2013 CORPORATE INCOME TAX HIGHLIGHTS

NEW CREDIT FOR QUALIFIED FACILITIES - A taxpayer that expands or locates a qualified facility in Arizona may qualify for an income tax credit that is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. See Arizona Form 349 for details.

IRC § 179 CONFORMITY FOR TAXABLE YEARS BEGINNING FROM AND AFTER JANUARY 1, 2013 – Laws 2013, Chapter 256, Section 1, (HB 2531) eliminated the addition for IRC § 179 expense for amounts in excess of $25,000 for taxable years beginning from and after January 1, 2013. The related subtraction is allowed for taxable years beginning prior to January 1, 2013. All affected forms have been updated.

SUBTRACTION FOR NET LONG-TERM CAPITAL GAINS FROM ASSETS ACQUIRED AFTER DECEMBER 31, 2011 AVAILABLE TO INDIVIDUALS, TRUSTS, AND ESTATES - Beginning in 2013, Arizona law (Laws 2012, Chapter 343) allows a subtraction of a percentage of any net long-term capital gain included in Arizona gross income of individuals, estates or trusts, for assets acquired after December 31, 2011. Laws 2013, Ch 114, clarified that assets acquired through gift or at the death of a transferor will be considered “acquired” when the asset was acquired by the transferor. If the date cannot be verified, then no subtraction is allowed. A worksheet is provided in the tax form instructions for partnerships and S corporations so they may report this information to their partners or shareholders. New Arizona Form 120S, Schedule K-1, was developed to assist S corporations in reporting this information to resident shareholders.

2013 IS FINAL YEAR TO ESTABLISH THIRD YEAR ENTERPRISE ZONE CREDIT - Former A.R.S. §§ 43-1074 and 43-1161 were repealed effective June 30, 2011.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 third year tax credits for tax year 2013. Previously established credits may be carried forward for up to five consecutive taxable years. See Arizona Form 304 for details.

NEW FILING REQUIREMENT FOR EXEMPT ORGANIZATIONS – Laws 2012, Chapter 71 (HB 2212) changed the filing requirement for exempt organizations. For taxable years ending after August 2, 2012, an exempt organization 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 A.R.S. § 43-1242(D). See the Exempt Organization Information Sheet or Arizona Form 99, for more details.

TAX RATE AND VARIOUS APPORTIONMENT CHANGES FOR TAX YEAR 2014 - Several legislative changes are scheduled to be effective for tax year 2014. These changes may be affected by future legislation. Laws 2011, 2nd Special Session, Chapter 1, Section 105, lowers the corporate tax rate from 6.968% to 6.5%.

Changes to the calculation of the sales factor of the apportionment ratio are scheduled to be available for tax year 2014.

(1) Laws 2011, 2nd Special Session, Chapter 1, Section 106, allows all non-air carrier taxpayers to select an enhanced apportionment ratio where the sales factor is weighted at 85% and the property and payroll factors are each weighted at 7.5%

(2) Laws 2012, Chapter 2, Section 1, provides a binding election for a multistate service provider, as defined, to determine sales of services by the sum of 85% of the market sales and 15% of income producing activity sales.

(3) Laws 2013, Chapter 236, Section 10, expands the definition of a multistate service provider to include a qualifying regionally accredited institution of higher education.