

2017 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.

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*.

General Instructions

Purpose of Schedule

For taxable years beginning after December 31, 2016, a multistate service provider may elect to treat sales from services as being in Arizona based on market sales prescribed under Arizona Revised Statutes (A.R.S.) § 43-1147.

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 in Arizona.

Who Should File

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.*

When to File

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 also 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 B1 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). Organizations that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's Social Security Number or the Employer Identification Number (EIN) of the business. Paid tax return preparers 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 with the Benefit of the Services Received Outside Arizona

Enter sales from services provided to purchasers who receive the benefit of the service 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. 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.

Line A2 – Total Sales Everywhere (Including Sales from Services)

Enter total sales (including sales from services) 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. Carry the quotient to six decimal places.

Part B – Computation of Sales from Services 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 B1 – Arizona Market Sales from Services

Enter the total sales from services for which the purchaser received the benefit of the service in Arizona.

“Received the benefit of the service in Arizona” means the services are received by the purchaser in Arizona. If the state where the services are received cannot be readily determined, the services 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 were ordered in the regular course of the customer’s trade or business. If the ordering location cannot be determined, the services are considered to be received at the home or office of the customer to which the services were billed.

Enter the amount from line B1 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.