
2012 CORPORATE INCOME TAX HIGHLIGHTS

ENTERPRISE ZONE CREDIT REPEALED - Former ARS §§ 43-1074 and 43-1161 were repealed effective June 30, 2011. Taxpayers located in a former enterprise zone that hired employees before July 1, 2011, may qualify to claim second or third year tax credits for tax year 2012. Previously established credits may be carried forward for up to five consecutive taxable years. Reporting to the Arizona Commerce Authority is required. See Form 304 for details.

NEW ADDITIONAL CREDIT FOR INCREASED RESEARCH ACTIVITIES - A taxpayer that makes basic research payments to a university under the jurisdiction of the Arizona Board of Regents may qualify for this tax credit. The credit is 10% of basic research payments that exceed a base period amount. A credit may be claimed on both Form 346 and Form 308 for corporations or Form 308-I for individuals for the same basic research payments. See Form 346 for details.

CREDIT FOR HEALTHY FOREST ENTERPRISES EXPANDED AND EXTENDED; NEW CREDIT FOR ECOLOGICAL RESTORATION WORKFORCE TRAINING - The credit for healthy forest enterprises has been extended through tax year 2024. The credit previously required a minimum of three new hires to claim the credit. That minimum has been eliminated for healthy forest enterprises that obtain a sixty-month certification through the Arizona Commerce Authority. A new credit for net training expenses is also available to healthy forest enterprises. See revised Form 332 for details.

NEW CREDIT FOR QUALIFIED HEALTH INSURANCE PLANS - This tax credit is for employers that provide qualified health insurance plans or contribute to health savings accounts for its employees who are Arizona residents. See Form 347 for details.

LONGER CARRYFORWARD PERIOD FOR NET OPERATING LOSSES ARISING IN TAX YEAR 2012 AND LATER - HB 2815 extended the carryforward period for an Arizona net operating loss (NOL) established in taxable years beginning from and after December 31, 2011. Arizona NOLs that are established in tax years 2012 and later can be carried forward for up to 20 consecutive taxable years. Arizona NOLs established in tax years 2011 and prior can be carried forward for up to 5 consecutive taxable years. Taxpayers must keep records long enough to substantiate the subtraction in a later tax year.

NONPROFIT MEDICAL MARIJUANA DISPENSARY - The Department of Health Services allocated 97 dispensary registration certificates in August 2012. Various tax forms have been revised to accommodate the filing of tax returns by a nonprofit medical marijuana dispensary (NMMD). Proposition 203 (2010) provided for an exemption from the Arizona corporate income tax for the NMMD entity itself, but not for any resulting flow through to a partner or S corporation shareholder. A NMMD must file revised Form 99, if it meets the filing requirements. NMMDs that are organized or taxed as either an S corporation or a partnership must also file Arizona Form 120S or Arizona Form 165, respectively, in addition to filing Arizona Form 99, to meet statutory requirements. See the respective forms and instructions for more details.

NEW FILING REQUIREMENT FOR EXEMPT ORGANIZATIONS - HB 2212 changed the filing requirement for exempt organizations. For taxable years ending before August 2, 2012, a nonprofit is required to file an Arizona return if its gross income exceeds \$25,000. For taxable years ending after August 2, 2012, a nonprofit is required to file an Arizona return only if its gross receipts exceed \$50,000. "Gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses in accordance with ARS § 43-1242(D). See the Exempt Organization Information Sheet or Arizona Form 99, for more details.