2020 Estimated Tax Worksheet for Corporations

Arizona Form 120W

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 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 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 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:

a) *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**

b) *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
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.