

2014 Estimated Tax Worksheet for Corporations

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix (602) 255-3381
 From area codes 520 and 928, toll-free (800) 352-4090

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at www.azdor.gov.

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 Arizona Revised Statutes (A.R.S.) § 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.

NOTE: *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.

- 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%

- 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.

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

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: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and refundable tax credits]; or

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 any refundable tax credits and the claim of right adjustment, 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 any refundable tax credits and the claim of right adjustment, 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 any refundable tax credits and the claim of right adjustment, if applicable). Enter this amount on line 2b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the 2013 taxable year showing at least some amount of tax liability (an amount greater than zero); **OR** (2) the 2013 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 2014 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 2013 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF the 2013 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 and fiscal year basis taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. 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 2013 overpayment that the taxpayer chose to credit against its 2014 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 due 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 A.R.S. § 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:
 - (i) Subtract line 2b from line 2a,
 - (ii) Add the result to the amount on line 2a, and
 - (iii) 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 44, 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 48, 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 44.

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 44.
- Determine the amount to enter in column (b) of Schedule A, Part III, line 44 as follows:
 - (i) Subtract line 2b from line 2a,
 - (ii) Add the result to the amount on line 2a, and
 - (iii) 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 44.

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 48 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

NOTE: Laws 2011, 2nd Special Session, Chapter 1, Section 105, lowers the corporate tax rate for tax year 2014 to 6.5%.

Calculate the tax on the amount in each column using the instructions for 2013 Form 99T, line 6; or 2013 Form 120, line 16; or 2013 Form 120A, line 8; or 2013 Form 120S, line 12.

Line 6 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the environmental technology facility, healthy forest enterprises, renewable energy industry, and qualified facilities tax credits.

Line 8 - 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 2013 Form 99T, line 9; 2013 Form 120, line 19; or 2013 Form 120A, line 11; or 2013 Form 120S, line 15.

Line 10 - 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 2013 Form 99T, line 12; 2013 Form 120, line 22; or 2013 Form 120A, line 14; or 2013 Form 120S, line 18.

Line 11 - Claim of Right Adjustment (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 15 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 15 in columns (b) through (d), complete the following items in each of the preceding columns: line 16; Part II (if applicable); and Part III.

EXAMPLE: Complete line 16, Part II (if using the adjusted seasonal installment method), and Part III, in column (a) before completing line 15 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 percent. 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 26 - Calculate the Tax

NOTE: Laws 2011, 2nd Special Session, Chapter 1, Section 105, lowers the corporate tax rate for tax year 2014 to 6.5%.

Calculate the tax on the amount in each column using the instructions for 2013 Form 99T, line 6; or 2013 Form 120, line 16; or 2013 Form 120A, line 8; or 2013 Form 120S, line 12.

Line 33 - Tax From Recapture of Tax Credits

Calculate the tax from the recapture of the environmental technology facility credit, the credits for healthy forest enterprises, the credit for renewable energy industry, and the credit for qualified facilities.

Line 35 - 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 17. Calculate this amount using the instructions for 2013 Form 99T, line 9; 2013 Form 120, line 19; or 2013 Form 120A, line 11; or 2013 Form 120S, line 15.

Line 37 - 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 2013 Form 99T, line 12; 2013 Form 120, line 22; or 2013 Form 120A, line 14; or 2013 Form 120S, line 18.

Line 38 - Claim of Right Adjustment (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 41 - Cumulative Installments

Complete column (a) before completing columns (b) through (d). Before completing line 41 in columns (b) through (d), complete lines 42 through 48 in each of the preceding columns.

EXAMPLE: Complete lines 42 through 48 in column (a) before completing line 41 in column (b).