

2017 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.

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

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 Form 120A

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

A corporation may use 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*** 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

Under the provisions of the Arizona Limited Liability Company Act, a limited liability company (LLC) is classified as a partnership, or as a corporation, or as a disregarded entity as determined under the Internal Revenue Code (IRC) as defined in Arizona Revised Statutes (A.R.S) § 43-105. An LLC would file a return appropriate to its classification as a partnership, corporation, or a branch or division of its owner. Refer to the department's ruling, CTR 97-2, *Limited Liability Companies*.

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 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 may file Arizona Form 99.

Taxable Year Covered by 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.

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.

Treatment of Installment Obligations When Corporate Activities Cease

A corporation may elect to report income from the sale or other disposition of property on the installment method. If the corporation fails to report the entire amount from the sale before it ceases to be subject to Arizona corporate income tax, it must report the remaining income in the last year in which it is subject to corporate income tax.

This provision does not apply if a reorganization transfers the installment obligation to another taxpayer subject to Arizona tax. The transferee may not use its capital losses to offset income from the installment obligation transferred to it.

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.

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.
- **The department may grant an extension request for a maximum of six months.**
- The extension request can be made by filing an Arizona extension request, Form 120EXT.
- The department will also accept a valid federal extension for the same period of time covered by the federal extension. The length of time for an automatic federal extension for C corporations is:
 - **Seven months** for taxable (fiscal) year end dates of **June 30.**
 - **June 30 Fiscal Year Filer – Federal Extension**
Company Y, a June 30 fiscal year end taxpayer, requested a federal extension for its taxable year ending 06/30/2018. The federal extension will extend its Arizona due date of October 15, 2018, to May 15, 2019. (*A period of 7 months.*)
 - **June 30 Fiscal Year Filer – Arizona Extension**
The same taxpayer, Company Y, requested an Arizona extension for its taxable year ending 06/30/2018. The Arizona extension will extend its Arizona due date of October 15, 2018, to April 15, 2019. (*A period of 6 months.*)
 - **Six months** for all other taxable (calendar or fiscal) year end dates. The extended due date will be the same for the federal extension and the Arizona extension.
- If the original return is filed under extension, do not include a copy of the extension with your return.
 - If the return is filed under a **FEDERAL extension**, check **box 82F** on page 1 of the return
 - If the return is filed under an **ARIZONA extension**, do **NOT** check box 82F on page 1 of the return.
- Arizona Form 120EXT must be used to transmit extension payments by check or money order regardless of how you request an Arizona extension (valid federal extension or Form 120EXT). If you made extension payments over the Internet, you are not required to file Form 120EXT unless you are requesting an Arizona filing extension.
- The Arizona extension and the federal extension provide an extension of time to file, 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.
- Mail the extension request to the address shown on the form.

Timely filing of returns:

- 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.*

Filing Original Returns:

- Returns are due by the 15th day of the fourth month following the close of the taxable year.
- 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 **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.
- 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.*
- 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.
- Mail the return to the address shown on the form.

Filing Amended Returns:

- Any taxpayer who files an amended return with the IRS *must* file an Arizona amended return on 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 the amended return to the address shown on the form.

NOTE: *File amended returns for prior taxable years on the respective Form 120X for those taxable years. Use the 2017 Form 120X to amend only the taxable year 2017.*

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

Estimated Tax Payments for 2018

Corporations expecting an Arizona income tax liability for the 2018 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 15th day of the 4th, 6th, 9th, and 12th 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 Form 120W to compute the amount of the estimated payment(s) for 2018 and to compute the required installments.

Complete Form 120ES to make payments by check or money order. (If payments are made electronically, do NOT submit Form 120ES.)

Is the corporation subject to the Estimated Underpayment Penalty for the 2017 taxable year?

See the instructions for Form 220.

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)

Penalties and Interest

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.*

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

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. 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.

NOTE: *The Arizona rate of interest for both underpayments and overpayments for all taxpayers is the federal underpayment rate.*

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.

E. 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 Form 220 for further details.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. 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), which is its taxpayer identification number (TIN).

NOTE:

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.
- Paid tax return preparers must include their TIN where requested.
- The TIN for a paid tax return preparer is:
 - The preparer's PTIN
 - The preparer's SSN
 - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

Box 68

- If this is the taxpayer's first return filed to Arizona, check the box "This is a first return."
- If the taxpayer changed its name during the tax year, check the box, "Name change."
- If the taxpayer changed its address during the tax years, check the box, "Address change."

Box 82F

- If the return is filed under **FEDERAL extension**, check box 82F on page 1 of the return
- If the return is filed under an **ARIZONA extension**, do NOT check box 82F on page 1 of the return.

See the examples in "Extension of Time to File a Return" of these instructions to determine the extended due date of a return filed using a federal extension, or an Arizona 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, "Dissolved," "Withdrawn," or "Merged/Reorganized" to indicate the reason for this being the final Arizona tax return. If there is a successor corporation, indicate the EIN of the successor corporation in the space provided.
 - If no, leave this line 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 A8. See instructions for Schedule A.

Line 4 - Subtractions from Taxable Income

Enter total adjustments from page 2, Schedule B, line B11. See instructions 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 may apply those losses against current Arizona income. The net operating loss carryover for taxable years beginning before December 31, 2011, was five years. Taxable year 2016 was the last year a taxpayer could use a net operating loss from taxable year 2011.

For net operating losses that arise in taxable years beginning after December 31, 2011, the carryover period is 20 succeeding taxable years. Be sure to maintain records long enough to substantiate the subtraction in the taxable year taken.

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

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 Form 300, Part 2, line 31.

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 Form 300, Part 2, line 56. This amount cannot be greater than the amount on line 10.

• Enterprise Zone Credit

The enterprise zone credit has been repealed. The repeal did not affect carryovers of properly established credits. Complete Form 304 to claim carryovers established in prior years.

- **Environmental Technology Facility Credit**
This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility. Complete Form 305 to claim this tax credit.
- **Military Reuse Zone Credit**
This tax credit is for net increases in employment of full-time employees working in a military reuse zone established under Arizona law. Complete Form 306 to claim this 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. Be sure to enter only the nonrefundable portion of this credit on line 11. Complete 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 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 Form 318 to claim this tax credit.
- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**
This tax credit is for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. Complete Form 319 to claim this tax credit.
- **Credit for Employment of TANF Recipients**
This tax credit is for net increases in qualified employment of Arizona resident recipients of the federal Temporary Assistance for Needy Families. Complete Form 320 to claim this tax credit.
- **Agricultural Pollution Control Equipment Credit**
This tax credit is for expenses incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's business in Arizona to control or prevent agricultural pollution. Complete Form 325 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 Form 331 to claim this tax credit.
- **Credits for Healthy Forest Enterprises**
These tax credits are for net increases in qualified employment positions in a healthy forest enterprise, and for net training and certifying costs. Complete Form 332 to claim these tax credits.
- **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 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 Form 335 to claim this tax credit.
- **Credit for Solar Energy Devices - Commercial and Industrial Applications**
This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. Complete Form 336 to claim 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 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 Form 343 to claim this tax credit.
- **Solar Liquid Fuel Credit**
This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers that:
 - Had increased research and development activities in Arizona related to solar liquid fuel.
 - Produced solar liquid fuel in Arizona in commercial quantities.
 - Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
 - Complete Form 344 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 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 Form 346 to claim this tax credit.

• Credit for Qualified Health Insurance Plans

The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Complete Form 347 to claim this carry-forward tax credit.

• Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and 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 manufacturing or for International Operations Centers. Complete Form 351 to claim this tax credit.

Complete the appropriate credit forms for each credit. Include the completed credit forms and 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.

Nonrefundable Income Tax Credit	Form
Enterprise Zone Credit	304
Environmental Technology Facility Credit	305
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
Agricultural Pollution Control Equipment Credit	325
Credit for Donation of School Site	331
Credits for Healthy Forest Enterprises	332
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

Nonrefundable Income Tax Credit	Form
Renewable Energy Production Tax Credit	343
Solar Liquid Fuel Credit	344
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Qualified Health Insurance Plans	347
Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers	351

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, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the 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 Form 308 with your return. Enter the amount from Form 308, Part 7, line 45.

Credit for Renewable Energy Industry

This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal annual 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 Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 15.

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 Form 349 with your tax return to claim this credit. Enter the amount from 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 Form 308, Part 7, line 45.	
2. Enter the apportioned credit from Form 342, Part 6, line 15.	
3. Enter the apportioned credit from Form 349, Part 8, line 20.	

4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120A, line 14.	
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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 15 - Extension Payment

Enter the amount of the extension payment made by check or money order with Form 120EXT or made over the Internet at www.AZTaxes.gov.

Line 16 - Estimated Tax Payments and Claim of Right

- a. Enter the total amount of estimated tax payments made during the taxable year (including the application of any overpayment from the prior taxable year).
- b. 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.
- c. 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 3 of these instructions.

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

Line 21 - Estimated Tax Underpayment Penalty

The taxpayer does not have to complete Form 220, *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 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, paid in four equal installments.

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 Form 220, 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 Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box 21A.

See the instructions for Form 220 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. Payments can be made by check, e-check, money order, or credit card.

Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return. Payments can be made by check, e-check, money order, or credit card. Visit www.AZTaxes.gov to register and make payments over the Internet.

Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Corporate taxpayers must be registered with the department before they can pay taxes online. Visit www.AZTaxes.gov to register and make payments over the Internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Visit www.AZTaxes.gov and choose the e-check option. 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. If 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.

Credit card payment

Payments can be made by American Express, Discover, MasterCard or Visa credit cards. Visit www.AZTaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

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 2018 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 A7 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, 244, and 245.

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 on line A6 the following additions to federal taxable income that are related to Arizona tax credits. Include a schedule detailing these additions.

A. Environmental Technology Facility Credit

- **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the taxpayer claimed on Form 305 in a current or prior year.

- **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the taxpayer claimed a tax credit claimed on Form 305 in a prior year was sold or otherwise disposed of during the taxable year.

B. 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 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 Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

C. 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 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 a tax credit is claimed.

D. Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets

Enter the amount of expenses deducted in computing federal taxable income for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the taxpayer claimed a tax credit on Form 319.

E. Credit for Employment of TANF Recipients

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

F. Agricultural Pollution Control Equipment 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 Form 325 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 Form 325 in a prior year was sold or otherwise disposed of during the taxable year.

G. Credit for Donation of School Site

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

H. 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 Form 335.

I. 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 Form 341.

Line A7 - Other Additions to Federal Taxable Income

Enter on line A7 the following "other additions" to federal taxable income. Include a schedule detailing these additions.

A. Partnership Income Adjustment (Positive)

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 A7.

If the amounts on Form 165 Schedule K-1(NR), line 17, are negative, enter the amount from column (a) on Schedule B, Line B9. See the instructions for Section B, line B9 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 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. 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.

F. Exclusion of Deduction for Original Issue Discount

Enter the amount of the federally deferred original issue discount previously taken as a deduction for Arizona as a result of Arizona not adopting the provisions of the federal American Recovery and Reinvestment Act of 2009. The taxpayer is required to add back this amount to prevent taking the deduction twice.

G. Domestic International Sales Corporations

Enter commissions, rentals, and other amounts paid or accrued to a Domestic International Sales Corporation (DISC) controlled by the payor 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 payor corporation.

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

Schedule B - Subtractions from Taxable Income

On lines B1 through B9 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 payor corporation by the recipient corporation. Dividends shall have the meaning provided in IRC § 316.

Line B4 - Foreign Dividend Gross-up

Enter IRC § 78 ("gross-up") dividends.

Line B5 - Dividends from Foreign Corporations

Enter the dividend income received from foreign corporations, as defined in A.R.S. § 43-1101(5).

Line B6 - Interest on U.S. Obligations

Enter the interest on U.S. obligations not taxed by Arizona, but subject to federal tax. (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, for information on how to determine if the contribution qualifies for the subtraction.

Line B8 - Expenses Related to Certain Federal Tax Credits

Enter the amount of wages or salaries paid or incurred by the taxpayer for the taxable year not deducted in the computation of 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.

Line B9 - Other Subtractions from Federal Taxable Income

Enter on line B9 the following "other subtractions" from federal taxable income. Include a schedule detailing these subtractions.

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. Partnership Income Adjustment – Negative

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 B9. 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 B9 as a positive number.

If the amounts on Form 165 K-1(NR), line 17 are positive, enter the amount from column (a) on Schedule A, Line A7. See the instructions for Schedule A, line A7 on page 9 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 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 A7, item B [refer to A.R.S. § 43-1121(15)]. 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 A7, item B, and line B9, 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 Form 165. The adjustment to Arizona basis from 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. Deferred Deduction for Original Issue Discount

Enter the subtraction to income resulting from Arizona not adopting the federal deferral of deduction for original issue discount issued in debt-for-debt exchanges elected by the taxpayer under IRC § 108(i). In those years when the IRC permits this deduction, "other additions" will include an addition to income to prevent the taxpayer from taking the deduction twice.

K. Inclusion of Discharge of Indebtedness Income

If the taxpayer included the discharge of indebtedness income in Arizona income in the year deferred federally (2009 or 2010), then when the income is included federally, the taxpayer is allowed a subtraction to avoid the income being taxed twice. Enter the amount of the federal inclusion.

L. 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.

Schedule C - Additional Information

Complete lines C1 through C6. 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. 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 in a valid power of attorney. 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.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the preparer's name and address, if self-employed). Enter the preparer's PTIN, TIN, which is the firm's EIN, or the individual preparer's SSN.