

## 2017 Arizona Amended Corporation Tax Return

**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**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

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

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### General Instructions

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#### Use of 2017 Form 120X

Use the 2017 form to amend only the 2017 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 2017 Form 120X to file an amended return for a prior taxable year.

Do not use the Form 120X to amend the Form 120S. Use the 2017 Form 120S to amend and be sure to check the box for "Amended" on the top of page 1 of Form 120S.

**NOTE:** *If you need to amend a year prior to 2017, Form 120X for prior years are available on the department's website at [www.azdor.gov/Forms/Corporate.aspx](http://www.azdor.gov/Forms/Corporate.aspx).*

If an amended return is filed for a taxable year prior to 2007, include a copy of the original Arizona return.

#### When to File Form 120X

Form 120X may be filed only after the taxpayer has filed its original tax return (Form 120 or Form 120A) for the taxable year 2017. 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.

Do not file an amended return until the original return has been processed.

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

A taxpayer who files an amended return with the Internal Revenue Service (IRS) must file an Arizona amended return within 90 days of its final determination by the IRS.

The taxpayer must report to the department changes or corrections of the taxpayer's taxable income by the IRS or as the result of renegotiation of a contract or subcontract with the United States. 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 Arizona consolidated election is binding on future years. The consolidated election cannot be made on an amended return unless, the common parent of an affiliated group of corporations that files a federal consolidated return makes the election by the due date, including extensions, for filing the original return. A taxpayer may file the 2017 Form 120X to change its method of filing to consolidated for the taxable year 2017 only if the 2017 Form 120X is filed by the original due date, including extensions, of the taxpayer's 2017 Form 120.

If the taxpayer has a valid previously established Arizona consolidated election but filed its original return incorrectly, use Form 120X to correct the original return. See the instructions for Line D on page 2 for information on making this correction.

Refer to the 2017 Form 120 instructions for more information about the requirements for the election to file on a consolidated basis.

#### Required Supporting Documents with Form 120X

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

Is the Arizona apportionment ratio changing? Air carriers, include Schedule ACA; all others, include schedules supporting the changes to the apportionment ratio.

Is the taxpayer reporting federal amended return changes? Include a copy of the amended federal return with all applicable schedules.

Is the taxpayer reporting finalized RAR changes? Include a copy of the RAR with all applicable schedules.

Is the taxpayer changing its Arizona method of filing changing (information question D)? Complete Form 51, *Combined or Consolidated Return Affiliation Schedule*, according to the Form 51 instructions and include it with 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.

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### Specific Instructions

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For calendar year filers, check the box, "calendar year 2017." For fiscal year filers, check the box, "fiscal year" and enter the beginning and ending dates for the fiscal year.

Type or print the required information in the name, address, and information boxes on the top of page 1. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**

Consolidated return filers, enter the common parent corporation's name, address, and employer identification number (EIN). The filer's name on a consolidated return should include the phrase, "and affiliates."

Combined return filers, enter the name, address, and EIN of the corporation under which the group is filing. The filer's name on a combined return should include the phrase, "and unitary affiliates."

**NOTE:**

- All returns, statements, or other documents filed with the department must have the taxpayer's EIN or taxpayer identification number (TIN) indicated on them.
- Taxpayers who fail to include their EIN or 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 preparer's PTIN
  - The preparer's SSN
  - The EIN of the preparer's employer
- Paid tax return preparers who fail to include their TIN may be subject to a penalty.

**Line A:**

- If the correct box WAS NOT CHECKED on the 2017 Form 120, line B, indicate the correct filing method by checking the appropriate box: "Separate Company," "Combined (unitary group)," or "Consolidated." Explain the correction on the 2017 Form 120X, Schedule E.
- If the correct box WAS CHECKED on the 2017 Form 120, line B:
  - Do not check any boxes for line A, and,
  - If the 2017 Form 120X is being filed to change the Arizona filing method, check the appropriate box on line D: "Separate Company," "Combined (unitary group)," or "Consolidated" (see the instructions for Line D).

**Line B:** Check the box indicating the reason Form 120X is filed:

- Box B1, "Finalized federal audit"; check this box if this amended return is filed to report federal audit changes. *Include a copy of the finalized federal audit.*
- Box B2, "Amended federal return"; check this box if this amended return is filed to report changes the taxpayer made to its federal return. *Include a copy of the amended federal return.*
- Box B3, "Arizona adjustments only"; check this box if this amended return is filed to report "state-only" changes. (Examples include adjustments to the apportionment ratio, and/or adjustments to additions or to subtractions from federal taxable income.)

**Line C:** If this amended return is filed to incorporate a capital loss carryback, check the box and enter the last day (month, day and year) of the tax year the capital loss originated.

**Line D:** Use Line D to correct the filing method from the original return. Indicate the correct method by checking the appropriate box: "Separate Company," "Combined (unitary group)," or "Consolidated", to indicate the corrected filing method. Complete Schedule C to explain the changes. Include a completed Form 51 with the amended return.

**NOTE:** *There are two valid reasons for checking the "Consolidated" box on an amended return:*

- *The taxpayer has a valid, previously established consolidated election, and incorrectly filed its original return as a Combined or a Separate Company filer.*
- *The common parent of an affiliated group of corporations that files a federal consolidated return may file an amended return before its original due date, including extensions to make the Arizona consolidated election. If making the election on an amended return, the common parent must include appropriately completed and signed Arizona Forms 122 with the amended return.*

*For additional information about the consolidated election, refer to:*

CTR 12-1, Consolidated Return Election

Page 5 of the instructions for Arizona Form 120, Consolidated Returns

**Line E:** If this amended return includes changes to the Arizona apportionment ratio, check the appropriate box. Complete Form 120X Schedule A, (or include a revised Schedule ACA, if applicable) and explain the changes on Schedule C.

**Line F:** Check the box on line F if the election to be treated as a multistate service provider was made on your original return.

**NOTE to Line F:** *The multistate service provider election, as prescribed in the Arizona Revised Statutes (A.R.S.) §43-1147(B), must be made on the taxpayer's timely filed original tax return including extensions. This election is binding for five consecutive taxable years. Taxpayers cannot make the election or revoke the election by amending the tax return. See A.R.S. §43-1147 and Schedule MSP for more information.*

**Lines 1 through 8, lines 10 through 19, and line 21**

**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 to that 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, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include 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. Use a minus sign to indicate 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. 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 A, line A5, column C, or from Schedule ACA, line 3. If the apportionment ratio is not being changed, enter the apportionment ratio from the 2017 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 decimal places.

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

### Line 16 - Arizona Tax

Multiply Arizona taxable income [line 15, column (c)] by 4.9%. If the computed amount of tax is less than \$50, enter the minimum tax of \$50. Every corporation required to file a return shall pay a \$50 minimum tax in accordance with 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 the recapture of tax credits from Arizona Form 300, Part 2, line 31.

### Line 18 - Subtotal

Add lines 16 and 17. This is the amount of tax to which the total amount of tax credits claimed by the taxpayer may be used.

### Line 19 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 56. This amount cannot be larger than the amount on Form 120X, line 18.

- **Enterprise Zone Credit**

The enterprise zone credit has been repealed. The repeal did not affect carryovers of properly established credits. Complete Form 304 to claim carryovers established in prior years.

- **Environmental Technology Facility Credit**

This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility. See Form 305 for more information.

- **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. See Form 306 for more information.

- **Credit for Increased Research Activities**

This tax credit is for taxpayers who incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009 may be

refundable with approval from the Arizona Commerce Authority. Be sure to include only the nonrefundable portion on line 19 of this form. See Form 308 for more information.

- **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. See Form 315 for more information.

- **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. See Form 318 for more information.

- **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. See Form 319 for more information.

- **Credit for Employment of TANF Recipient**

This tax credit is for net increases in qualified employment for recipients of temporary assistance for needy families (TANF) who are residents of Arizona. See Form 320 for more information.

- **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 agricultural pollution. See Form 325 for more information.

- **Credit for Donation of School Site**

This 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. See Form 331 for more information.

- **Credits for Healthy Forest Enterprises**

These tax credits are for net increases in qualified employment positions in a healthy forest enterprise and net training and certifying costs. See Form 332 for more information.

- **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. See Form 333 for more information.

- **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. See Form 335 for more information.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

This credit is available to taxpayers that install solar energy devices for commercial, industrial, or any other nonresidential purpose in the taxpayer's trade or business located in Arizona. The taxpayer or an exempt organization may transfer the credit to a third party that either financed, installed, or manufactured the qualifying solar energy device. See Form 336 for more information.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities**

This tax credit is for corporations who make contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. See Form 341 for more information.

- **Renewable Energy Production Tax Credit**

This tax credit is for taxpayers that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Form 343 for more information.

- **Solar Liquid Fuel Credit**

This credit is for taxpayers in the solar liquid fuel industry. Credits are allowed for taxpayers who:

- Had increased research and development activities in Arizona related to solar liquid fuel.
- Produced solar liquid fuel in Arizona in commercial quantities.
- Incurred costs to convert or modify existing motor vehicle service stations for the retail sale of solar liquid fuel to customers in Arizona.
- Use Form 344 to claim this tax credit.

- **Credit for New Employment**

This tax credit is for taxpayers that have net increases in employment. The credit limit is administered by the Arizona Commerce Authority. See Form 345 for more information.

- **Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for taxpayers that make qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. See Form 346 for more information.

- **Credit for Qualified Health Insurance Plans**

The credit for qualified health insurance plans has been repealed. All credits for qualified health insurance plans that were properly established can be carried forward for the respective three year carry forward period. Use Form 347 to claim this carry-forward tax credit.

- **Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing or for International Operations Centers. See Form 351 for more information.

Complete the appropriate credit form for each credit. Include the completed credit form(s) and also Form 300 with Form 120X, whether or not the amount claimed on line 19 has changed.

**Line 20 - Credit Type**

Indicate which tax credits were used on line 19 by entering the applicable form number(s) in the space provided. Complete this line whether or not the amount of tax credits claimed on line 19 has changed.

<b>Nonrefundable Income Tax Credit</b>	<b>Form</b>
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
Credit for Donation of School Site	331
Credits for Healthy Forest Enterprises	332
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Solar Liquid Fuel Credit	344
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Qualified Health Insurance Plans	347
Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers and International Operations Centers	351

**Line 22 - Refundable Tax Credits**

Check the box marked 308, 342 and/or 349 to indicate which of these tax credits the taxpayer is claiming. Enter the total amount of the credits claimed on line 22. Include the completed credit form(s) with Form 120X, whether or not the amount claimed on line 22 has changed.

**Credit for Increased Research Activities**

A portion of this tax credit is refundable for qualified taxpayers. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority.

Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Form 300 and Form 308 with your return. Enter the amount from Form 308, Part 7, line 45.

**Credit for Renewable Energy Industry**

This tax credit is for expanding or locating qualified renewable energy operations in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 342 with your tax return to claim this credit. Enter the amount from Form 342, Part 6, line 15.

**Credit for Qualified Facilities**

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certification of Qualification" from the Arizona Commerce Authority and Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 22, or use the worksheet below to figure the amount to enter on line 22.

Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308, Part 7, line 45.	
2. Enter the apportioned credit from Form 342, Part 6, line 15.	
3. Enter the apportioned credit from Form 349, Part 8, line 20.	
4. Add the amounts on lines 1, 2, and 3. Enter the total here and on Form 120X, line 22.	

**Line 23 - Payments (Extension, Estimated) and Claim of Right**

- a) Enter the total amount from the original return (2017 Form 120, lines 23 and 24; or 2017 Form 120A, lines 15 and 16).
- b) If you recomputed a prior year's tax under Arizona's claim of right provision, complete *Arizona Claim of Right - Corporate*. Enter the amount from Part 2, line 8. Include the claim of right form with your return. If you completed more than one claim of right form, add all amounts on line 8, and enter the total.
- c) Add the amounts on line 23(a) and 23(b). Enter the total.

**NOTE FOR CLAIM OF RIGHT RESTORATION:** *If you recomputed a prior year's tax under Arizona's claim of right provision, you must complete and include Arizona Claim of Right - Corporate form with your return. If you fail to complete and include this form, the amount of your claim may be denied. Refer to the department's procedure, CTP 16-1, Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right for additional information on Arizona's Claim of Right provision.*

**Line 24 - Payment with Original Return (Plus All Payments After It Was Filed)**

Enter the amount from page 2, Schedule B, line B4.

**Line 25 - Total Payments**

Add lines 22, 23c and 24. Enter the total.

**Line 26 - Overpayment from Original Return or as Later Adjusted**

Enter the amount of any overpayment of tax from the original return (2017 Form 120, line 31; or 2017 Form 120A, line 23), and the total amount of any overpayments of tax from a Department of Revenue correction notice, a previously filed amended return (2017 Form 120X, line 31), or an audit.

**Line 27 - Total payments Applied to Amended Tax Liability**

Subtract line 26 from line 25. Enter the result.

**Line 28 - Total Due**

If line 21, column (c) is **larger** than line 27, subtract line 27 from line 21(c). Enter the difference. This is the amount of tax due.

**Line 29 - Penalty and Interest**

The taxpayer can choose to calculate interest on the amount shown on line 28. The current interest rates are available by calling the phone numbers listed on page 1 of this return. Interest rate tables are also available on the department's website. The interest period is from the original due date of the return to the payment date and is compounded annually.

If the taxpayer chooses not to calculate interest and penalties, the department will calculate them, and as appropriate, include that amount in any refund, or bill the taxpayer.

**NOTE:** *For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

**Line 30 - Payment Due**

Add lines 28 and 29, and enter the total. This is the amount of payment due. Non-EFT payment must be included with the amended return. Payments can be made by check, electronic check, money order, or credit card.

**Check or Money Order**

Make checks payable to Arizona Department of Revenue. Include the taxpayer's EIN on the front of the check or money order. Include the check or money order with the return.

**Internet Payments**

Corporate taxpayers must be registered with the department before they can pay taxes online. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments over the Internet.

**Electronic payment from checking or savings account**

Payments can be made electronically from a checking or savings account. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Credit card payment**

Payments can be made by American Express, Discover, MasterCard or Visa credit cards. Go to [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

**Line 31 - Overpayment**

If line 27 is larger than line 21, column (c), subtract line 21(c) from line 27. Enter the difference. This amount is the overpayment from this amended return.

**Line 32 - Amount to be Applied to 2018 Estimated Taxes**

The taxpayer may apply part or all of an overpayment reported on line 31 as a 2018 estimated tax payment, if this amended return is filed during the taxpayer's taxable year, 2018. Enter the applicable amount on line 32. If the taxpayer wants the entire line 31 amount to be refunded, enter zero "0".

**Line 33 - Amount to be Refunded**

Subtract line 32 from line 31, and enter the difference. This is the net refund amount.

**Schedule A - Apportionment of Income  
(Multistate Corporations Only)**

Complete Schedule A only if the 2017 Form 120X is filed to amend the apportionment ratio (if the taxpayer was required to apportion income). If the apportionment ratio is not being amended, enter the apportionment ratio from the 2017 Form 120, or as adjusted by any prior audit or amended return (whichever is later) on page 1, line 9, columns (a) and (c).

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. A corporation that engages in activities both within and without Arizona must apportion its business income based on property, payroll, and sales in Arizona as compared to these factors everywhere. "Everywhere" means the property, payroll, and sales factors related to the whole combined or consolidated business.

A combined return excludes the factors of a unitary foreign corporation unless the foreign corporation is itself subject to the Arizona corporate income tax. A consolidated return includes the factors of a foreign corporation that is a member of the affiliated group. Both combined and consolidated returns exclude the factors of an insurance company exempt under A.R.S. § 43-1201(A)(14).

**NON-APPORTIONABLE INCOME**

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

**ADMINISTRATIVE RELIEF REQUESTS**

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may

require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

**COMPUTING THE APPORTIONMENT RATIO**

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

**Example #1:**

Arizona Factor	<u>123,456</u>
Everywhere Factor	789,654
Average	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than "5," the sixth digit after the decimal is increased to the next higher digit, "2".

The average rounded to six decimal places is .156342.

**Example #2:**

Total Ratio	<u>.179865</u>
Divided by	4
Average	.0449662

The seventh digit after the decimal is "2". Since "2" is less than "5," the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

The average rounded to six decimal places is .044966.

**SCHEDULE ACA - AIR CARRIER APPORTIONMENT  
FORMULA  
(MULTISTATE AIR CARRIERS ONLY)**

A.R.S. § 43-1139 requires a taxpayer that is a qualifying air carrier to use revenue miles 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% 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.

Check the box labeled "AIR CARRIER" on line E on page 1 of the return. Do not complete Schedule A on page 2 of the return.

Complete Schedule ACA and include it with the return. Schedule ACA is available on the department's website at: <http://www.azdor.gov/Forms/Corporate.aspx>.

#### **NON-AIR CARRIER APPORTIONMENT FORMULA (MULTISTATE CORPORATIONS ONLY)**

Non-air carrier multistate corporations have the opportunity to choose one of two apportionment formulas for calculating the apportionment ratio:

- The sales factor only apportionment formula, or
- The standard apportionment formula.

Check the box on line E of page 1 of the return to indicate which apportionment formula, "Standard," or "Sales Factor Only," will be used to calculate the apportionment ratio on the corporation's return. Whichever apportionment method is indicated, the taxpayer must complete the apportionment ratio using that formula. (The taxpayer cannot use "Standard" to calculate one portion of the ratio, and "Sales Factor Only" to calculate another portion of the ratio.)

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two (2) times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule E, column A, to double-weight the sales factor.

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is the Arizona Sales. The denominator is Everywhere Sales. The property factor and the payroll factor are not included in this computation.

#### **Line A1 - Property Factor – Standard Apportionment Only** *Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.*

The Property Factor is a fraction that represents the average value of the taxpayer's property owned or rented and used in Arizona to the total average value of the taxpayer's property owned or rented and used during the tax period.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department's ruling, CTR 01-2, *How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor?*

Report real property situated, and tangible personal property permanently located, in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

#### ***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0) Enter the result on line A1c, Column C.

***Taxpayers Electing "SALES FACTOR ONLY APPORTIONMENT," leave lines A1a through A1c, Columns A through C, blank.***

For additional information on the property factor, refer to:  
A.R.S. §§ 43-1140 through 43-1142  
A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902  
CTR 01-2 How Does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor

#### **Line A2 - Payroll Factor – Standard Apportionment Only** *Taxpayers electing "SALES FACTOR ONLY APPORTIONMENT" – leave blank.*

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

#### ***Taxpayers Electing "STANDARD APPORTIONMENT"***

Divide the numerator of the payroll factor by the denominator. The result is the "Standard" payroll factor. Express the ratio as a decimal carried out to six (6) places. The payroll factor may not exceed 1.0.

**Taxpayers Electing “SALES FACTOR ONLY APPORTIONMENT,”** leave line A2, Columns A through c, blank.

For additional information on the payroll factor, refer to:  
A.R.S. §§ 43-1143, 43-1144  
A.A.C. R15-2D-701 through R15-2D-705

### Line A3 - Sales Factor

The Sales Factor is a fraction that represents the total sales of the taxpayer in Arizona to the total sales of the taxpayer during the tax period.

"Sales" includes all gross receipts from transactions and activities in the course of the regular trade or business that produce income. Gross receipts from non-apportionable or non-taxable income are not included in the sales factor.

Determine sales of tangible personal property on a destination sales basis. Determine sales of real property based on the location of the property. Determine sales of other than tangible personal property based on the location where the income producing activity occurs.

#### **TAXPAYERS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES OF SERVICES TO ARIZONA USING MARKET SALES**

Taxpayers that qualify as a Multistate Service Provider (MSP) may elect to treat sales from service as being sourced to Arizona based on market sales. Multistate taxpayers complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. *(The election to be treated as an MSP cannot be made on an amended return.)* Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.

Taxpayers that qualify, and who want to make the election, should:

- Ensure the completed Schedule MSP is included with the return.
- Ensure the box on line F of the return is checked
- Ensure the box indicating the year of the taxpayer's election cycle is checked.
- Enter on line A3b, column A, the Arizona sales from services from the completed Schedule MSP, line B1.
- Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.

#### **Taxpayers qualifying as an MSP, and electing to be treated as an MSP:**

Enter the Arizona sales from services on line A3b from the line B1 of the completed Schedule MSP.

#### **Taxpayers not making the election to be treated as an MSP:**

Include Arizona sales from services on line A3c.

#### **Taxpayers Electing “STANDARD APPORTIONMENT”**

- Check the box on line E of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal

carried out to six places. (The sales factor may not exceed 2.0) Enter the result in Column C of line A3f.

#### **Taxpayers Electing “SALES FACTOR ONLY APPORTIONMENT”**

- Check the box on line E of the return, labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0) Enter the result in column C of line A3f, and on page 1, line 9, column (c).

For more information on the sales factor, refer to:  
A.R.S. §§ 43-1145 through 43-1147  
A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903  
CTR 02-2, Apportionment of Installment Gain  
CTR 07-1, Inclusion of Short Term Investments in the Sales Factor

### Line A4 – Total Ratio

#### **Taxpayers Electing “STANDARD APPORTIONMENT”**

Add the amounts in Column C of lines A1c, A2, and A3f, and enter the total.

#### **Taxpayers electing “SALES FACTOR ONLY APPORTIONMENT,”** leave this line blank.

### Line A5 - Average Apportionment Ratio

**NOTE:** Taxpayers must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero.

#### **Taxpayers Electing “STANDARD APPORTIONMENT”**

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

#### **Taxpayers Electing “STANDARD APPORTIONMENT”**

Divide the total ratio, line A4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the ratio on page 1, line 9, column (c).

#### **Taxpayers Electing “SALES FACTOR ONLY APPORTIONMENT,”** leave this line blank.

### Schedule B – 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 B – Schedule of Payments" and include the schedule with the Form 120X.

DO NOT include amounts paid for penalties and interest or payments reported on page 1, line 23.

Enter the total on Schedule B, line B4, and on page 1, line 24.

### Schedule C – Explanation of Changes

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

### Schedule D – Adjustments to Additions to Taxable Income

#### Lines D1 through D7 -

**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 that 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, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include 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. Use a minus sign to indicate 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. If the line has not been changed, enter the amount from column (a) in column (c).

The additions presented in Schedule D of Form 120X, are identical to the additions in Schedule A of Form 120 and Form 120A. (See the instructions for Form 120 or 120A for additional information concerning the additions.)

**Form 165PA Schedule K-1(NR):** If a corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 3, is positive, file Form 120X for this taxable year. Enter the positive amount from line 3 of the 165PA Schedule K-1(NR) on line D7. Complete this return and submit it to the Department.

#### Line D8 -

Add lines D1 through D7 in each column. Enter the amounts. Also, enter the amounts in the corresponding column(s) on page 1, line 2.

### Schedule E – Adjustments to Subtractions from Taxable Income

#### Lines E1 through E9 –

**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 that 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, whichever is latest.
- **Column (b):** Enter the amount of any change(s). Include 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. Use a minus sign to indicate 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. If the line has not been changed, enter the amount from column (a) in column (c).

The subtractions presented in Schedule E of Form 120X, are identical to the subtractions in Schedule B of Form 120 and Form 120A. (See the instructions for Form 120 or 120A for additional information concerning the additions.)

**Form 165PA Schedule K-1(NR):** If a corporation received Arizona Form 165PA K-1(NR) for this taxable year, and the amount on line 3, is negative, file Form 120X for this taxable year. Enter the negative amount from line 3 of the 165PA Schedule K-1(NR) as a positive number on line E9. Complete this return and submit it to the Department.

#### Line E10 --

Add lines E1 through E9 in each column. Enter the amounts. Also, enter the amounts in the corresponding column(s) on page 1, line 4.

### 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 paid preparer’s name and address, if self-employed). Enter the paid preparer’s TIN, which is the firm’s EIN or the individual preparer’s social security number.