

2018 Application for Automatic Extension of Time to File Corporation, Partnership, and Exempt Organization Returns

Arizona Form 120 EXT

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 *Reports & Legal Research* then click on *Legal Research* and select a document and a category type from the drop down menus.

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

Use of Form

- **Use Form 120EXT only to apply for an extension of time to file Forms 120, 120A, 120S, 99T, 99M, or 165.**
- *Nonprofit medical marijuana dispensary organized or taxed as an S corporation:* File one Form 120EXT to apply for an Arizona extension to file Form 99M. File a second Form 120EXT to apply for an Arizona extension of time to file Form 120S. A valid federal extension may be used to file Form 120S, but cannot be used to file Form 99M. No extension payment is due.
- *Nonprofit medical marijuana dispensary organized or taxed as a partnership:* File one Form 120EXT to apply for an Arizona extension to file Form 99M. File a second Form 120EXT to apply for an Arizona extension of time to file Form 165. A valid federal extension may be used to file Form 165, but cannot be used to file Form 99M.
- *Form 120S and Form 165 filers:* Use Form 204 to apply for an extension of time to file a composite return for nonresident individual shareholders or nonresident individual partners on Form 140NR.
- The department may grant an automatic Arizona extension if: (a) the taxpayer pays at least 90% of the tax liability by the original due date of the return, and (b) Form 120EXT is postmarked or received by the original due date of the return. The extension application will be denied if the extension application is postmarked after the original due date of the return. A copy of Form 120EXT will be returned to the taxpayer only if the extension application is denied.

NOTE: Arizona's partnership extension conforms to the federal extension which allows partnerships an additional six (6) months after the original due date to file the partnership's income tax return.

- Form 120EXT or a valid federal extension provides an extension of time to file, but does not provide an extension of time to pay.

Corporations whose Arizona income tax liability for the 2017 taxable year was \$20,000 or more must make 2018 Arizona extension payments using Electronic Funds Transfer (EFT). Corporations required to make extension payments by EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to their first transaction. Go to AZTaxes.gov to register. Click on "Enroll to File and Pay Online." Complete the New User Registration form as directed.

Corporations whose Arizona corporate income tax liability for the 2017 taxable year was less than \$20,000 may elect to participate in EFT. Participants in the program must complete the department's EFT authorization agreement at least 30 days prior to their first transaction.

NOTE: Taxpayers required to make corporate extension payments via EFT that fail to do so are subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).

For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

Acceptance of Federal Extension

Generally, the taxpayer can use a valid federal extension rather than applying for an Arizona extension. The taxpayer must pay at least 90% of the tax liability by the original due date of the return. Refer to the instructions for line 1 (extension payment computation) for further information on the payment amount.

A corporation whose tax liability for the 2017 taxable year was greater than \$20,000 that uses a federal extension of time to file must make its 2018 extension payment by EFT.

A corporation whose tax liability for the 2017 taxable year was less than \$20,000 that uses a federal extension of time to file may use Form 120EXT to remit an extension payment via check or money order. Or it may elect to participate in EFT. Mail Form 120EXT and the extension payment to the payment address shown on the form.

NOTE: Federal extensions are valid for a specific period of time and extend an original Arizona due date by the same period of time. In some cases, the Arizona extended due date will take place after the federal extended due date.

Tax Return Original Due Dates

Form 99M:

15th day of the **fifth** month following close of taxable year.

Form 99T:

15th day of the **fifth** month following close of taxable year.

Form 120:

15th day of the **fourth** month following close of taxable year.

Form 120A:

15th day of the **fourth** month following close of taxable year.

Form 120S:

15th day of the **third** month following close of taxable year.

Form 165:

15th day of the **third** month following close of taxable year.

Penalties and Interest**A. Late Filing Penalty –**

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

B. Extension Underpayment Penalty –

The taxpayer must pay at least 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Taxpayers subject to the extension underpayment penalty are not subject to the late payment penalty described in C below.

C. Late Payment Penalty –

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

D. Information Return Penalty –

An information return that is incomplete or filed after its due date (including extensions) is subject to a \$100 penalty for each month or fraction of a month, that the failure continues, up to a maximum penalty of \$500. This applies to Form 99M and Form 165. It also applies to Form 120S when no tax liability is due.

E. Interest –

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS. The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

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

Type or print the required information in the name, address, and information boxes on the top of Form 120EXT. 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.** Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the form.

All returns, statements, and other documents filed with the department require the corporation's employer identification number (EIN), or taxpayer identification number, (TIN). Taxpayers that fail to include their TIN may be subject to a penalty.

Extension Payment Computation

(Form 99T, 120, 120A, and 120S filers only)

NOTE: *Refer to the tax form and its instructions for information regarding the computation of the tax liability (including the \$50 minimum tax).*

Line 1 –**Form 120 filers –**

Begin the tax liability computation on page 1, line 16 of the 2018 Form 120. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2018 Form 120, page 1, line 21, less the amount computed for line 22. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter "0".

Form 120A filers –

Begin the tax liability computation on page 1, line 8 of the 2018 Form 120A. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2018 Form 120A, page 1, line 13, less the amount computed for line 14. Reduce this amount by the claim of right adjustments, if applicable. If the amount is less than zero, enter "0".

Form 120S filers –

The S corporation itself is subject to tax (including the \$50 minimum tax) *only* if it has income or (loss) subject to tax at the corporate level on the federal Form 1120S. Income subject to tax is excess net passive income, capital gains, or certain built-in gains, reported on Form 120S, page 1, lines 2 and 3. Begin the tax liability computation on page 1, line 12 of the 2018 Form 120S. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2018 Form 120S, page 1, line 17, less the amount computed for line 18. If the amount is less than zero, enter "0".

Form 99T filers –

Begin the tax liability computation on page 1, line 6 of the 2018 Form 99T. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2018 Form 99T,

page 1, line 11, less the amount computed for line 12. If the amount is less than zero, enter "0".

Line 4 –

If the extension payment is made electronically, enter the amount on line 4.

Taxpayers whose Arizona income tax liability for the 2017 taxable year was \$20,000 or more must make 2018 Arizona income tax payments using EFT. Taxpayers required to make tax payments by EFT must complete the department's electronic funds transfer authorization agreement at least 30 days prior to their first transaction. Go to AZTaxes.gov to register. Click on "Enroll to File and Pay Online." Complete the New User Registration form as directed.

Taxpayers whose Arizona income tax liability for the 2017 taxable year was less than \$20,000 may pay by check, e-check, money order, or credit card. Or they may elect to participate in EFT. Participants in the program must complete the department's EFT authorization agreement at least 30 days prior to their first transaction.

NOTE: For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.

Line 5 –

The taxpayer must pay at least 90% of its tax liability by the original due date of the return. If the estimated tax payments reported on line 2 are less than 90% of the amount on line 1, the taxpayer must make an extension payment. Enter the amount of payment enclosed with this extension on line 5.

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 extension request.*

Internet Payments

Corporate taxpayers must be registered with the department before they can pay taxes online. Visit 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. Visit 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. Visit 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.

Who May Sign Form 120EXT

The person authorized to sign Form 120EXT may be:

- **All forms:** a duly authorized agent holding a power of attorney;
- **Form 99T, 120, 120A, or 120S filers:** a principal officer of the organization;
- **Form 165 filers:** a general partner authorized to file the partnership return;
- **Form 99M filers:**
 - *Sole proprietorship* - the individual who owns the business.
 - *Corporation (including a limited liability company (LLC) treated as a corporation)* - a principal officer of the corporation.
 - *Partnership (including an LLC treated as a partnership) or unincorporated organization* - a general partner authorized to file the return.
 - *Single member LLC treated as a disregarded entity for federal income tax purposes* - the owner of the LLC or a principal officer authorized to sign.
 - *Trust or estate* - the fiduciary.

Mailing Arizona Extension Requests

If you are including a payment with the Arizona extension request, mail the request and payment to:

Arizona Department of Revenue
 PO Box 29085
 Phoenix, AZ 85038-9085

If you are mailing the request without including a payment (because no payment is due or the payment was made electronically), mail the request to:

Arizona Department of Revenue
 PO Box 29079
 Phoenix, AZ 85038-9079

The extension request must be postmarked by the original due date of the return. Mark "Extension Request" on the envelope. No copy will be returned to the taxpayer unless the request is denied. Keep a copy of Form 120EXT for the taxpayer's records.