

2016 Amendment to Arizona Form 165PA

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.

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 click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications:

To view or print the department's publications, go to our website and click on *Publications*.

General Instructions

Who May Use Form 165PA-X

Use this form to correct a previously filed Arizona Form 165PA or a previously filed Arizona Form 165PA-X.

Do NOT use this form to report any other changes to your original Form 165 for taxable year 2016. Use Form 165 and check the box labeled "Amended" to file an amended return for all other changes to the partnership's Arizona income tax return for taxable year 2016.

Records

Every partnership should maintain books and records substantiating information reported on the return and keep those documents for inspection. See *Arizona General Tax Ruling (GTR) 96-1* for more information about record retention requirements.

Partnerships passing through the changes in their Arizona adjustments to their partners should complete three copies of Form 165PA, Schedule K-1, or Form 165PA, Schedule K-1(NR) {Notice} for each partner. File a copy of each partner's completed Notice with the partnership's Form 165PA-X. Provide all partners with a copy of their completed Notice. Retain a copy of each completed Notice for the partnership's records.

NOTE: Use Form 165PA Schedule K-1 for all resident and part-year resident individual partners, resident estate partners, and resident trust partners.

Use Form 165PA, Schedule K-1(NR) for all nonresident partners, nonresident estate partners, nonresident trust partners, partnerships that are partners in the partnership, and all corporate partners.

Rounding Dollar Amounts

Partnerships 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.

Interest

The department assesses interest on any portion of the tax, whether determined by the department or the partnership, not paid by the date prescribed for its payment. The department

compounds interest annually and applies it in the same manner and at the same time as prescribed by *Internal Revenue Code IRC § 6621*, except that the Arizona rate of interest for both underpayments and overpayments for all partnerships is the federal underpayment rate under *IRC § 6621(a)(2)*.

On January 1 of each year, any interest outstanding as of that date is added 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: Interest will be assessed from the due date of the original return, Arizona Form 165. Beginning with taxable year 2016, the due date is 15th day of the 3rd month following the close of the taxable year.

Payment of Tax

Make checks payable to the Arizona Department of Revenue. Mail the return and your check to the address on the bottom of Form 165PA-X.

Specific Instructions

For calendar year filers, check the box, "calendar year 2016". For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the partnership has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country's name. Enter the partnership's employer identification number (EIN), which is the partnership's taxpayer identification number (TIN).

All returns, statements, and other documents filed with the department must have the partnership's EIN or TIN indicated on them. Partnerships who fail to include their EIN or TIN may be subject to a penalty.

Paid tax return preparers must include their PTIN where requested. Paid tax return preparers who fail to include their PTIN may be subject to a penalty.

Part 1 – Required Information

Line A –

Check the box corresponding to how the Arizona adjustments were handled on the originally filed Arizona Form 165PA:

- Check box A1 if the tax due to Arizona was paid by the partnership.
- Check box A2 if the Arizona adjustment was passed through to the partners.

Line B –

Enter the date the original Form 165PA, or the previously filed Form 165PA-X, was filed to the department.

Part 2 – Amendment to Previously Filed Arizona Partnership Adjustment

NOTE: Form 165PA-X amends the amounts reported on the originally filed 165PA, or the previously filed 165PA-X. Report all amounts as they should have been submitted on the previously filed return.

Line 1 –

Enter the amended federal adjustment to items of income, or the gain, loss or deduction on which the federal imputed underpayment of the partnership was based. **DO NOT INCLUDE** changes to federal credits.

Line 2 –

Enter the amended positive change in net Arizona additions and subtractions due to the federal adjustments on line 1. (See the **NOTE** box and **EXAMPLES** following line 4 for additional information.)

Line 3 –

Add line 1 and line 2. Enter the total.

Line 4 –

Enter the amended negative change in net Arizona additions and subtractions due to the federal adjustments on line 1 as a positive number. (See the **NOTE** box and **EXAMPLES** below for additional information.)

NOTE: Changes in the additions to, or in the subtractions from, gross income due to the federal imputed underpayment assessment must be reported to Arizona. (See the instructions for Form 165, pp. 4 – 7, for a description of the additions and subtractions to be reported.)

Report only the **net change** to the additions and subtractions resulting from the federal adjustments.

Compute the additions and subtractions as they should have been reported.

- Subtract the “as reported” additions from the corrected additions.
- Subtract the “as reported” subtractions from the corrected subtractions.
- Subtract the net difference in subtractions from the net difference in additions.
 - If the result is a positive number, report that amount on Part 2, line 2.
 - If the result is a negative number, report that amount, as a **positive** number, on Part 2, line 4.

EXAMPLES:

Example #1 –

Partnership Z (Z) received a federal imputed underpayment assessment (audit) indicating adjustments to income of \$45,000 (excluding changes to federal credits). Z filed Arizona 165PA timely to report this amount.

After filing Form 165PA, Z discovers it failed to include changes to the Arizona additions and subtractions made by the audit: \$15,000 of interest income was incorrectly reported as Non AZ Muni Interest. The audit changed this amount to US Interest Income. Z prepares Form 165PA-X to correct its previously filed Form 165PA. As before, Z reports the adjustments to income of \$45,000 on Part 2, line 1 of Form 165PA-X.

Using a separate worksheet, Z makes the following changes to its previously reported Arizona taxable income to be reported on Form 165PA-X:

- Z reduces its “As Reported” Non AZ Muni Interest Income by \$15,000
- Z increases its “As Reported” US Interest Income by \$15,000

| | Corrected | As Reported | Net Change |
|---|----------------|----------------|-----------------|
| Additions: | | | |
| Federal Depreciation | 50,000 | 50,000 | - |
| Non AZ Muni Interest | 100,000 | 115,000 | (15,000) |
| AZ Basis Adjustment | 25,000 | 25,000 | - |
| A Total Additions | 175,000 | 190,000 | (15,000) |
| Subtractions: | | | |
| AZ Re-Calculated Depreciation | 65,000 | 65,000 | - |
| US Interest | 95,000 | 80,000 | 15,000 |
| B Total Subtractions | 160,000 | 145,000 | 15,000 |
| C Net Additions (Subtractions) {A - B = C} | 15,000 | 45,000 | (30,000) |

The change in net Arizona additions and subtractions is a negative \$30,000 (-\$15,000 - \$15,000). Z reports the net negative change as a **positive** number on Part 2, line 4 of Form 165PA-X.

Example #2 –

Partnership S (S) received a federal imputed underpayment assessment (audit) indicating adjustments to income of \$150,000 (there were no changes to federal credits). S filed Arizona 165PA timely to report this amount.

After filing Form 165PA, S discovers it failed to include changes to the Arizona additions and subtractions made by the audit: \$25,000 of interest income was incorrectly reported as US Interest Income. The audit changed it to Non Arizona Municipal Interest Income. S prepares Form 165PA-X to correct its previously filed Form 165PA. As before, S reports the adjustment to income of \$150,000 on Part 2, line 1 of Form 165PA-X.

Using a separate worksheet, S makes the following changes to its previously reported Arizona taxable income to be reported on Form 165PA-X:

- S increases its Non Arizona Muni Interest Income by \$25,000
- S decreases its US Interest Income by \$25,000

| | Corrected | As Reported | Net Change |
|---|-----------------|-----------------|-----------------|
| Additions: | | | |
| Federal Depreciation | 50,000 | 50,000 | - |
| Non AZ Muni Interest | 90,000 | 65,000 | 25,000 |
| A Total Additions | 140,000 | 115,000 | 25,000 |
| | | | |
| Subtractions: | | | |
| AZ Re-Calculated Depreciation | 65,000 | 65,000 | - |
| US Interest | 90,000 | 115,000 | (25,000) |
| B Total Subtractions | 155,000 | 180,000 | (25,000) |
| | | | |
| C Net Additions (Subtractions) {A - B = C} | (15,000) | (65,000) | 50,000 |

The change in net Arizona additions and subtractions is a positive \$50,000 [\$25,000 – (-\$25,000)]. S reports the net positive change on Part 2, line 2 of Form 165PA-X

Line 5 –

Subtract line 4 from line 3. Enter the difference. This is the partnership's amended net adjustment to items of income, gain, loss or deduction of the partnership – the "Amended Arizona Partnership Adjustment".

Part 3 – Amendment to Tax Liability Paid by the Partnership

Complete Part 3 only if box A1 is checked. The previous Arizona tax due was paid by the partnership.

Line 6 –

Amended Arizona partnership adjustment.

- If the amount from Part 2, line 5 is greater than or equal to zero, enter the amount from Part 2 line 5 here. Continue to line 7.
- If the amount from Part 2, line 5 is less than zero, enter zero ("0"). Skip to line 12 and enter zero ("0"). Also, report the amount on Part 2, line 5 to the partners

Line 7 –

Enter the nonapportionable or allocable amount(s) included in line 6.

NOTE: *Apportionable income, or "Business income", under the transactional and functional tests means income arising from transactions and activity in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Refer to Arizona Revised Statutes (A.R.S.) § 43-1131(1).*

Nonapportionable income, or "Nonbusiness income", means all income other than business income. Refer to A.R.S. § 43-1131(4).

Nonbusiness income is nonapportionable and specifically allocable to a particular state.

Line 8 –

Subtract line 7 from line 6. Enter the difference. This is the amount subject to apportionment.

Line 9 –

Enter the partnership's Arizona apportionment ratio.

NOTE: See the instructions for Form 165, pages 7 through 10, for information on calculating the partnership's Arizona apportionment ratio.

Generally, this will be the Arizona apportionment ratio from the partnership's originally filed Form 165, Schedule C, line C5. However, changes resulting from the federal audit may affect the partnership's apportionment ratio. If the apportionment ratio is modified, enter the corrected apportionment ratio here. Include a schedule detailing the changes with your return.

NOTE: Do not include apportionment factors generating nonapportionable or non-taxable income in the calculation of the apportionment ratio.

Line 10 –

Multiply the amount on line 8 by the ratio on line 9. Enter the result.

Line 11 –

Enter the portion of line 7 allocated to Arizona. See the **NOTE** box following the instructions for line 7 for information about allocating income to Arizona.

Line 12 –

Add line 10 and line 11. Enter the total. If the total is less than zero, enter zero ("0").

Line 13 –

Multiply the amount on line 12 by the tax rate, 4.54%. Enter the result.

Line 14 –

Enter the amount of tax previously paid by the partnership from the originally submitted Form 165PA, Part 3, line 13, or from a previously submitted Form 165PA-X, Part 3, line 13 or Part 4, line 26.

Line 15 –

If line 14 is greater than line 13, subtract line 13 from line 14. Enter the difference. This is the amount of tax overpaid by the partnership. Also, enter this amount on Part 5, line 27.

Line 16 –

If line 13 is greater than line 14, subtract line 14 from line 13. Enter the difference. This is the amount of tax owed by the partnership. Also, enter this amount on Part 5, line 28.

Part 4 – Amendment to the Arizona Partnership Adjustment Previously Passed Through to the Partners on Form 165PA, Schedule K-1, or Form 165PA, Schedule K-1(NR)

Complete Part 4 only if box A2 is checked. The previous Arizona partnership adjustment was passed through to the partners.

Line 17 –

Enter the amount from Part 2, line 5.

Line 18 –

Enter the net Arizona partnership adjustment from Part 2, line 5 of the originally filed Arizona Form 165PA or from Part 2, line 5 of the previously submitted Arizona Form 165PA-X.

Line 19 –

Subtract line 18 from line 17. Enter the difference. If the difference is less than zero, enter zero ("0") and report the amount on line 17 to the partners on an amended Form 165PA, Schedule K-1 or Form 165PA, Schedule K-1(NR). Also, skip to line 28 and enter zero ("0").

Line 20 –

Enter the nonapportionable or allocable amounts included on line 19.

See the **NOTE** box following the instructions for line 7 for information about nonapportionable or allocable amounts of income.

Line 21 –

Subtract line 20 from line 19. Enter the difference. This is the amount subject to apportionment.

Line 22 –

Enter the partnership's Arizona apportionment ratio.

See the **NOTE** box following the instructions for Part 3, line 9 for information about calculating Arizona's apportionment ratio.

Line 23 –

Multiply the amount on line 21 by the ratio on line 22. Enter the result.

Line 24 –

Enter the portion of line 20 allocated to Arizona. See the **NOTE** box following the instructions for Part 3, line 7 for information about allocating income to Arizona.

Line 25 –

Add line 23 and line 24. Enter the total. If the total is less than zero, enter zero ("0").

Line 26 –

Multiply the amount on line 25 by the tax rate, 4.54%. Enter the result. **This is the amount of additional Arizona tax owed by the partnership.**

Part 5– Summary of Amended Tax Liability**Line 27 – Refund**

Enter the amount from Part 3, line 15. **This is the refund to the partnership.**

Line 28 –Tax Due

Enter the amount from Part 3, line 16, or from Part 4, line 26.

Line 29 – Interest

Enter the amount of interest owed. ***Interest is calculated on the amount shown on line 28 at the prevailing (federal interest) rate.*** The interest period is from the due date of the original Form 165 to the payment date. (See *Interest* on page 1 of these instructions for more information.)

NOTE: *You may choose not to calculate any interest owed. If you do not calculate the interest owed, the department will calculate it and bill you for it.*

Line 30 – Total Due from the Partnership

Add line 28 and line 29. Enter the total. ***This is the total due from the partnership.***

Make checks payable to the Arizona Department of Revenue. Include your EIN on the front of the check. Include your check with the return.

Part 6 – Explanation of Changes to the Previously Filed Form 165PA or Form 165PA-X

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled “*Part 6 – Explanation of Changes*” and include the schedule with this Form 165PA-X. Include any necessary supporting documentation with the return.

Part 7 – Certification

One of the partners 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). Enter the paid preparer’s PTIN.