **Electronic payment from checking or savings account/e-check/ACH Debit.**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click "Make a Corporation/S Corporation/Partnership Payment", follow



[the prompts](#), and choose the e-check option. Follow the prompts to make your payment.

There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Online credit card payment.**

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov), click “[Make a Corporation/S Corporation/Partnership Payment](#)”, follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- **Corporations may also make EFT payment by ACH Credit.** Corporations wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here: <https://azdor.gov/forms/other-forms/electronic-funds-transfer-efit-disclosure-agreement-ach-credit-filers>. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). If you have not received your approval within one week, you may direct follow-up inquiries to [electronicfundstransfer@azdor.gov](mailto:electronicfundstransfer@azdor.gov). Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

Your payment will be electronically transferred into the department’s account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

**NOTE: Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.**

## Specific Instructions

For calendar year filers, check the box, “calendar year 2022.”  
For fiscal year filers, check the box, “fiscal year” and enter the

beginning and ending dates for the fiscal year. If this is a short-period return, indicate the beginning and ending dates of the short-period.

Type or print the required information in the name, address, and information boxes on the top of page 1. Include the Business Telephone Number (with area code), and the Business Activity Code (NAICS Code) from the corporation’s federal return.

Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of page 1 of the return.

Enter the corporation's employer identification number (EIN) Corporations that fail to include their EIN may be subject to a penalty.

### Box 68

- Check box “A”, “This is a first return”, if this is the taxpayer’s first return filed to Arizona.
- Check box “B”, “Name change”, if the taxpayer changed its name during the tax year.
- Check box “C”, “Address change”, if the taxpayer changed its address during the tax year.

### Box 82F

Check box 82F if this return is filed under extension.

### Line A

- Is the taxpayer’s FEDERAL return filed on a consolidated basis?
  - If yes, check “Yes” and enter the EIN for the taxpayer’s common parent on the line below.
  - If no, check “No.”

### Line B

Is this the taxpayer’s final Arizona corporate income tax return using this EIN?

- If yes, check “Yes” and check the appropriate box.
  - Check Box 1 if the corporation is “Dissolved”; or
  - Check Box 2 if the corporation withdraws from Arizona; or
  - Check Box 3 if the taxpayer “Merged/Reorganized.” If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
- If this is not the corporation’s final Arizona return under this EIN, check “No.”

### Line C

#### Marijuana Establishments only

If the corporation is licensed by the Arizona Department of Health Services (ADHS) as a marijuana establishment:

- Check Box 1 if the corporation is licensed as an Adult Use only establishment,
- Check Box 2 if the corporation is a Dual Licensee and has elected for profit status, or
- Check Box 3 if the corporation is a Dual Licensee and has not elected for profit status.

If the corporation is registered with the Arizona Department of Health Services as a Nonprofit Medical Marijuana Dispensary, leave blank.

## Arizona Taxable Income Computation

### Line 1 - Taxable Income per Federal Return

Enter taxable income as reported on the federal income tax return filed with the IRS.

### Line 2 - Additions to Taxable Income

Enter total adjustments from page 2, Schedule A, line A9. See instructions on page 9 for Schedule A.

### Line 4 - Subtractions from Taxable Income

Enter total adjustments from page 2, Schedule B, line B11. See instructions on page 10 for Schedule B.

### Line 5 - Adjusted Income

Subtract line 4 from line 3 and enter the difference.

### Line 6 - Arizona Basis Net Operating Loss Carryover

If the corporation incurred Arizona losses in prior taxable years, the corporation can apply those losses against current Arizona income. For taxable years beginning from and after December 31, 2011, an NOL may carry forward to the next 20 succeeding taxable years.

Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

The amount entered on line 6 cannot exceed the amount on line 5. Include a separate computation schedule.

**NOTE:** Information about the Arizona NOL carryover calculation can be found in A.R.S. § 43-1123, A.A.C. R15-2D-302, and Arizona Corporate Tax Rulings:

CTR 91-2, Arizona Net Operating Loss Calculation – Change of Filing Method

CTR 94-11, Consolidated Return Net Operating Loss

CTR 99-3, Recalculation NOLs from Separate Corporate Returns to a Combined Corporate Return

### Line 7 – Arizona Taxable Income

Subtract line 6 from line 5. Enter the result. This is your Arizona taxable income.

## Arizona Tax Liability Computation

### Line 8 - Arizona Tax

Multiply the Arizona taxable income on line 7 by 4.9%. Enter the result. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax.

### Line 9 - Tax from Recapture of Tax Credits

Enter the amount of tax due from recapture of tax credits from Arizona Form 300, Part 1, line 24.

### Line 10 - Subtotal

Add lines 8 and 9. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be applied.

### Line 11 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 44. This amount cannot be greater than the amount on line 10.

- **Military Reuse Zone Credit**

*The credit for the military reuse zone credit has been repealed.* The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. Complete Arizona Form 306 to claim this carry-forward tax credit.

- **Credit for Increased Research Activities**

This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. **Enter only the nonrefundable portion of this credit on line 11.** Complete Arizona Form 308 to claim this tax credit.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the taxpayer's trade or business in Arizona to control or prevent pollution. Complete Arizona Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. Complete Arizona Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

*The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed.* All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. Complete Arizona Form 319 to claim this carry-forward tax credit.

- **Credit for Employment of Temporary Assistance for Needy Families Recipients**

This tax credit is for net increases in qualified employment of recipients of TANF who are residents of Arizona. Complete Arizona Form 320 to claim this tax credit.

- **Credit for Donation of School Site**

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school. Complete Arizona Form 331 to claim this tax credit.

- **Credit for Employing National Guard Members**

This credit is for employers who have an employee that is a member of the Arizona National Guard if the employee is

placed on active duty. Complete Arizona Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations**

This credit is for corporations who make contributions to school tuition organizations which provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Arizona Form 335 to claim this tax credit.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

- This tax credit expired for taxable years beginning after December 31, 2018. The expiration does not affect carryovers of this properly established credit. Complete Arizona Form 336 to claim the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Arizona Form 341 to claim this tax credit.

- **Renewable Energy Production Tax Credit**

This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 343 to claim this tax credit.

- **Credit for New Employment**

This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. Complete Arizona Form 345 to claim this tax credit.

- **Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Department of Revenue is required prior to claiming this tax credit. Complete Arizona Form 346 to claim this tax credit.

- **Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Arizona Form 351 to claim this tax credit.

- **Healthy Forest Production Tax Credit**

This tax credit is for the processing of qualifying forest products. Complete Arizona Form 353 to claim this credit.

- **Affordable Housing Tax Credit**

This tax credit is for projects in this state that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code. Complete Arizona Form 354 to claim this credit.

Complete the appropriate credit forms for each credit. Include the completed credit forms and Arizona Form 300 with the tax return.

**Line 12 - Credit Type**

Indicate which nonrefundable tax credits were claimed on line 11 by entering the applicable form number(s) in the space provided.

<b>Nonrefundable Income Tax Credit</b>	<b>Form</b>
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Donation of School Site	331
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351
Healthy Forest Production Tax Credit	353
Affordable Housing Tax Credit	354

**Line 13 - Arizona Tax Liability**

Subtract line 11 from line 10. Line 13 cannot be a negative amount.

**Tax Payments**

**Line 14 - Refundable Tax Credits**

Check the box(es) marked 308 (Credit for Increased Research Activities) and/or 349 (Credit for Qualified Facilities) to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the refundable credits claimed on line 14.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 308 with your return. Enter the amount from Arizona Form 308, Part 7, line 42.



**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Arizona Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 14, or use the worksheet below to figure the total amount to enter on line 14.

Refundable Credit Worksheet	
1. Enter the refundable credit from Arizona Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Arizona Form 349, Part 8, line 20.	
3. Add the amounts on lines 1 and 2. Enter the total here and on Arizona Form 120A, line 14.	

**Line 15 - Extension Payment**

Enter the amount of the extension payment made by check or money order with Arizona Form 120/165EXT or made over the Internet at [www.AZTaxes.gov](http://www.AZTaxes.gov).

**NOTE:** Taxpayers whose 2022 income tax liability is \$500 or more, must make extension payments by EFT. See the instructions for Arizona Form 120/165EXT for additional information.

**Line 16 - Estimated Tax Payments and Claim of Right**

- Enter the total amount of estimated tax payments made during the taxable year (including the application of any overpayment from the prior taxable year).
- If you recomputed a prior year's tax under Arizona's claim of right provision, complete Arizona Claim of Right - Corporate. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total here.
- Add the amounts on line 16(a) and 16(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right - Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied. Refer to the department's procedure, CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right, for additional information on Arizona's Claim of Right provision.

**Line 17 - Total Payments**

Add lines 14, 15 and 16(c). Enter the total.

**Computation of Total Due or Overpayment**

**Line 18 - Balance of Tax Due**

If the amount on line 13 is **larger** than the amount on line 17, there is a balance of tax due. Subtract line 17 from line 13 and enter the difference. Skip line 19.

**Line 19 - Overpayment of Tax**

If the amount on line 17 is **larger** than the amount on line 13, there is an overpayment of tax. Subtract line 13 from line 17 and enter the difference.

**Line 20 - Penalty and Interest**

The taxpayer may choose to calculate any penalty and interest due because of late filing, late payment of tax, or extension underpayment of tax. Interest is calculated on the amount shown on line 18 at the prevailing rate. The interest period is from the original due date of the return to the payment date.

For more information, see the "Penalties and Interest" section beginning on page 4 of these instructions.

**Do not include or enter the amount from the Estimated Tax Underpayment Penalty.**

**NOTE:** If the taxpayer chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

**NOTE:** If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**Line 21 - Estimated Tax Underpayment Penalty**

The taxpayer does not have to complete Arizona Form 220/PTE, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's (2022) tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable), paid in four equal installments; or
- An amount equal to 100% of the taxpayer's tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year (2021), paid in four equal installments.

**Large Corporations**

Large corporations\*\* must make an annual estimated tax payment equal to 90% of the tax shown on the return for the current taxable year. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment payment by the amount of the reduction.

\*\* A "Large Corporation" is defined as: "...a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S. § 43-582(C).

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the taxpayer of any amount due. If the taxpayer elects to have the department compute the penalty, do not check box 21A or enter an amount on line 21.

The taxpayer must complete Arizona Form 220/PTE, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method; or
- The taxpayer is a large corporation that computed its first required installment based on the taxpayer's tax liability for the prior taxable year.

Enter the total penalty from Arizona Form 220/PTE, Part C, line 37. Include the completed Arizona Form 220/PTE with the return **and** check box 21A.

See the instructions for Arizona Form 220/PTE for detailed information.

### Line 22 - Total Due

If the taxpayer had a balance of tax due on line 18, add lines 18, 20, and 21, and enter the total. This is the total amount due.

### Payment of Tax, Penalties, and Interest

Full payment of all tax, penalties, and interest is due by the original due date of the return.

**Corporate taxpayers required to make payments by EFT**, see the Section, *Payment by Electronic Funds Transfer* on page 5 of these instructions for options to pay your tax liability by EFT.

**Corporate taxpayers not required to make payment by EFT** may elect to pay by EFT or they may pay by check or money order. Make the check or money order payable to the Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order.

- **If the corporation's income tax return was submitted electronically**, submit the check or money order with Arizona Form 120/165V, available here: <https://azdor.gov/forms/corporate-tax-forms/arizona-corporate-or-partnership-income-tax-payment-voucher>. Mail Form 120/165V and the check or money order to the address indicated on the form.
- **If the corporation is filing a paper return**, include the check or money order with the corporation's income tax return. Mail the check or money order and the return to:  
Arizona Department of Revenue  
PO Box 29079  
Phoenix, AZ 85038-9079

### Line 23 - Overpayment

If the taxpayer had an overpayment of tax on line 19, subtract the total of lines 20 and 21 from line 19. Enter a positive difference on line 23. This is the total overpayment. If the difference is negative, enter the difference as a positive number on line 22.

### Line 24 - Overpayment Applied to Estimated Tax

The taxpayer may apply part or all of an overpayment reported on line 23 as a 2023 estimated tax payment. Enter the applicable amount on line 24.

### Line 25 - Refund

Subtract line 24 from line 23 and enter the difference. This is the net refund amount.

## Schedule A - Additions to Taxable Income

On lines A1 through A8 of Schedule A, enter all income taxable under Arizona law that is exempt for federal tax purposes. Also, enter all deductions allowed under federal law that are not allowed under Arizona law.

### Line A1 - Total Federal Depreciation

Enter total amount of depreciation deducted on the federal return.

### Line A2 - Taxes Based on Income

Enter the amount of taxes based on income paid to states (including Arizona), to foreign governments, or to their political subdivisions included in federal taxable income.

### Line A3 - Interest on Obligations

Enter the amount of federally tax exempt interest income on obligations of any state or foreign government, or their political subdivisions (except Arizona). All taxpayers, except financial institutions as defined in *A.R.S. § 6-101*, must reduce the amount of interest income by certain expenses. Reduce the amount of interest income by the amount of any interest on indebtedness and other related expenses incurred or continued to purchase or carry those obligations that were not otherwise deducted or subtracted in the computation of Arizona gross income.

### Line A4 - Federal Special Deductions

Enter the special deductions claimed on the federal tax return for dividends received pursuant to IRC §§ 243, 245, 245A, and 250(1)(1)(B).

### Line A5 - Federal Net Operating Loss

Enter the federal net operating loss deduction claimed on the federal tax return.

### Line A6 - Additions Related to Arizona Tax Credits

Enter the additions to federal taxable income related to Arizona tax credits claimed on this return. The Arizona tax credits requiring an add back are listed below.

Complete the worksheet for Schedule A, line A6 on page 3 of the return before entering the total. If you enter an amount on line A6, include the worksheet with your return.

#### A. Pollution Control Credit

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a current or prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the taxpayer claimed a tax credit on Arizona Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

**B. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

Enter the amount of expenses deducted pursuant to the IRC for which the taxpayer claimed the credit for taxes paid for coal consumed in generating electrical power in Arizona, claimed on Arizona Form 318. The addition is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

**C. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

Enter the amount of wage expenses deducted pursuant to the IRC for which the taxpayer claimed a tax credit claimed on Arizona Form 320.

**D. Credit for Donation of School Site**

Enter the amount deducted pursuant to the IRC representing a donation of a school site for which this taxpayer claimed a tax credit on Arizona Form 331.

**E. Credit for Corporate Contributions to School Tuition Organizations**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Arizona Form 335. This includes any amounts passed through from partnership interests.

**F. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

Enter the amount deducted in computing federal taxable income as contributions for which a tax credit is claimed on Arizona Form 341. This includes any amounts passed through from partnership interests.

**G. Total Other Additions Related to Arizona Tax Credits**

Add the amounts on lines A1 through F. Enter the total. Also, enter the total on page 2, Schedule A, line A6.

**Line A7 – Capital Loss from Exchange of Legal Tender**

Enter the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- “Legal tender” means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- “Specie” means coins having precious metal content.

**Line A8 - Other Additions to Federal Taxable Income**

Enter the total amount of “other additions” to federal taxable income required to be added back. The “other additions” required to be added back are listed below.

Complete the worksheet for Schedule A, line A8 on page 4 of the return before entering the total. If you enter an amount on line A8, include the worksheet with your return.

**A. Positive Partnership Income Adjustment**

If you received Arizona form 165 Schedule K-1(NR) and the amounts on line 17 are positive, enter the amount from column (a).

If you received more than one 165 Schedule K-1(NR), total the positive amounts from line 17, column (a) and enter the total on line A8.

If the amounts on Arizona Form 165 Schedule K-1(NR), line 17, are negative, enter the amount from column (a) on Schedule B, Line B10. See the instructions for Section B, line B10 on page 1 for additional information.

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE ARIZONA FORM 120.*

**B. Federal Exploration Expenses**

Enter the amount of IRC § 617 exploration expenses in excess of \$75,000 and the amount of such expenses deferred not in excess of \$75,000.

**C. Federal Amortization or Depreciation for Facilities and Equipment Amortized Under Arizona Law**

Enter the amount of amortization or depreciation deducted pursuant to the IRC for the following:

- **Pollution Control Devices** - if the taxpayer made an election to amortize pursuant to A.R.S. § 43-1129.
- **Child Care Facilities** - if the taxpayer made an election to amortize pursuant to A.R.S. § 43-1130.

**D. Expenses and Interest Relating to Income Not Taxed by Arizona**

Enter expenses and interest relating to income not taxed by Arizona. Refer to A.R.S. § 43-961(5) or A.R.S. § 43-1121(12).

**E. Amounts Repaid in Current Taxable Year**

Enter the amount of the deduction claimed under IRC § 1341(a)(4) for restoration of a substantial amount held under a claim of right which was included in the computation of Arizona gross income.

**F. Excess Federal Capital Loss Carryover under a Claim of Right Restoration**

Enter the amount by which the capital loss carryover included in your federal taxable income is greater than the amount allowed for the taxable year under Arizona law.

**G. Domestic International Sales Corporations**

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payer corporation. Make this adjustment if the DISC does not have to report its taxable income to Arizona because its income is not derived from or attributable to sources within Arizona. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the DISC by the payer corporation.

No addition is required if the DISC transactions comply with the IRC § 994 inter-company pricing provisions.

**H. Expenditures for the Americans with Disabilities Act**

If a subtraction is or has been taken in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the Americans with disabilities act of 1990 or Title 41, chapter 9, article 8, enter any amount of eligible access expenditures that is recognized under the internal

revenue code, including any amount that is amortized and that is included in computing Arizona taxable income for the current taxable year.

#### **I. Total Other Additions**

Add the amounts on lines A through H. Enter the total. Also, enter the total on page 2, Schedule A, line A8.

### **Schedule B - Subtractions from Taxable Income**

On lines B1 through B10 of Schedule B, enter all income which is exempt from Arizona tax which is taxable under federal law. Also, enter any deduction allowed under Arizona law which is not deductible for federal tax purposes.

#### **Line B1 - Recalculated Arizona Depreciation**

Enter the total amount of depreciation allowable pursuant to IRC § 167(a) for the taxable year calculated as if the taxpayer had elected not to claim bonus depreciation for eligible properties for federal purposes.

#### **Line B2 - Basis Adjustment for Property Sold or Otherwise Disposed of During the Taxable Year**

For taxable years beginning from and after December 31, 1999, taxpayers were required to add back all federal depreciation. Taxpayers who sold or otherwise disposed of property during this year may subtract any resulting difference between federal and Arizona basis. Enter the amount of depreciation that has been allowed pursuant to IRC § 167(a) to the extent that the amount has not already reduced Arizona taxable income in the current or prior years.

**NOTE:** *The practical effect of this is to allow a subtraction for the difference in basis for any asset for which bonus depreciation has been claimed on the federal return.*

#### **Line B3 - Dividends from Controlled Domestic Corporations**

Enter dividend income received from a domestic corporation owned or controlled, directly or indirectly, by the recipient corporation. "Control" means direct or indirect ownership or control of 50% or more of the voting stock of the payer corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316. Do not include "Gross-Up" dividends.

#### **Line B4 - Foreign Dividend Gross-up**

Enter the amount of IRC § 78 foreign "gross-up" dividends received.

#### **Line B5 - Dividends from Foreign Corporations**

Enter the dividend income received from foreign corporations as defined by IRC §§ 951A and 952.

**NOTE:** *Refer to the department's ruling CTR 02-3, Is Income From a Qualified Electing Fund (QEF) Taxable, for information on the treatment of income from a qualified electing fund.*

#### **Line B6 - Interest on U.S. Obligations**

Enter the interest received from U.S. obligations not taxed by Arizona. See the department's ruling, CTR 06-1, *Obligations of the United States Government, Federal Agencies and United States Territories*, for a listing of qualifying U.S. obligations.

#### **Line B7 - Agricultural Crops Contributed to Charitable Organizations**

Enter the amount of the allowable subtraction for qualified crop contributions made during the taxable year to one or more Arizona tax exempt charitable organizations for use in Arizona. Refer to the department's procedure, ITP 12-1, *Establishing an Income Tax Subtraction for Agricultural Crops Contributed to Charitable Organizations*, for information on how to determine if the contribution qualifies for the subtraction.

#### **Line B8 - Expenses Related to Certain Federal Tax Credits**

Enter the total amount of wages or salaries paid or incurred by the taxpayer not deducted in computing Arizona gross income if the taxpayer received the following federal credits:

- The work opportunity credit,
  - The empowerment zone employment credit,
  - The credit for employer-paid social security taxes on employee cash tips, and/or,
  - The Indian employment credit.
- E. Add the amounts on lines A through D. Enter the total. Also, enter the total on page 2, Schedule B, line B8.

#### **Line B9 - Capital Gain from Exchange of Legal Tender**

Enter the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender.

- "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.
- "Specie" means having coins having precious metal content.

#### **Line B10 - Other Subtractions from Federal Taxable Income**

Enter the total amount of "other subtractions" from federal taxable income required to be included. The "other subtractions" required to be reported are listed below. If no "other subtractions" are required to be included, leave blank.

Complete the worksheet for Schedule B, line B10 on page 4 of the return before entering the total. If you enter an amount on line B10, include the worksheet with your return.

##### **A. Refunds of Taxes Based on Income**

Enter any refunds of taxes based on income from states (including Arizona) and from foreign governments or their political subdivisions included in federal taxable income.

##### **B. Negative Partnership Income Adjustment**

If you received Arizona Form 165 Schedule K-1(NR) and the amounts on line 17 are negative, enter that amount as a positive number on line B10. If you received more than one 165 Schedule K-1(NR), total the negative amounts from line 17, column (a) and enter the total on line B10 as a positive number.

If the amounts on Arizona Form 165 K-1(NR), line 17 are positive, enter the amount from column (a) on Schedule A, Line A8.

See the instructions for Schedule A, line A8 on page 11 for additional information.

**IMPORTANT:** *Corporations that are partners in a multistate partnership, or are partners in a partnership with business activity conducted entirely outside Arizona - MUST FILE ARIZONA FORM 120.*

### C. Expense Recapture, Mine Explorations

Enter any expense recapture for mine exploration expenses included in income under federal law. Refer to IRC § 617.

### D. Deferred Exploration Expenses

Arizona law allows a subtraction for exploration expenses added to Arizona gross income on line A8, item B (refer to A.R.S. § 43-1121(10)). The taxpayer claims the subtraction on a ratable basis as the units of produced ores or the minerals discovered or explored by reason of such expenditures are sold. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

Treat property sold in the same manner and on the same basis as other property held for the production of income. Refer to A.R.S. § 43-1121(4) or to A.R.S. § 43-1122(3).

### E. Exploration Expenses; Oil, Gas or Geothermal Resources

Enter exploration expenses related to exploration of oil, gas, or geothermal resources. Compute the expenses in the same manner and on the same basis as a deduction for mine exploration under IRC § 617. The computation is subject to certain adjustments shown above for line A8, item B, and line B10, items C and D. Refer to A.A.C. R15-2D-305 for detailed information regarding additional requirements.

### F. Arizona Amortization of Facilities and Equipment

#### • Pollution Control Devices

Any taxpayer may choose to amortize the adjusted basis of any device, machinery, or equipment used for collection and control of the source of atmospheric and water pollutants and contaminants. The taxpayer may take the subtraction over a period of 60 months. If a taxpayer chooses not to amortize pollution control devices over a period of 60 months, the taxpayer may take a deduction for depreciation computed under IRC § 167.

Refer to A.A.C. R15-2D-306 for detailed information regarding additional requirements.

#### • Cost of Child Care Facilities

Any taxpayer operating a childcare facility for profit may elect to subtract any expenditure made to purchase, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction ratably over 60 months beginning with the month in which the taxpayer places the property in service.

Any taxpayer operating a childcare facility within Arizona, primarily for its employees' children, may elect to subtract expenditures made to acquire, construct, renovate, or remodel the facilities or equipment. The taxpayer may take the subtraction over a period of 24 months, beginning with

the month in which the taxpayer places the property in service.

The amortization is in lieu of federal depreciation or amortization on the facilities.

Refer to A.A.C. R15-2D-307 for detailed information regarding additional requirements.

### G. Interest on Federally Taxable Arizona Obligations Evidenced by Bonds

Enter the amount of interest income received on obligations of the State of Arizona, or any of its political subdivisions, evidenced by bonds, that is included in federal taxable income. Omit interest income received on obligations of the State of Arizona, or any of its political subdivisions, exempt from federal taxation and not included in Arizona gross income.

Corporations should not make this adjustment on the corporation's Arizona tax return for such income included in the corporate partner's share of partnership income (loss). The partnership makes this adjustment on Arizona Form 165. The adjustment to Arizona basis from Arizona Form 165, Schedule K-1(NR), Part 2 line 17, already includes this adjustment.

### H. Expenses and Interest Relating to Tax Exempt Income

Enter expenses and interest relating to tax exempt income disallowed pursuant to IRC § 265 in the computation of Arizona gross income. Effective for taxable years beginning from and after December 31, 1996, this subtraction applies only to financial institutions as defined in A.R.S. § 6-101.

### I. Claim of Right Adjustment

Enter the amount by which the loss carryover allowed to be taken for the taxable year under Arizona law is greater than the amount included in your federal taxable income.

### J. Dividends from Domestic International Sales Corporation (DISC)

Enter any income from a DISC which federal law requires its shareholders to include in income. Refer to IRC § 995.

### K. Expenditures for the Americans with Disabilities Act

Enter the amount of expenditures paid or incurred during the taxable year to comply with the Americans with Disabilities Act of 1990 or A.R.S. Title 41, chapter 9, article 8 by retrofitting real property that was originally placed in service at least ten years before the current taxable year. (See A.R.S. §§ 43-1122 and 43-1124)

"Eligible business access expenditures" include reasonable and necessary amounts paid or incurred to:

- Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
- Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
- Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.
- Acquire or modify equipment or devices for individuals with disabilities.
- Provide other similar services, modifications, materials or equipment.

**NOTE:** A taxpayer who has been cited for noncompliance with the Americans with Disabilities Act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

#### L. Contribution in Aid of Construction

Enter the amount of monies or other property contributed to a public service corporation that provides water or sewage disposal services to the extent that the purpose of the contribution is to provide for expanding, improving or replacing the public service corporation's water system or sewage disposal facilities. Include any amount of monies or other property contributed to a public service corporation for a water system or sewage disposal facility subject to a contingent obligation to repay the amount, in whole or in part, to the contributor.

**NOTE:** A public service corporation means all corporations other than municipal engaged in furnishing...water for irrigation, fire protection, or other public purposes...or engaged collecting, transporting, treating, purifying and disposing of sewage through a system... See Article XV, Section 2 of the Arizona Constitution: <https://www.azleg.gov/viewDocument/?docName=http://www.azleg.gov/const/15/2.htm>.

#### M. Marijuana Establishments Only

##### Line M1 – Disallowed Federal Expenses

**If the corporation is licensed by ADHS as a Marijuana Establishment or as a Marijuana Testing Facility**, enter the amount of the disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments*. **Do not enter an amount on line M2.**

**If the corporation is licensed by ADHS as a Dual Licensee that has made the election to operate on a for-profit basis**, enter the amount of disallowed federal expenses from *Arizona Schedule DFE, Disallowed Federal Expense Schedule for Marijuana Establishments*. **Do not enter an amount on line M2.**

##### Line M2 – Federal Taxable Income Attributable to NMMD Operations

**If the corporation is licensed by ADHS as a Dual Licensee that has not made the election to operate on a for-profit basis**, enter the amount of its federal taxable income attributable to its operations as an NMMD. **Do not enter an amount on line M1.**

#### N. Total Other Subtractions from Federal Taxable Income

Add the amounts on lines A through M2. Enter the total. Also, enter the total on page 2, Schedule B, line B10.

### Schedule C - Additional Information

Complete lines C1 through C5. Continue the answers on a separate sheet of paper if the answers are lengthy.

**Line C3:** List the name, title and telephone number of the individual who Department of Revenue employees may contact to:

- Schedule an audit of this return;
- Ask questions related to the processing of this return; or,
- Provide the status of any refund, or tax due, that may result from the processing of this return.

This does not authorize the individual named to:

- Enter into any agreements on the taxpayer's behalf;
- Bind the taxpayer in any way; or,
- Make any changes to the taxpayer's account, such as an address change.

Confidential information may be disclosed to a principal officer, any person designated by a principal officer, any person designated in a resolution by the corporate board of directors or other similar governing body, or to an individual designated as an authorized representative by a valid power of attorney. A principal corporate officer of a parent corporation may execute a written authorization for a controlled subsidiary. Refer to the department's ruling, GTR 02-1, *What is a controlled subsidiary for purposes of Arizona Revised Statutes § 42-2003*, for additional information on the definition of a controlled subsidiary. IF THIS INDIVIDUAL IS NOT A PRINCIPAL OFFICER, OR IS NOT DESIGNATED AS AN AUTHORIZED REPRESENTATIVE IN A VALID POWER OF ATTORNEY, THE TAXPAYER UNDERSTANDS AND AGREES THAT CONFIDENTIAL INFORMATION MAY BE DISCLOSED TO THIS INDIVIDUAL.

### Certification

The president, treasurer, or other principal corporate officer must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

**Paid preparers:** Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.