

## 2020 Multistate Service Provider Election and Computation

**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](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

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**Publications**

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

### General Instructions

#### Purpose of Schedule

A multistate service provider may elect to treat sales from services and **designated intangibles** as being in Arizona based on market sales prescribed under Arizona Revised Statutes (A.R.S.) § 43-1147.

**NOTE:** For purposes of the Multistate Service Provider (MSP) Election and Computation, sales from **designated intangibles** means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue [A.R.S. § 43-1147(3)(a)]. **The sale of any other intangible may not be included in the calculation of this election.**

The election is effective retroactively for the entire taxable year on which the election is made. The election is binding on the taxpayer for five consecutive taxable years beginning with the first taxable year to which the election applies. The election remains in effect even if the taxpayer no longer meets the percentage threshold to qualify as a multistate service provider during that time. To continue with the election after the five consecutive taxable years, the taxpayer must meet the qualifications to be considered a multistate service provider and renew the election for another five consecutive taxable years.

Complete Schedule MSP, Part A, in the first year of the election cycle to determine if you qualify to be treated as a multistate service provider and to make the election. Complete Part B in each taxable year of the election cycle to report the sales from services and designated intangibles in Arizona.

#### Who Should Make the Election

Taxpayers who want to make an election to be treated as a multistate service provider under A.R.S. § 43-1147 must file this schedule with the current tax year's return.

**NOTE:** By completing and including Schedule MSP with the current tax return, the taxpayer is making an irrevocable election pursuant to A.R.S. § 43-1147(B). This election is binding for five consecutive taxable years beginning with the first taxable year to which the election applies.

#### How to Make the Election

The election must be made on the taxpayer's timely filed **original** income tax return, including extensions. The taxpayer must include the completed Schedule MSP with the tax return for the year when election is made and in the four subsequent taxable years that the taxpayer is bound by the election.

To continue with the election after the expiration of the five consecutive taxable years, the taxpayer must meet the qualification to be considered a multistate service provider and renew the election for another five consecutive taxable years by completing and including this schedule with the timely filed tax return.

#### Termination of Election

During the election cycle, the election may be terminated as follows:

- Without the permission of the department on the acquisition or merger of the taxpayer, or
- With the permission of the department before the expiration of five consecutive taxable years.

#### Rounding Dollar Amounts

- Do not round the amounts on lines A1, A2, and A3.
- Round the amount on line B 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

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed schedule with the tax return.

All returns, statements, and other documents filed with the department require a Tax Identification Number (TIN). The TIN for a corporation, S corporation, exempt organization with UBTI, or a partnership is its EIN. Organizations that fail to include their TIN may be subject to a penalty.

**Initial year of this election cycle.** Enter the tax year during which the election was initially made.

**Indicate year of election cycle.** Check the box, 1 through 5, to indicate the year of the taxpayer's election cycle.

#### Part A – Multistate Service Provider Qualification

*Complete Part A only in the first year of each election cycle. Do not round amounts in Part A.*

#### Line A1 – Sales from Services and Designated Intangibles with the Benefit of the Services Received Outside Arizona

Enter sales from services and designated intangibles (sales derived from credit and charge card receivables, including

fees, merchant discounts, interchanges, interest and related revenue) provided to purchasers who receive the benefit of the service or the designated intangible outside Arizona in the taxable year of election. Include sales made by all members who are required to file a combined report and all members of an affiliated group included in a consolidated return.

### **Line A2 – Total Sales Everywhere (Including Sales from Services and Designated Intangibles)**

Enter total sales (including sales from services and designated intangibles) both inside and outside Arizona. Exclude sales to students receiving educational services at campuses physically located in Arizona. Sales to students receiving educational services means tuition and fees required for enrollment and fees required for courses of instruction, transcripts, and graduation. In general, total sales everywhere on line A2 is the same as the total sales from the apportionment schedule, column B minus the sales to students receiving educational services at campuses physically located in Arizona (if applicable).

### **Line A3**

Divide line A1 by line A2. Enter the result. Carry the quotient to six decimal places.

### **Line A4**

A taxpayer that derives more than 85% of its sales from services and designated intangibles provided to purchasers who receive the benefit of the service or the designated intangible outside Arizona in the taxable year of the election and that includes all taxpayers required to file a combined return or that includes all members of an affiliated group in a consolidated return may elect to be an MSP.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Skip Lines A5 and A6. Include the completed Form MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” Go to Line A5.

### **Line A5**

A taxpayer that is a regionally accredited institution of higher education with at least one university campus in Arizona that has more than 2,000 students residing on campus and includes all taxpayers required to file a combined report or that includes all members of an affiliated group in a consolidated return may elect to be an MSP.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Skip Line A6. Include the completed Form MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” Go to Line A6.

### **Line A6**

An employer that has more than 2,000 employees in Arizona and derives more than 85% of its sales from support services provided to a regionally accredited institution of higher education that includes all taxpayers required to file a combined report or that includes all members of an affiliated

group in a consolidated return may elect to be an MSP. The election is limited to the treatment of sales for support services for which the payment is a percentage of the sales for educational services generated by a regionally accredited institution of higher learning. The benefit of support services is deemed received at the billing address of the student to which the services relate.

- If the taxpayer meets this criteria, check “Yes.” Go to Part B. Include the completed Schedule MSP with your timely-filed original return to make the MSP election.
- If the taxpayer does not meet this criteria, check “No.” **Stop. The taxpayer does not qualify to make the election.**

### **Part B – Computation of Sales from Services and Designated Intangibles in Arizona**

Complete Part B in each taxable year of the election cycle.

**NOTE:** *The exclusion of sales to students receiving educational services from the calculation in Part A does not apply to the calculation in Part B.*

### **Line B – Arizona Market Sales from Services and Designated Intangibles**

Enter the total sales from services and designated intangibles (sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue) for which the purchaser received the benefit of the service or the designated intangible in Arizona.

“Received the benefit of the service in Arizona” means the services or the designated intangibles are received by the purchaser in Arizona. If the state where the sales from services or designated intangibles are received cannot be readily determined, the sales of services or designated intangibles are considered to be received at the home of the customer or, in the case of a business, the office of the customer from which the services and the designated intangibles were ordered in the regular course of the customer’s trade or business. If the ordering location cannot be determined, the services and the designated intangibles are considered to be received at the home or office of the customer to which the services were billed or the sales of designated intangibles were initiated. For the multistate service provider qualified under line A6, the benefit of support services is deemed received at the billing address of the student to which the services relate.

#### **Enter the amount from line B on:**

- Form 99T, Schedule A, line A3b, column A; or
- Form 120, Schedule E, line E3b, column A; or
- Form 120S, Schedule A, line A3b, column A; or
- Form 120X, Schedule A, line A3b, column A; or
- Form 165, Schedule C, line C3b, column A.