

2005 Estimated Tax Worksheet for Corporations

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General Instructions

Who Is Required To Make Arizona Estimated Tax Payments

Entities filing Forms 99T, 120, 120A, or 120S that expect an Arizona tax liability for the taxable year of at least \$1,000 are required to make Arizona estimated tax payments.

A unitary group of corporations filing a combined return on Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.

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

All taxpayers who are required to make estimated tax payments should use Form 120W to compute the required annual payment of estimated tax and the required installments.

Line 1 - Arizona Tax Liability

This amount is the taxpayer's estimated tax liability for the current taxable year. The Arizona tax liability is determined as follows:

- (a) **Forms 120, 120A, and 120S filers** – [income tax plus tax from recapture of tax credits] less [the Clean Elections Fund tax reduction, nonrefundable tax credits, the Clean Elections Fund tax credit and refundable tax credits]; or

- (b) **Form 99T filers** – [income tax] less [the Clean Elections Fund tax reduction and Clean Elections Fund tax credit].

OTHER ADJUSTMENTS:

Retroactive consolidation tax payment credit (Form 120): *Taxpayers who made a retroactive election to file on a consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability (after the refundable tax credits), whichever is less.*

Claim of right adjustments (Forms 120 and 120A): A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 2 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of:

- (a) *All taxpayers* - Ninety percent of the taxpayer's Arizona tax liability (reduced by the retroactive consolidation tax payment credit and claim of right adjustments, if applicable) for the current taxable year; **or**
- (b) *Forms 99T, 120, and 120A* - one hundred percent of the taxpayer's Arizona tax liability (reduced by the retroactive consolidation tax payment credit and claim of right adjustments, if applicable) for the prior taxable year.

Form 120S - an amount equal to the sum of: (a) ninety percent of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; and (b) one hundred percent of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

NOTE: *Forms 99T, 120, and 120A filers must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)*

Form 120S filers may not use one hundred percent of the prior taxable year's tax liability. In addition, Form 120S filers must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (b) above. (See instructions for line 2c.)

Line 2a - (All Taxpayers)

Multiply line 1 by 90 percent. Enter the result on line 2a.

Line 2b - (Forms 99T, 120 and 120A)

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by the retroactive consolidation tax payment credit and claim of right adjustments, if applicable). Enter this amount on line 2b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the 2003 taxable year showing at least some amount of tax liability (an amount greater than zero); OR (2) the 2003

taxable year was a period of less than twelve months. Skip line 2b and enter the amount from line 2a on line 2d.

Line 2c - (Form 120S)

Enter an amount on line 2c that is the sum of:

- Ninety percent of the portion of the 2004 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; plus
- One hundred percent of the portion of the 2003 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2003 taxable year was a period of less than twelve months. Skip line 2c and enter the amount from line 2a on line 2d.

Line 2d - (All Taxpayers)

Forms 99T, 120, and 120A: Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

Form 120S: Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

Line 3 - Installment Due Dates

Calendar year basis taxpayers: Enter 4/15/2004, 6/15/2004, 9/15/2004, and 12/15/2004, respectively, in columns (a) through (d).

Fiscal year basis taxpayers: Enter the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year in columns (a) through (d). If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Note for short period returns: *Enter the installment due dates and number of installments required by the Internal Revenue Service.*

Line 4 - Required Installments

When making estimated tax payments, be sure to take into account any 2003 overpayment that the taxpayer chose to credit against its 2004 Arizona tax liability.

Annualized Income Installment Method and/or Adjusted Seasonal Installment Method

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Schedule A to calculate the amount of one or more required installments using one or both of these methods. If Schedule A is used for any payment date, it must be used for all payment due dates.

Use Schedule A to arrive at the amount of each required installment and to select the lesser of:

- the annualized income installment;
- the adjusted seasonal installment (if applicable); or
- the regular installment (25% of the required annual payment) increased by any reduction recapture under IRC § 6655(e)(1)(B).

Instructions for "Large Corporations" (Forms 120 and 120A)

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing a consolidated return pursuant to ARS § 43-947 is treated as a single corporation for purposes of applying the large corporation definition.

A. If the taxpayer DOES NOT USE the annualized income installment method or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Form 120W, line 4.

If line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of line 4.

If line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of line 4.
- Determine the amount to enter in column (b) as follows:
 - Subtract line 2b from line 2a,
 - Add the result to the amount on line 2a, and
 - Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d).

B. If the taxpayer DOES USE the annualized income installment method and/or the adjusted seasonal installment method, use the following instructions to determine the amounts to enter on the Form 120W Schedule A, Part III, line 50, columns (a) through (d). Then complete the remainder of the lines in Part III of Schedule A. Enter the amounts from Schedule A, Part III, line 54, columns (a) through (d) on Form 120W, line 4, columns (a) through (d).

If Form 120W, line **2a** is **less than** line **2b**:

- Enter 25 percent of line 2a in columns (a) through (d) of Schedule A, Part III, line 50.

If Form 120W, line **2b** is **less than** line **2a**:

- Enter 25 percent of line 2b in column (a) of Schedule A, Part III, line 50.
- Determine the amount to enter in column (b) of Schedule A, Part III, line 50 as follows:
 - Subtract line 2b from line 2a,
 - Add the result to the amount on line 2a, and
 - Multiply the total in (ii) above by 25 percent.
- Enter 25 percent of line 2a in columns (c) and (d) of Schedule A, Part III, line 50.

Form 120W Schedule A

Follow the steps below to determine which parts of the Form 120W Schedule A to complete.

- If only the annualized income installment method is used, complete Parts I and III of Schedule A.

- If only the adjusted seasonal installment method is used, complete Parts II and III of Schedule A.
- If both methods are used, complete all three parts of Schedule A.
- All taxpayers: In each column on Form 120W, line 4, enter the amounts from the corresponding column of line 54 of Schedule A.

CAUTION: Do not compute any required installment until after the end of the month preceding the due date for that installment.

Part I - Annualized Income Installment Method

Line 1 - Annualization Periods

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Line 3 - Annualization Amounts

Enter the annualization amounts for the option used on line 1.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Line 5 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for 2003 Form 99T, line 4; or 2003 Form 120, line 16; or 2003 Form 120A, line 8; or 2003 Form 120S, line 12.

Line 6 - Tax From Recapture of Tax Credits

Enter the tax from the recapture of the environmental technology facility credit and/or the neighborhood electric vehicle credit. Calculate this amount using the instructions for 2003 Form 120, line 17; or 2003 Form 120A, line 9; or 2003 Form 120S, line 13. Form 99T filers, enter zero.

Line 8 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund tax reduction, if applicable. Refer to the instructions for 2003 Form 99T, line 5; or 2003 Form 120, line 19; or 2003 Form 120A, line 11; or 2003 Form 120S, line 15.

Line 9 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2003 Form 120, line 20; or 2003 Form 120A, line 12; or 2003 Form 120S, line 16. Form 99T filers, enter zero.

Line 11 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund tax credit, if applicable. Refer to the instructions for 2003 Form 99T, line 6; or 2003 Form 120, line 23; or 2003 Form 120A, line 15; or 2003 Form 120S, line 19.

Line 13 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for 2003 Form 120, line 25; or 2003 Form 120A, line 17; or 2003 Form 120S, line 21. Form 99T filers, enter zero.

Line 14 - Other Adjustments

Retroactive consolidation tax payment credit (Form 120): Taxpayers who made a retroactive election to file on a consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability (after the refundable tax credits), whichever is less.

Claim of right adjustments (Forms 120 and 120A): A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 18 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 18 in columns (b) through (d),

complete the following items in each of the preceding columns: line 19; Part II (if applicable); and Part III.

EXAMPLE: Complete line 19, Part II (if using the adjusted seasonal installment method), and Part III, *in column (a)* before completing line 18 *in column (b)*.

Part II - Adjusted Seasonal Installment Method

Do not complete this part unless the taxpayer's base period percentage for any six consecutive months of the taxable year equals or exceeds 70 per cent. The term "base period percentage" for any period of six consecutive months is the average of the three percentages calculated by dividing the taxable income for the corresponding six consecutive month period in each of the three preceding taxable years by the taxable income for each of their respective taxable years.

Line 29 - Calculate the Tax

Calculate the tax on the amount in each column using the instructions for 2003 Form 99T, line 4; or 2003 Form 120, line 16; or 2003 Form 120A, line 8; or 2003 Form 120S, line 12.

Line 36 - Tax From Recapture of Tax Credits

Calculate the tax from the recapture of the environmental technology facility credit and/or the neighborhood electric vehicle credit. Use the instructions for 2003 Form 120, line 17; or 2003 Form 120A, line 9; or 2003 Form 120S, line 13. Form 99T filers, enter zero.

Line 38 - Clean Elections Fund Tax Reduction

Enter the amount of the Clean Elections Fund tax reduction, if applicable. Refer to the instructions for 2003 Form 99T, line 5; or 2003 Form 120, line 19; or 2003 Form 120A, line 11; or 2003 Form 120S, line 15.

Line 39 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 20. Calculate this amount using the instructions for 2003 Form 120, line 20; or 2003 Form 120A, line 12; or 2003 Form 120S, line 16. Form 99T filers, enter zero.

Line 41 - Clean Elections Fund Tax Credit

Enter the amount of the Clean Elections Fund tax credit, if applicable. Refer to the instructions for 2003 Form 99T, line 6; or 2003 Form 120, line 23; or 2003 Form 120A, line 15; or 2003 Form 120S, line 19.

Line 43 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate taxable income for the period. Calculate this amount using the instructions for 2003 Form 120, line 25; or 2003 Form 120A, line 17; or 2003 Form 120S, line 21. Form 99T filers, enter zero.

Line 44 - Other Adjustments

Retroactive consolidation tax payment credit (Form 120):.
Taxpayers who made a retroactive election to file on a

consolidated basis for taxable years 1986 through 1993, and who have a consolidation tax payment credit available from those taxable years, may base their required installments for taxable years beginning July 1, 1995, or later on their computed Arizona tax liability reduced by the available credit. The maximum amount of credit that can be used in any taxable year is 10 percent of the total credit or the amount of the tax liability (after the refundable tax credits), whichever is less.

Claim of right adjustments (Forms 120 and 120A): A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 47 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 47 *in columns (b) through (d)*, complete lines 48 through 54 *in each of the preceding columns*.

EXAMPLE: Complete lines 48 through 54 *in column (a)* before completing line 47 *in column (b)*.