

**2016 Arizona Exempt Organization Annual Information Return**

**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 *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

**Organizations Which Must File Form 99 or a Copy of the Federal Return of Organization Exempt From Income Tax**

Most organizations that have tax exempt status under *Arizona Revised Statutes (A.R.S.) § 43-1201(A)* must file Arizona Form 99 or a copy of the organization's federal Return of Organization Exempt from Income Tax *only if their gross receipts exceed \$50,000*.

However, the following exempt organizations do not have to file Arizona Form 99 or a copy of the organization's federal Return of Organization Exempt from Income Tax *regardless of the amount of gross receipts*:

- A religious organization exempt under *A.R.S. § 43-1201(A)(4)*. The organization must be organized exclusively for religious purposes. No part of the organization's net earnings may inure to the benefit of any private shareholder or individual. No substantial part of the organization's activities may be carrying on propaganda or otherwise attempting to influence legislation.
- An educational organization exempt under *A.R.S. § 43-1201(A)(4)*. The organization must normally maintain a regular faculty and students in attendance at the place where its educational activities are regularly conducted.
- A charitable organization or an organization for the prevention of cruelty to children or animals, exempt under *A.R.S. § 43-1201(A)(4)*. The organization must receive its support, in whole or in part, from funds contributed by the United States, or any state or political subdivision thereof, or receive its primary support from contributions of the general public.
- An organization exempt under *A.R.S. § 43-1201(A)(4)*, if the operation, supervision, or control of the organization is by, or in connection with, a religious organization exempt under *A.R.S. § 43-1201(A)(4)*.
- An organization exempt solely under *A.R.S. § 43-1201(A)(2)*. The fraternal beneficiary societies, orders or organizations must: (a) operate under the lodge system or for the exclusive benefit of the

members of a fraternity itself operating under the lodge system; and (b) provide for the payment of life, sick, accident or other benefits to the members of the society, order or organization or their dependents.

**Homeowners Associations**

Homeowners associations described in Internal Revenue Code (IRC) § 528 are not exempt from tax under *A.R.S. § 43-1201(A)* [associations that file federal Form 1120-H or 1120]. These associations must file an Arizona corporate income tax return on Form 120A or Form 120.

Certain homeowners associations are federally tax exempt under IRC § 501(c)(4) as social welfare organizations, or under IRC § 501(c)(7) as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and may file Arizona Form 99.

**Determination of Gross Receipts**

"Gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses in accordance with *A.R.S. § 43-1242(D)*. Total income (Form 99, line 12), plus cost of goods sold (Form 99, line 2) plus any other expenses deducted to arrive at the income on lines 4 through 11, would equal the organization's gross receipts for the tax year.

**Nonprofit Medical Marijuana Dispensary (NMMD)**

A nonprofit medical marijuana dispensary (NMMD) under *Arizona Revised Statutes Title 36, Chapter 28.1*, is exempt from Arizona corporate income tax in accordance with *A.R.S. § 43-1201(B)*. An NMMD must file Arizona Form 99 to meet the filing requirements of *A.R.S. § 43-1242*. A limited liability company (LLC) that is an NMMD but treated as a disregarded entity must file Arizona Form 99. Because NMMDs are not exempt organizations at the federal level, they do not have the option to file the federal return in place of Arizona Form 99. An NMMD that is taxed as an S corporation or a partnership is required to file Arizona Form 120S or Arizona Form 165, as applicable, by the due date of those returns, in addition to filing Arizona Form 99. An NMMD that is organized as a sole proprietorship must also file Arizona Form 140, Arizona Form 140PY, or Arizona Form 140NR, as applicable, by the due date of those returns, in addition to filing Arizona Form 99.

**Extension of Time to File a Return**

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120EXT by the original due date of the return.
- The organization can also use a valid federal extension rather than applying for an Arizona extension.
- The department grants an Arizona extension for filing Form 99 for a period of six months.
  - Arizona will accept the federal extension for the same period of time as covered by the federal extension, except for NMMDs.
  - A NMMD cannot use the federal extension for filing its Arizona Form 99. **The NMMD must request an Arizona extension on Arizona Form 120EXT.**

**Filing Original Returns**

- The due date to file Form 99 or a copy of the federal return of organization exempt from income tax is the 15th day of the fifth month after the close of the taxable year.
- If the organization has a valid federal or Arizona filing extension, the return date is the extended due date.
  - If the return is filed under extension, check box 82F on page 1 of the return.
- If the organization filed a federal extension and is filing its federal form in place of the Arizona Form 99, include a copy of the federal extension in front of the federal return.
- Mail the return to the address indicated on the form.

**Timely filing of returns:**

- The Department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed.
  - See *General Tax Ruling (GTR) 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The Department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services.
  - Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day.
  - See *GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

**Filing Amended Returns**

- File amended returns within four years of the filing of the original return.
- Do not file an amended return until the original return has been processed.
- *Organization(s) that filed a copy of its federal Return of Organization Exempt from Income Tax –*
  - File a copy of the amended federal Return of Organization Exempt from Income Tax.
- *Organization(s) that filed Form 99 –*
  - Include a statement with the amended return that explains why the organization amended its Arizona return.
  - If the organization amended its federal return, include a copy of the amended federal return and all schedules applicable with the amended Arizona return.
- *NMMD that filed Form 99 –*
  - Include a statement with the amended return that explains why the dispensary amended its Arizona return.
  - If the dispensary amended its federal return, include a copy of the amended federal return and all applicable schedules with the amended Arizona return, unless question H applies.

- If question H applies to the NMMD, then an amended Arizona Form 120S or Arizona Form 165 must be filed and the amended federal return should be included with the Arizona amended Form 120S or Form 165.

**Penalty**

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete information return is \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

**Specific Instructions**

Type or print the required information in the name, address, and information boxes at the top of page 1. 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 return. Indicate whether this return is an original or an amended return.

Enter the employer identification number (EIN) of the organization, which is its taxpayer identification number (TIN).

All returns, statements, and other documents filed with the department require a TIN. Taxpayers that fail to include their TIN may be subject to a penalty. Paid tax return preparers must include their TIN where requested. The TIN for a paid tax return preparer is the individual's social security number or the EIN of the business. Paid tax return preparers that fail to include their TIN may be subject to a penalty.

*An organization that is exempt under A.R.S. § 43-1201(A) –* must answer questions A, B and C. Skip questions D through H. Complete the rest of the form.

*NMMD that is exempt under A.R.S. § 43-1201(B) –* answer questions A and B. Skip question C. Check the box for question D and enter the registry identification number of the dispensary. Check one box for question E. If the dispensary is an LLC, check one box for question F. If the dispensary is a flow through entity (LLC, S corporation or partnership), be sure to include a schedule that lists ownership information (i.e. name, address, TIN and ownership percentage) with the tax return. Check a box for question G to indicate the type of federal income tax return filed. Complete the rest of the form, as instructed below.

**Lines 1 through 12 -**

Include in this section all sources of income received during the taxable year.

**Lines 13 through 20 -**

Include in this section all administrative expenses.

**Schedule A and Line 21 -**

Include in Schedule A on page 2 all disbursements made from current income for exempt purposes. Enter the total of lines A1 through A5 on line A6 and on page 1, line 21.

**Schedule B and Line 22 -**

Include in Schedule B on page 2 all disbursements from principal for exempt purposes. Enter the total of lines B1 through B5 on line B6 and on page 1, line 22.

**Line 23 -**

Enter all other disbursements not itemized on Schedule A or Schedule B. Include a schedule detailing these disbursements with the return.

**Lines 24 through 26 -**

Enter the applicable amounts to report the accumulation of income.

**Line 27 -**

This form is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of \$100 for each month, or fraction of a month, that the failure continues, up to a maximum penalty of \$500.

If the organization or dispensary files this return after its due date (including extensions), enter the penalty due on this line. Payments can be made via check or money order.

Make checks payable to Arizona Department of Revenue. Enter the organization's EIN or the dispensary's TIN on the front of the check or money order. Include the check or money order with the return.

**Schedule C - Balance Sheet**

Complete column (a), for beginning of year amounts, and column (b), for end of year amounts.

**NOTE:** The amounts entered on lines C2a, C2b, C3a, C3b, C7a, and C7b and on any included schedules should be end of year amounts.

**Line C2 -**

On line C2a, enter accounts receivable. Subtract the amount on line C2b from the amount on line C2a. Enter the difference on line C2c in column (b).

**Line C3 -**

On line C3a, enter other notes and loans receivable. Subtract the amount on line C3b from the amount on line C3a. Enter the difference on line C3c in column (b).

**Line C7 -**

On line C7a, enter land, buildings, and equipment; basis. Subtract the amount on line C7b from the amount on line C7a. Enter the difference on line C7c in column (b).

**Certification**

An officer of the organization or dispensary must sign the return on page 3.

**Paid preparers:** Sign and date the return on page 3. Complete the firm name and address lines (the paid preparer's name and address, if self-employed). Enter the paid preparer's TIN, which is the firm's EIN or the individual preparer's social security number.