

ARIZONA DEPARTMENT OF REVENUE

ARIZONA CORPORATE TAX RULING

CTR 93-3

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ISSUE:

Can an Arizona taxpayer claim additional depreciation expense based on the unreduced basis of depreciable property when federal depreciation is based on the reduced basis of the property due to claiming a federal investment tax credit?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-1101 provides that Arizona taxable income is federal taxable income as adjusted by the modifications in A.R.S. §§ 43-1121 and 1122.

A.R.S. § 43-1122 provides a specific list of subtractions which are allowable in adjusting federal taxable income to Arizona taxable income.

Internal Revenue Code § 48(q) requires the basis of qualifying investment tax credit property to be reduced by 50 percent of the amount of the credit.

Arizona State Tax Commission v. Kieckhefer, 67 Ariz. 102, 191 P.2d 729 (1948). The court held that a right to a deduction does not exist in the absence of statutory authorization and a deduction will not be allowed for items not within the terms of the statute.

DISCUSSION:

A.R.S. § 43-1122 provides the only allowable subtractions from federal taxable income to arrive at Arizona taxable income. There is no provision within A.R.S. § 43-1122 to allow a subtraction for additional depreciation expenses based on the original basis of depreciable property rather than the reduced basis required when an investment tax credit is claimed for federal tax purposes.

Therefore, there is no statutory authority to allow a subtraction of depreciation expenses not allowed as a deduction on the federal return since a deduction is allowable only when specifically authorized by statute.

RULING:

Depreciation expenses which are not allowed as a deduction on the federal return may not be claimed as a subtraction in arriving at Arizona taxable income.

Harold Scott, Acting Director
Signed March 29, 1993

Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.