

**2020**



**Arizona Booklet  
120ES**

**Corporation Estimated  
Tax Payment**

**This booklet contains:**

Form 120ES

Form 120W



# 2019 CORPORATE INCOME TAX HIGHLIGHTS

## Corporate Income Tax Rate -

The corporate income tax rate remains 4.9% for taxable years beginning from and after December 31, 2016.

## Apportionment Ratio -

- All non-air carrier taxpayers may select an apportionment ratio where the sales factor is weighted at 100% and the property and payroll factors are not included in the calculation.
- A multistate service provider may make a binding election to determine Arizona sales of services for purposes of the sales factor using a calculation based on 100% of the market sales. See Schedule MSP and the related instructions for more information, including a definition of “multistate service provider”.

## Inclusion of federal return with Arizona return

The department no longer requests that you include a copy of your federal return with your original or amended Arizona return.

## Electronic Filing of Corporate Income Tax Returns

Corporate income tax returns shall be filed electronically for taxable years beginning from and after December 31, 2019, or when the department establishes an electronic filing program. Any corporate taxpayer that is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

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>.

A waiver is not required if the corporate income tax return cannot be electronically filed for reasons beyond the taxpayer’s control, including situations in which the taxpayer was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Electronic filing of Arizona corporate income tax returns is available for the 2019 taxable year. Corporate taxpayers may elect to file their Arizona corporate income tax return electronically. Please see the department’s website at [www.azdor.gov](http://www.azdor.gov) for a list of approved software vendors.

Please contact the department at [azefile@azdor.gov](mailto:azefile@azdor.gov) if you need assistance in electronically submitting your Arizona corporate income tax return.

## Electronic Funds Transfer -

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation 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,
- \$500 or more for any taxable year beginning from and after December 31, 2020.

A corporation 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 corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation has a sustained record of timely payments, and
  - The corporation has delinquent tax accounts 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 corporation 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.*

**To ensure proper application of this payment, this form must be completed in its entirety.**

For the  calendar year 2020 or  fiscal year beginning MM,DD,2020 and ending MM,DD,20YY.

<b>1</b> Name of Firm – exactly as it will appear on the return	Employer Identification Number (EIN)		
<b>2</b> Address – number and street or PO Box	Business Phone Number (with area code)		
<b>2</b> Address – continued	<b>REVENUE USE ONLY. DO NOT MARK IN THIS AREA</b> <b>88</b>		
<b>3</b> City State ZIP Code			
a <input type="checkbox"/> Check if this is the first tax return filed under this name and EIN. b <input type="checkbox"/> Check if name and/or address has changed. c <input type="checkbox"/> Check if EIN has changed. Enter prior number: _____			
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;"><b>81</b> PM</td> <td style="width:50%;"><b>80</b> RCVD</td> </tr> </table>		<b>81</b> PM	<b>80</b> RCVD
<b>81</b> PM	<b>80</b> RCVD		

1 The enclosed amount is payment number: \_\_\_\_\_

2 Payment: Round estimated payment to a whole dollar (no cents).

Enter the amount of payment enclosed ..... \$   00

- Make check payable to Arizona Department of Revenue.
- Include EIN on payment.
- Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

**General Instructions**

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 website at [www.azdor.gov](http://www.azdor.gov).

**Who Should Use Arizona Form 120ES**

This form should be used by entities filing Arizona Forms 99T, 120, 120A, and 120S that are required to make Arizona estimated tax payments. Payments can be made via check, electronic check, money order, or credit card. The taxpayer should not use Form 120ES if the taxpayer makes its required installments of estimated tax by electronic funds transfer (EFT) or over the Internet. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make payments via the Internet.

**S corporations and partnerships** must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Arizona Form 140NR.

Refer to the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for additional information regarding composite returns.

**Estimated Tax Payments by Electronic Funds Transfer**

Refer to Arizona Revised Statutes § 42-1129 and the related Arizona Administrative Code R15-10-301 through R15-10-307 for detailed information regarding EFT.

Taxpayers who anticipate their Arizona corporate income tax liability for the 2020 taxable year to be \$5,000 or more must make Arizona corporate estimated tax payments via the EFT program. ***If the taxpayer makes its estimated tax payments by EFT, the taxpayer should not submit Form 120ES to the department.***

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

Taxpayers required to make estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers who anticipate their Arizona corporate income tax liability for the 2020 taxable year to be less than \$5,000 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

## Estimated Tax Payments via the Internet

Taxpayers must be registered with the Department of Revenue before they can register to pay taxes online. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) to register and make estimated tax payments over the Internet. **If the taxpayer makes its estimated tax payments over the Internet, the taxpayer should not submit Form 120ES to the department.**

### Electronic payment from checking or savings account

Estimated tax payments can be made electronically from a checking or savings account. Visit [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

Estimated tax payments can be made by American Express, Discover, MasterCard or Visa credit cards. Visit [www.AZTaxes.gov](http://www.AZTaxes.gov) and choose the credit card option. This will take you to the web site 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 is Required to Make Estimated Tax Payments

Entities filing Arizona Forms 99T, 120, 120A, and 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 an Arizona consolidated return pursuant to 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.

## When to Make Estimated Tax Payments

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.

## Computation of Required Installments of Estimated Tax on Arizona Form 120W

Taxpayers should use Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the amount of the required installments of estimated tax.

## Underpayment of Required Installments of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, a penalty will be imposed on any required installment that is late or underpaid.

## Recomputing Required Installments of Estimated Tax

If the taxpayer, after paying one or more required installments of estimated tax, finds that its tax liability for the taxable year will be more or less than originally estimated, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to a penalty for underpayment of estimated tax.

If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted. An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

## Completing Arizona Form 120ES

Complete the form in its entirety to ensure the proper application of the estimated tax payment.

Enter the following information on Form 120ES:

- the period covered by the taxable year;
- sequence number of the estimated tax payment;
- taxpayer name, address and employer identification number (EIN) as it will appear on the tax return. 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;**
- amount of the estimated tax payment (in whole dollars).

Check the applicable box on the form if the estimated tax payment applies to a taxable year for which:

- The taxpayer will file an initial return under the name and EIN listed; or
- The name and/or address listed is different from the name and/or address under which the preceding taxable year's return was filed; and/or
- The EIN listed is different from the EIN under which the preceding taxable year's return was filed. If the EIN has changed, list the prior EIN.

## 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.

<b>1 Arizona tax liability:</b> See instructions before completing this line.....	<b>1</b>		00
<b>2 Required annual payment:</b>			
<b>a</b> Enter 90% of line 1.....	<b>2a</b>		00
<b>b</b> Forms 99T, 120, and 120A: Enter the tax as shown on the 2019 return. See instructions.....	<b>2b</b>		00
<b>c</b> Form 120S: See instructions.....	<b>2c</b>		00
<b>d</b> Forms 99T, 120, and 120A: Enter the smaller of line 2a or line 2b. Form 120S: Enter the smaller of line 2a or line 2c.....	<b>2d</b>		00

Required Installments – Due Dates and Amounts				
	(a)	(b)	(c)	(d)
<b>3 Installment due dates:</b> See instructions.....	MM,DD,YY	MM,DD,YY	MM,DD,YY	MM,DD,YY
<b>4 Required installments:</b> Enter 25% of line 2d in columns (a) through (d) unless the taxpayer uses the annualized income installment method, the adjusted seasonal installment method or is a "large corporation". See instructions.....				

**SCHEDULE A Required Installments Using the Annualized Income or Adjusted Seasonal Installment Methods Under IRC § 6655(e)**

**Part 1 Annualized Income Installment Method**

	(a)	(b)	(c)	(d)
<b>5</b> Annualization periods: See instructions.....	First _____, Months	First _____, Months	First _____, Months	First _____, Months
<b>6</b> Enter taxable income for each annualization period.....				
<b>7</b> Annualization amounts: See instructions.....				
<b>8</b> Annualized taxable income: Multiply line 6 by line 7. Enter result...				
<b>9</b> Multiply the amount in each column on line 8 by 4.9%: Enter the result.....				
<b>10</b> Enter tax from recapture of tax credits for each payment period: See instructions.....				
<b>11</b> Subtotal tax: Add lines 9 and 10. Enter the total.....				
<b>12</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....				
<b>13</b> Arizona tax liability: Subtract line 12 from line 11. Enter the difference. If zero or less, enter "0".....				
<b>14</b> Refundable tax credits: See instructions.....				
<b>15</b> Claim of right adjustment: See instructions.....				
<b>16</b> Net liability: Subtract the sum of line 14 and line 15 from line 13. Enter the difference. If zero or less, enter "0".....				
<b>17</b> Applicable percentage.....	22.5%	45%	67.5%	90%
<b>18</b> Multiply line 16 by line 17. Enter the result.....				
<b>19</b> Add the amounts in all preceding columns from page 2, Part 3, line 52: See instructions.....				
<b>20 Annualized income installments:</b> Subtract line 19 from line 18. Enter the difference. If zero or less, enter "0".....				

**Part 2 Adjusted Seasonal Installment Method**

**CAUTION:** Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

	(a)	(b)	(c)	(d)
<b>21</b> Enter taxable income for the following periods:	First 3 Months	First 5 Months	First 8 Months	First 11 Months
<b>a</b> Taxable year beginning in 2017.....	<b>21a</b>			
<b>b</b> Taxable year beginning in 2018.....	<b>21b</b>			
<b>c</b> Taxable year beginning in 2019.....	<b>21c</b>			
<b>22</b> Enter taxable income for each period for taxable year beginning in 2020.....	<b>22</b>			

	(a) First 4 Months	(b) First 6 Months	(c) First 9 Months	(d) Entire Year
<b>23</b> Enter taxable income for the following periods:				
<b>a</b> Taxable year beginning in 2017.....	<b>23a</b>			
<b>b</b> Taxable year beginning in 2018.....	<b>23b</b>			
<b>c</b> Taxable year beginning in 2019.....	<b>23c</b>			
<b>24</b> Divide the amount in each column on line 21a by the amount in column (d) on line 23a. Enter the result.....	<b>24</b>			
<b>25</b> Divide the amount in each column on line 21b by the amount in column (d) on line 23b. Enter the result.....	<b>25</b>			
<b>26</b> Divide the amount in each column on line 21c by the amount in column (d) on line 23c. Enter the result.....	<b>26</b>			
<b>27</b> Add lines 24 through 26. Enter the total.....	<b>27</b>			
<b>28</b> Divide line 27 by three (3). Enter the result.....	<b>28</b>			
<b>29</b> Divide line 22 by line 28. Enter the result.....	<b>29</b>			
<b>30</b> Multiply the amount in each column on line 29 by 4.9%: Enter the result.....	<b>30</b>			
<b>31</b> Divide the amount in each column on line 23a by the amount in column (d) on line 23a. Enter the result.....	<b>31</b>			
<b>32</b> Divide the amount in each column on line 23b by the amount in column (d) on line 23b. Enter the result.....	<b>32</b>			
<b>33</b> Divide the amount in each column on line 23c by the amount in column (d) on line 23c. Enter the result.....	<b>33</b>			
<b>34</b> Add columns (a) through (c) of lines 31 through 33. Enter the total.....	<b>34</b>			
<b>35</b> Divide columns (a) through (c) of line 34 by three (3). Enter the result.....	<b>35</b>			
<b>36</b> Multiply the amount in columns (a) through (c) of line 30 by the amount in the corresponding column of line 35. Enter the result. In column (d), enter the amount from line 30, column (d)....	<b>36</b>			
<b>37</b> Enter tax from recapture of tax credits for each payment period: See instructions.....	<b>37</b>			
<b>38</b> Subtotal tax: Add lines 36 and 37. Enter the total.....	<b>38</b>			
<b>39</b> For each period, enter the amount of nonrefundable tax credits: See instructions.....	<b>39</b>			
<b>40</b> Arizona tax liability: Subtract line 39 from line 38. Enter the difference. If zero or less, enter "0".....	<b>40</b>			
<b>41</b> Refundable tax credits: See instructions.....	<b>41</b>			
<b>42</b> Claim of right adjustment: See instructions.....	<b>42</b>			
<b>43</b> Net liability: Subtract the sum of line 41 and line 42 from line 40. Enter the difference. If zero or less, enter "0".....	<b>43</b>			
<b>44</b> Multiply line 43 by 90%. Enter the result.....	<b>44</b>			
<b>45</b> Add the amounts in all preceding columns from Part 3, line 52: See instructions.....	<b>45</b>			
<b>46 Adjusted seasonal installments:</b> Subtract line 45 from line 44. Enter the difference. If zero or less, enter "0".....	<b>46</b>			

**Part 3** Required Installments

	(a) First Installment	(b) Second Installment	(c) Third Installment	(d) Fourth Installment
<b>47</b> If only one of the above parts is completed, enter the amount in each column from line 20 or line 46. (If both parts are completed, enter the <b>lesser</b> of the amounts in each column from line 20 or line 46.).....	<b>47</b>			
<b>48</b> Enter 25% of line 2d in each column. <b>NOTE:</b> "Large corporations", see instructions for line 4 to determine the amount to enter.....	<b>48</b>			
<b>49</b> Enter the amount from line 51 of this schedule for the preceding column.....	<b>49</b>			
<b>50</b> Add lines 48 and 49. Enter the total.....	<b>50</b>			
<b>51</b> If line 50 is more than line 47, subtract line 47 from line 50. Otherwise, enter "0".....	<b>51</b>			
<b>52 Required Installments:</b> Enter the <b>lesser</b> of line 47 or line 50 here and on page 1, line 4.....	<b>52</b>			

## 2020 Estimated Tax Worksheet for Corporations

**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 *Reports & Legal Research* then click on *Legal Research* and select a Document Type 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

**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. Use Form 120W to compute the required annual payment of estimated tax, and the required installments.

*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 an Arizona consolidated return on Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona consolidated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least \$1,000.*

**Payment by Electronic Funds Transfer**

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation 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 corporation 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 corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  - The corporation 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 corporation 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**

Corporations making EFT payments must register with the department before their EFT payments may be accepted. ***An officer of the corporation 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](http://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](http://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](http://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](mailto:electronicfundstransfer@azdor.gov).

Once the application is processed, the corporation 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 corporation should consult with its bank for the timeframe required to make timely payments. NOTE: The corporation may be charged a service fee.

**NOTE:** *Corporate 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.*

#### MAKING ESTIMATED TAX

Taxpayers making estimated payments for 2020 that expect a 2020 income tax liability of \$5,000 or more must make Arizona estimated payments using EFT.

See the Section *Payment of Tax Liability by Electronic Funds Transfer*, on page 1, for details on making tax payments by EFT.

Corporations that make estimated tax payments by EFT should not submit Form 120ES.

Corporations making estimated payments for 2020 who expect a 2020 income tax liability of less than \$5,000 may pay by check, e-check, money order, or credit card. Or they may elect to participate in EFT. See the Section, *Payment of Tax Liability by Electronic Funds Transfer* on page 1 for additional information. If paying by check or money order, complete Form 120ES and include the check or money order with the form.

**NOTE:** *Taxpayers required to make corporate estimated payments by 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).*

#### 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 (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A 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 (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W 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 (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z 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

### Line 1 - Arizona Tax Liability

Enter the taxpayer's estimated tax liability for the current taxable year. Its Arizona tax liability is determined as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and refundable tax credits].

**Claim of right adjustments (Forms 120 and 120A):** If a taxpayer computes its tax liability under the claim of right provisions, the estimated tax payments should be based 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:

- 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**
- Forms 99T, 120, and 120A filers* - 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 filers* - 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 plus (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%. Enter the result on line 2a.

### Line 2b - (Form 99T, 120, or 120A Filers)

Enter the tax as shown on the 2019 return.

**NOTE:** *If the taxpayer had no tax liability for 2019, or if its 2019 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 Filers)**

Enter the sum of:

- Ninety percent of the portion of the 2020 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 2019 Arizona tax liability that is attributable to excess net passive income.

**NOTE:** *If the S corporation's 2019 taxable year was a period of less than twelve months, skip line 2c. 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**

Enter the installment due dates for the estimated payments.

**NOTE:** *All corporate taxpayers are required to make Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of their 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**

Enter 25% of line 2d in columns (a) through (d) unless:

- The entity uses the installment method; or,
- The entity uses the annualized income installment method; or,
- The entity is a "large corporation".

**NOTE:** *When making estimated tax payments, be sure to take into account any 2019 overpayment that the entity chose to apply against its 2020 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 determine 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 Internal Revenue Code § 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 an Arizona consolidated return is treated as a single corporation for purposes of applying this 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 line 4.

- If line **2a** is **less than** line **2b**, enter 25% of line 2a in columns (a) through (d) of line 4.
- If line **2b** is **less than** line **2a**:
  - Enter 25% 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%.
  - Enter 25% of line 2a in columns (c) and (d).

**B.** If the taxpayer uses the annualized income installment method and/or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Part 3, line 48, columns (a) through (d) before completing the remainder of the lines in Part 3 of Schedule A.

- If line **2a** is **less than** line **2b**, enter 25% of line 2a in columns (a) through (d) of Schedule A, Part 3, line 48.
- If line **2b** is **less than** line **2a**:
  - Enter 25% of line 2b in column (a) of Schedule A, Part 3, line 48.
  - Determine the amount to enter in column (b) of Schedule A, Part 3, line 48 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%.
  - Complete the remainder of Part 3, Schedule A.
  - Enter 25% of line 2a in columns (c) and (d) of Schedule A, Part 3, line 48.
- Complete the remainder of Schedule A, Part 3.
- Enter the amounts from columns (a) through (d) from Schedule A, Part 3, line 48 in columns (a) through (d) of this line.

**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 1 and 3 of Schedule A.
- If only the adjusted seasonal installment method is used, complete Parts 2 and 3 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 1 - Annualized Income Installment Method**

**NOTE for lines 5 through 20:** Complete all lines in each column before completing the next column.

**Line 5 - Annualization Periods**

Enter the annualization period the taxpayer is using in 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 6 –**

Enter the taxable income for each annualization period indicated in columns (a) through (d).

**Line 7 - Annualization Amounts**

Enter the annualization amounts for the option used on line 5 in columns (a) through (d), respectively.

Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333

Forms 120, 120A, and 120S				
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 8 – Annualized Taxable Income**

Multiply columns (a) through (d) of line 6 by columns (a) through (d) of line 7. Enter the result in each column.

**Line 9 - Calculate the Tax**

Multiply columns (a) through (d) of line 8 by 4.9%. Enter the result in each column.

**NOTE:** Calculate the tax on the amount in each column using the instructions for taxable year 2019 for: Form 99T, line 6; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12.

**Line 10 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The Environmental Technology Facility Credit claimed on Form 305,
- The credit for Employment by a Healthy Forest Enterprise claimed on Form 332,
- The credit for Qualified Facilities claimed on Form 349, and,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Form 351.

**Line 11 – Subtotal Tax**

Add columns (a) through (d) of line 9 and columns (a) through (d) of line 10. Enter the total in each column.

**Line 12 - 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 taxable year 2019 for: Form 99T, line 9; or Form 120, line 19; or Form 120A, line 11; or Form 120S, line 15.

**Line 13 -**

Subtract columns (a) through (d) of line 12 from columns (a) through (d) of line 11. Enter the difference in each column. If the difference is zero or less, enter “0”.

**Line 14 - 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 taxable year 2019 for: Form 99T, line 12; Form 120, line 22; Form 120A, line 14 or Form 120S, line 18.

### **Line 15 - Claim of Right Adjustment (Forms 120 and 120A)**

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

### **Line 16 – Net Liability**

Subtract the sum columns (a) through (d) of line 14 and columns (a) through (d) of line 15 from columns (a) through (d) of line 13. Enter the difference in each column. If the difference is zero or less, enter “0”.

### **Line 18 –**

Multiply columns (a) through (d) of line 16 by columns (a) through (d) of line 17. Enter the result in each column.

### **Line 19 - Cumulative Installments**

Do not enter an amount in column (a). Enter the amounts from Part 3, line 52, columns (a) through (c) in columns (b) through (d) of this line.

### **Line 20 – Annualized Income Installments**

Enter line 18, column (a) in line 20, column (a). Subtract line 19 columns (b) through (d) from line 18 columns (b) through (d). Enter the difference. If zero or less, enter “0”.

## **Part 2 - Adjusted Seasonal Installment Method**

Complete Part 2 only if the taxpayer’s base period percentage for any 6 consecutive months of the tax year equals or exceeds 70%. Figure the base period percentage using the 6 month period in which the taxpayer normally receives the largest part of its taxable income.

The taxpayer’s base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding 6 consecutive month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

See the **EXAMPLE** below for information on how to calculate the base period percentage.

**EXAMPLE:** *A calendar year taxpayer receives the largest part of its taxable income during the 6-month period from April through September. To compute its base period percentage for this 6-month period in 2019, the taxpayer figures its taxable income for each April through September period in 2017, 2018, and 2019. It then divides the taxable income for each April through September period by the total taxable income for that particular tax year. The resulting percentages are 65% for April - September 2017, 75% for April - September 2018, and 70% for April - September 2019. Because the average of 65%, 75%, and 70% is 70%, the base period percentage for April through September 2020 is 70%. Therefore, the taxpayer qualifies for the adjusted seasonal installment method.*

### **Lines 21 through 29**

Read and follow the instructions on the form.

### **Line 30 - Calculate the Tax**

Multiply columns (a) through (d) of line 29 by 4.9%. Enter the result.

**NOTE:** *Refer to the instructions for taxable year 2019 for Form 99T, line 6; or Form 120, line 16; or Form 120A, line 8; or Form 120S, line 12 for additional information.*

### **Lines 31 through 36**

Read and follow the instructions on the form.

### **Line 37 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The Environmental Technology Facility Credit claimed on Form 305,
- The credit for Employment by a Healthy Forest Enterprise claimed on Form 332,
- The credit for Qualified Facilities claimed on Form 349, and,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Form 351.

### **Line 38 – Subtotal Tax**

Add columns (a) through (d) of lines 36 and 37. Enter the total in each column.

### **Line 39 - 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 21. Calculate this amount using the instructions for taxable year 2019 for: Form 99T, line 9; Form 120, line 19; Form 120A, line 11; or Form 120S, line 15.

### **Line 40 – Arizona Tax Liability**

Subtract columns (a) through (d) of line 39 from columns (a) through (d) of line 38. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

### **Line 41 - 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 taxable year 2019 for: Form 99T, line 12; Form 120, line 22; Form 120A, line 14; or Form 120S, line 18.

### **Line 42 - Claim of Right Adjustment (Forms 120 and 120A)**

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions. Enter the Claim of Right adjustment to be claimed.

**Line 43 – Net Liability**

Subtract the sum of columns (a) through (d) of lines 41 and line 42 from columns (a) through (d) of line 40. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

**Line 44 –**

Multiply columns (a) through (d) of line 43 by 90%. Enter the result in each column.

**Line 45 - Cumulative Installments**

Do not enter an amount in column (a). Enter columns (a) through (d) of Part 3, line 52 in columns (b) through (d) of this line.

**Line 46 – Adjusted Seasonal Installments**

Subtract columns (a) through (d) of line 45 from columns (a) through (d) of line 44. Enter the difference in each column. If the difference in any column is zero or less than zero, enter “0”.

**Part 3 - Required Installments****Line 47 -**

- If Part 1 is completed, enter the amounts from columns (a) through (d) of line 20.
- If Part 2 is completed, enter the amounts from columns (a) through (d) of line 46.
- If Part 1 and Part 2 are completed, enter the lesser of the amounts from columns (a) through (d) of line 20 or columns (a) through (d) of line 46.

**Line 48 –**

Enter 25% of line 2d in each column.

**NOTE:** *“Large corporations” see the instructions for line 4 to determine the amount to enter in columns (a) through (d).*

**Line 49 -**

Do not enter an amount in column (a). Enter the amounts from columns (a) through (c) of line 51, in columns (b) through (d) of this line.

**Line 50 -**

Add columns (a) through (d) of line 48, and columns (b) through (d) of line 49. Enter the totals in the respective columns.

**Line 51 –**

If columns (a) through (c) of line 50 are greater than columns (a) through (c) of line 47, subtract columns (a) through (c) of line 47 from columns (a) through (c) of line 50. Otherwise, enter “0”. Do not enter an amount in column (d).

**Line 52 – Required Installments**

Enter the lesser of columns (a) through (d) of line 47 or columns (a) through (d) of line 50 and in columns (a) through (d) of Page 1, line 4.

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