

2006 Amended Corporation Income Tax Return

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Phoenix	(602) 255-3381
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General Instructions

Use of 2006 Form 120X

Use the 2006 form to amend only the 2006 Form 120 or Form 120A, as originally filed, or as it was later adjusted by an amended return, Department of Revenue correction notice, or an audit, whichever is latest.

File an amended return for a prior taxable year on the Form 120X for that taxable year. Do not use the 2006 Form 120X to file an amended return for a prior taxable year. If an amended return is filed for a taxable year prior to 1999, attach a copy of the original Arizona return.

When to File Form 120X

The Form 120X may be filed only after the taxpayer has filed its original tax return (Form 120 or Form 120A) for the taxable year 2006. Generally, Form 120X must be filed within four years after the date the original return was due or after the date that the taxpayer filed it, whichever was later.

Reporting of Federal Amended Return Changes or Finalized Revenue Agent Report (RAR)

A taxpayer who files an amended return with the Internal Revenue Service must file an Arizona amended return within 90 days.

The taxpayer must report changes or corrections of the taxpayer's taxable income by the Internal Revenue Service or as the result of renegotiation of a contract or subcontract with the United States to the department. The taxpayer must, within 90 days after the final determination of the change or correction, either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The department may require the taxpayer to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

Consolidated Return Election

The common parent of an affiliated group of corporations that files a federal consolidated return may elect to file an Arizona consolidated return. The common parent must make the election by the due date, including extensions, for filing the original return. A taxpayer may file the 2006 Form 120X to change its method of filing to consolidated for the taxable year 2006 only if the 2006 Form 120X is filed by the due date, including extensions, of the taxpayer's 2006 Form 120.

Refer to the 2006 Form 120 instructions for further information regarding requirements for the election to file on a consolidated basis.

Required Attachments to Form 120X

Attach any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s).

CHANGING THE ARIZONA APPORTIONMENT RATIO (FOR AIR CARRIERS)? Attach Schedule ACA.

REPORTING FEDERAL AMENDED RETURN CHANGES? Attach a copy of the amended return with all applicable schedules.

REPORTING FINALIZED RAR CHANGES? Attach a copy of the RAR with all applicable schedules.

CHANGING THE ARIZONA METHOD OF FILING (INFORMATION QUESTION C)? Complete Form 51, *Combined or Consolidated Return Affiliation Schedule*, according to the Form 51 instructions and attach it to Form 120X.

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.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. If this is a consolidated return, enter the common parent corporation's name and address. The name for a consolidated return should include the phrase "and affiliates." If this is a combined return, enter the name and address of the corporation under which the group is filing. The name for the combined return should include either the phrase "and unitary affiliates" or "and unitary subsidiaries," whichever is applicable.

Information question A: If the correct box WAS NOT CHECKED on the 2006 Form 120, information question B, indicate the correct method of filing by checking the appropriate box. Explain the correction on the 2006 Form 120X Schedule E.

If the correct box WAS CHECKED on the 2006 Form 120, information question B: (i) do not check any boxes for information question A and (ii) answer information question C if the Form 120X is being filed to change the Arizona method of filing.

Information question B: Check the Arizona adjustments only box if the amended return is being filed to report only state changes. State change examples: apportionment ratio; additions to or subtractions from federal taxable income.

Information question C: If this amended return is filed to change the Arizona method of filing, check the appropriate box. Complete the Form 120X Schedule E to explain the changes. Attach a completed Form 51 to Form 120X.

Indicate the period covered by the taxable year, and whether the taxable year is a calendar year or a fiscal year.

Enter the corporation's employer identification number, which is the taxpayer identification number (TIN). If this is a consolidated return, enter the TIN of the common parent corporation. If this is a combined return, enter the TIN of the corporation under which the group is filing.

Enter the corporation's Arizona transaction privilege tax number.

- If this is a consolidated return, enter the common parent corporation's Arizona transaction privilege tax number. If the common parent does not have an Arizona transaction privilege tax number, leave the box blank.
- If this is a combined return, enter the Arizona transaction privilege tax number of the corporation under which the group is filing. If this corporation does not have an Arizona transaction privilege tax number, leave the box blank.

All returns, statements, and other documents filed with the department require a TIN. Taxpayers that fail to include their 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 individual's social security number or preparer identification number or the employer identification number of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

Lines 1 through 20 and lines 22 through 24 -

NOTE: Columns (a) and (c) must be completed for each line whether or not a change has been made to a particular line. Enter an amount in column (b) only if a change has been made for a particular line.

- **Column (a):** Enter the amounts as shown on the original return or as adjusted by any prior audit, amended return, or Department of Revenue correction notice.
- **Column (b):** Enter the amount(s) of any change(s). Attach any schedules, forms, and/or statements which are necessary to fully explain and substantiate the change(s). The amounts entered in column (b) should be the net increase or net decrease for each line that has been changed. Bracket all decreases entered in column (b).
- **Column (c):** Add the increase in column (b) to the amount in column (a) or subtract the decrease in column (b) from column (a). Enter the result here. If the line has not been changed, enter the amount from column (a) in column (c).

Line 9 - Apportionment Ratio (Multistate Taxpayers Only)

If the apportionment ratio is being amended, enter the amended apportionment ratio in column (c) from page 2, Schedule C, line C5 or from Schedule ACA, line 3. If the apportionment ratio is not being amended, enter the apportionment ratio from the 2006 Form 120, page 1, line 9, or as adjusted by any prior audit or amended return, whichever is latest. The taxpayer must carry out the ratio on line 9 to six places.

Refer to the Schedule ACA or Schedule C instructions for more information. Do not enter an amount on page 1, line 9, before reading the Schedule ACA or Schedule C instructions.

Line 16 - Arizona Tax

Multiply Arizona taxable income [line 15(c)] by 6.968 percent. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. See A.R.S. § 43-1111.

Combined or consolidated returns - a unitary group or an Arizona affiliated group is considered a single taxpayer. The minimum tax is imposed on the single taxpayer rather than on each corporation within the group.

Line 17 - Tax from Recapture of Tax Credits

Enter the amount of tax due from recapture tax credits from Form 300, Part II, line 24.

Line 18 - Subtotal

Add lines 16 and 17. This is the amount of tax to which the Clean Elections Fund tax reduction and the total amount of tax credits claimed by the taxpayer may be applied.

Line 20 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from the Form 300, Part II, line 45. This amount cannot be larger than the amount on line 18 less the amount on line 19. Do not include the refundable remainder of the retroactive consolidated election tax credit on this line.

- **Defense Contracting Credits.** There are two tax credits for qualified defense contractors. Qualified defense contractors may claim a credit for net increases in employment positions under United States Department of Defense contracts and in private commercial employment positions. There is also a credit for property taxes paid by a qualified defense contractor. Complete Form 302 to claim these credits.
- **Enterprise Zone Credit.** Taxpayers located in an enterprise zone may claim a tax credit for net increases in qualified employment positions. Complete Form 304 to claim this credit.
- **Environmental Technology Facility Credit.** This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02. Complete Form 305 to claim this 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 credit.

- **Credit for Increased Research Activities.** This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. The credit applies to taxable years beginning from and after December 31, 2000. Complete Form 308 to claim this 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 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 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 credit.
- **Credit for Employment of TANF Recipients.** This tax credit is for net increases in qualified employment for recipients of the temporary assistance for needy families (TANF) who are residents of Arizona. Complete Form 320 to claim this 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 pollution. Complete Form 325 to claim this credit.
- **Neighborhood Electric Vehicle (NEV) Credit.** Taxpayers may claim carryovers of unused tax credits from taxable years 2000 and/or 2001 on this line. Complete Form 328 to claim this credit.
- **Credit for Donation of School Site.** This new 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. The credit applies to taxable years beginning from and after December 31, 2000. Complete Form 331 to claim this tax credit.
- **Credit for Healthy Forest Enterprises.** You may qualify for this credit if you had net increases in

qualified employment positions as a healthy forest enterprise. Use Form 332 to claim this tax credit.

- **Credit for Employing National Guard Members.** This credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Use Form 333 to claim this tax credit.
- **Credit for Motion Picture Production Costs** This transferable credit is for motion picture production companies that produce motion pictures completely or partially in Arizona. Use Form 334 to claim this 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. Use Form 335 to claim this credit.
- **Credit for Solar Energy Devices for Commercial or Industrial Applications.** This credit is available to taxpayers that install solar energy devices for commercial or industrial purposes in the taxpayer's trade or business located in Arizona. Use Form 336 to figure this credit.

Complete the appropriate credit forms for each credit. Attach the completed credit forms to the Form 120X with the Form 300, whether or not the amount claimed on line 20 has been changed.

Line 21 - Credit Type

Indicate which tax credits were claimed on line 20 by writing the applicable form number(s) in the space provided. Complete this line whether or not the amount of tax credits claimed on line 20 has been changed.

Nonrefundable Income Tax Credit	Form
Defense Contracting Credits	302
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
Neighborhood Electric Vehicle (NEV) Credit	328
Credit for Donation of School Site	331
Credit for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Credit for Motion Picture Production Costs	334
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices for Commercial or Industrial Applications	336

Line 23 - Clean Elections Fund Tax Credit

A taxpayer MAY CLAIM a tax credit on the 2006 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2006; and/or
- A donation made to the Clean Elections Fund on the taxpayer's 2005 tax return.

The 2006 tax credit is equal to the amount of the donation(s), but cannot exceed twenty percent of the tax on line 22(c) or five hundred eighty dollars, whichever is higher.

A taxpayer MAY NOT CLAIM a tax credit on the 2006 tax return for a donation to the fund made with the 2006 tax return (Form 120 or Form 120A). If a taxpayer makes a donation to the fund on the 2006 tax return, the taxpayer may only claim a tax credit for the donation on the taxpayer's 2007 tax return. The tax credit is nonrefundable and the unused portion of the tax credit may not be carried forward.

Calculation of 2006 Clean Elections Fund Tax Credit			
1.	Enter the amount donated directly to the fund during the taxable year 2006 PLUS the amount donated to the fund with the 2005 Form 120 or 2005 Form 120A.	\$	00
2.	Enter tax from 2006 Form 120X, line 22(c).	\$	00
3.	Multiply amount on line 2 by 20 percent (.20).	\$	00
4.		\$	580 00
5.	Enter the larger of line 3 or line 4.	\$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2006 Form 120X, line 23(c).	\$	00

Line 25 – Refundable Remainder of the Retroactive Consolidated Election Tax Credit (Form 120 Filers Only)

Taxpayers who previously filed amended consolidated returns by December 31, 1994 and received retroactive consolidation credit vouchers from the department would enter the entire remainder of their allowable credit on this line.

Line 26 - Payments (Extension, Estimated)

Enter the total amount from the original return (2006 Form 120, lines 26 and 27; or 2006 Form 120A, lines 17 and 18).

Line 27 - Payment with Original Return (Plus All Additional Payments After It Was Filed)

Enter the amount from page 2, Schedule D, line 4.

Line 28 - Total Payments

Add lines 25 through 27. Enter the total.

NOTE FOR CLAIM OF RIGHT RESTORATION: *If the tax for the taxable year 2006 was computed under the provisions for a claim of right restoration, line 28 also includes the credit for the tax reduction for prior taxable year(s). Refer to Arizona Corporate Tax Procedure CTP 95-3 for further information. Write "ARS § 43-1130.01" and the total amount of the tax reduction for prior taxable year(s) in the space to the left of the total payment amount entered on line 28. The amount entered on line 28 is the total of lines 25 through 27 and the tax*

reduction for prior taxable year(s). Attach a schedule computing the tax reduction for the prior taxable year(s).

Line 29 - Overpayment from Original Return or as Later Adjusted

Enter the amount of any overpayment of tax from the original return (2006 Form 120, line 35, or 2006 Form 120A, line 26), and the total amount of any overpayments of tax from a Department of Revenue correction notice, an amended return (2006 Form 120X, line 32), or an audit.

Line 31 - Total Due

If line 24(c) is larger than line 30, enter the difference. This is the amount of tax due. It must be paid with the amended return. Make the check payable to the Arizona Department of Revenue for the amount shown on line 31 and include the taxpayer's TIN on the check.

Line 32 - Overpayment

If line 30 is larger than line 24(c), enter the difference. This amount is the overpayment from this amended return.

Line 33 - Amount to be Applied to 2007 Estimated Taxes

The taxpayer may apply part or all of an overpayment reported on line 32 as a 2007 estimated tax payment, if this amended return is filed during the taxpayer's taxable year 2007. Enter the applicable amount on line 33. If the taxpayer wants the entire line 32 amount to be refunded, enter zero.

Line 34 - Amount to be Refunded

Subtract line 33 from line 32, and enter the difference. This is the net refund amount.

**Schedule ACA – Air Carrier Apportionment Formula
(Multistate Air Carriers Only)**

Schedule ACA must be completed and attached only if the 2006 Form 120X is filed to amend the apportionment ratio. [The taxpayer must complete Schedule ACA to amend the apportionment ratio originally computed on Schedule ACA or if the taxpayer incorrectly used the Form 120 Schedule C rather than Schedule ACA to compute the apportionment ratio.] If the apportionment ratio is not being amended, enter the apportionment ratio from the 2006 Form 120 or as adjusted by any prior audit or amended return, whichever is latest, on the Form 120X, page 1, line 9, in column (a) and column (c).

Effective for taxable years beginning from and after December 31, 2000, ARS § 43-1139 requires a taxpayer that is a qualifying air carrier to use an alternate apportionment method to apportion its business income to Arizona.

The taxpayer must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation. If the taxpayer files a combined or consolidated return, the combined group or the Arizona

affiliated group must use this method of apportionment if 50 percent or more of the taxpayer's gross income is derived from air commerce. The taxpayer will apportion its business income by means of a single apportionment ratio computed under this method for all group members.

**Schedule C – Apportionment Formula
(Non-Air Carrier Multistate Taxpayers Only)**

Schedule C must be completed only if the 2006 Form 120X is filed to amend the apportionment ratio (if the taxpayer was required to use Schedule C). If the apportionment ratio is not being amended, enter the apportionment ratio from the 2006 Form 120 or as adjusted by any prior audit or amended return, whichever is latest, on the Form 120X, page 1, line 9, in column (a) and column (c).

ARS § 43-1139 (Allocation of business income) provides that the apportionment ratio is a fraction. For taxpayers other than air carriers: the numerator of the fraction is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four.

Determine sales within Arizona on a destination sales basis.

Line C3(e) -

NOTE: Multiply the amount entered on line C3(c), column A, the total Arizona sales, by 2 (double weighted sales factor) on line C3(d), column A. Enter the amount on line C3(e), column A. Do not double the amount entered on line C3(e), column B, the everywhere sales of the taxpayer.

EXAMPLE: The taxpayer has total Arizona sales of \$100,000 and total everywhere sales of \$1,000,000. On line C3(e), column A, enter \$200,000 of Arizona sales. On line C3(e), column B, enter \$1,000,000 of everywhere sales for the taxpayer.

The sales factor ratio in column C of line C3(e) may, in certain circumstances, exceed 100 percent. However, since the total ratio (line C4) is divided by four, the average ratio (line C5) will not exceed 100 percent.

Line C5 -

Divide the total ratio, line C4, column C, by four. Enter the average ratio amount here and on page 1, line 9(c). Express the ratio as a decimal carried out to six places.

NOTE: Do not exclude a factor from the total ratio (line C4, column C) if the numerator of a factor is zero and the denominator of a factor is greater than zero. However, the taxpayer must exclude a factor if both the numerator and the

denominator of a factor are zero. If the property or payroll factor is excluded, determine the average ratio (line C5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two.

Schedule D – Schedule of Payments

List the payment sent with the original return and all payments made by the taxpayer after the original return was filed.

If additional space is required to list all of the payments, prepare a schedule (in the same format) labeled “Schedule D – Schedule of Payments” and attach the schedule to the Form 120X.

DO NOT include the refundable remainder of the retroactive consolidation tax payment credit or the claim of right credit computed under ARS § 43-1130.01 in this schedule.

DO NOT include amounts paid for penalties and interest or payments reported on page 1, line 26.

Enter the total on Schedule D, line 4, and on page 1, line 27.

Schedule E – Explanation of Changes

Explain the changes made in this return. If additional space is needed, prepare a schedule (in the same format) labeled “Schedule E – Explanation of Changes” and attach the schedule to the Form 120X. Include any necessary supporting documentation with the return.

Certification

One or more of the following officers (president, treasurer, or any other principal 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 TIN, which is the firm's EIN or the individual preparer's social security number or preparer identification number.

Interest

The department will calculate any interest due and will either include it in the refund or bill the taxpayer for the interest.

Obtain information and current interest rates by contacting one of the numbers listed on page 1 of these instructions. Interest rate tables are also available on the department's internet home page at the address listed page 1 of these instructions.