

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 Type and Category 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 on Arizona Form 140NR for nonresident individual shareholders or nonresident individual partners.
- 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.

Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return.

Payment by Electronic Funds Transfer

Taxpayers are required to pay their tax liability by electronic funds transfer (EFT) if the Taxpayer owes:

- \$10,000 or more for any taxable year beginning from and after December 31, 2018, through December 31, 2019;
- \$5,000 or more for any taxable year beginning from and after December 31, 2019, through December 31, 2020; or
- \$500 or more for any taxable year beginning from and after December 31, 2020.

A taxpayer may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
 - The taxpayer has a sustained record of timely payments, and,
 - No delinquent tax account with the department.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

NOTE: *A taxpayer who is required to pay by EFT but who fails to do so is 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.

How to Make EFT Payments

Taxpayers making EFT payments must register with the department before their EFT payments may be accepted. ***An officer of the Taxpayer must complete the initial registration.***

Taxpayers may use AZTaxes.gov to make EFT payments:

- Electronic payment from checking or savings account/e-check/ACH Debit.

Payments can be made electronically from a checking or savings account. Go to www.AZTaxes.gov and choose the e check option. Follow the prompts to complete your registration.

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.

- Online credit card payment

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to www.AZTaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Taxpayers may also make EFT payment by ACH Credit.

To register to make ACH Credit payments, go to the department's website, www.azdor.gov. Click on "Forms", then click "Other Forms." Click on Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers. Click "Download." Complete the form as instructed. Submit the completed at least five business days before the first anticipated transaction as it may take that long to process the application.

Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at electronicfundstransfer@azdor.gov. Once the application is processed, the Taxpayer will receive additional information to present to its bank to make the ACH Credit payment.

The payment will be electronically transferred into the department's account, normally the next business day. The Taxpayer should consult with its bank for the timeframe required to make timely payments. NOTE: The Taxpayer may be charged a service fee.

NOTE: Taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.

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 2019 taxable year was greater than \$10,000 that uses a federal extension of time to file must make its 2019 extension payment by EFT. See the Section *Payment of Tax Liability by Electronic Funds Transfer* on page 1 for details on making tax payments by EFT.

A corporation whose tax liability for the 2019 taxable year was less than \$10,000 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.

Examples:

Company A reports federal taxable income of \$15,000. It has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. It multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.

Company W reports a federal taxable loss of (\$27,000). It has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. It multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).

Company Z reports a federal taxable loss of (\$500). It has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075. It multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).

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 2019 Form 120. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2019 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 2019 Form 120A. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2019 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 2019 Form 120S. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2019 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 2019 Form 99T. The amount entered on Form 120EXT, line 1, should equal the amount computed for the 2019 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 2019 taxable year was \$10,000 or more must make 2019 Arizona income tax payments using EFT. See the Section, *Payment of Tax Liability by Electronic Funds Transfer*, on page 1, for options on paying the tax liability by EFT.

Taxpayers whose Arizona income tax liability for the 2019 taxable year was less than \$10,000 may elect to pay by EFT. They may also pay by check or money order. Make the check or money order payable to Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order. *If paying by check or money order, include the check or money order with the return.*

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.

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.