

2012 Arizona Exempt Organization Business Income Tax Return

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
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at www.azdor.gov.

General Instructions

Organizations Which Must File This Tax Return

Organizations that have tax exempt status under Arizona Revised Statutes (ARS) § 43-1201(A) file this return to report Internal Revenue Code (IRC) § 512 unrelated trade or business income (UTBI).

Organizations exempt under ARS § 43-1201(A)(8) file Form 99T to report UTBI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax exempt organization required to file Form 99T.

NOTE: Homeowners associations described in IRC § 528 are not exempt from tax under ARS § 43-1201(A) [associations that file federal Form 1120-H or 1120]. These organizations must file an Arizona corporate income tax return on Form 120A or Form 120. However, 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. These organizations may file Form 99.

Taxable Year Covered by Return

File returns for the calendar year or fiscal year. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year.

Filing Original Returns

Returns are due by the 15th day of the fifth month after the close of the taxable year. If the organization has a valid federal or Arizona extension, file the return by the extended due date. If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return. Send the return to the Arizona Department of Revenue, PO Box 52153, Phoenix AZ 85072-2153. Attach a copy of the appropriate federal return.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also 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.

Filing Amended Returns

Any organization who files an amended return with the IRS must file an Arizona amended return on Form 99T within ninety days after the final determination by the IRS of the change or correction. The organization must report changes or corrections of the organization's taxable income by the IRS or as the result of renegotiation of a contract or subcontract with the United States to the department. The organization must either:

- File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or
- File an amended return as required by the department.

The organization must include additional schedules that provide sufficient information for the department to recompute the organization's Arizona unrelated trade or business taxable income based on the Revenue Agent Report (RAR) changes. The department may require that the organization file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.

NOTE: File an amended return for a prior taxable year on the Form 99T for that taxable year. Use the 2012 Form 99T to amend only taxable year 2012.

Do not file an amended return until the original return has been processed. Be sure to check the box indicating that the organization is filing an amended return.

Payment of Tax

The entire amount of tax is due by the original due date of the return. Payments can be made via check, electronic check, money order, or credit card. Visit www.aztaxes.gov to register and make payments via the internet.

Estimated Tax Payments

Organizations that expect an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated tax payments. Use Form 120ES, *Corporation Estimated Tax Payment*. For exceptions to the estimated tax requirements, see the instructions for Form 220, *Underpayment of Estimated Tax by Corporations*. An organization that fails to make the required estimated tax payments is subject to a penalty on any estimated tax payment that is late or underpaid. Arizona's required annual payment of estimated tax is the smaller of:

- Ninety percent of the organization's Arizona tax liability for the current taxable year; **or**
- One hundred percent of the organization's Arizona tax liability for the prior taxable year.

*Organizations required to make Arizona corporate estimated tax payments should use the 2013 Form 120W, *Estimated Tax Worksheet for Corporations*, to compute the required installments. REFER TO THE 2013 FORM 120W AND ITS INSTRUCTIONS BEFORE COMPLETING THE 2013 FORM 120ES.*

ESTIMATED TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER. Refer to ARS § 42-1129 and the related Arizona Administrative Code rules (AAC R15-10-301 through R15-10-307) for detailed information regarding electronic funds transfer.

NOTE: *Organizations required to make 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 ARS § 42-1125(O).*

Organizations whose Arizona corporate income tax liability for the preceding taxable year was \$20,000 or more must make Arizona corporate estimated tax payments via electronic funds transfer. If the organization is making its estimated tax payments by electronic funds transfer (EFT), the organization should **not** submit Form 120ES to the department.

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

Organizations whose Arizona corporate income tax liability for the preceding taxable year was less than \$20,000 may elect voluntary participation in the electronic funds transfer program. Voluntary participants in the program must complete the department's electronic funds transfer authorization agreement at least 30 days prior to the first applicable transaction.

Extension of Time to File a Return

The organization can apply for an Arizona extension by filing a completed 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 organization must use Form 120EXT to transmit extension payments via check or money order, whether the organization uses a valid federal extension or requests an Arizona extension. If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return.

The department grants an Arizona extension for a period of six months. Arizona will accept the federal extension for the same period of time as covered by the federal extension.

Either the Arizona or federal extension provide an extension of time to file, but do not provide an extension of time to pay.

The organization must pay 90 percent of the tax liability (after the Clean Elections Fund tax credit) by the original due date of the return. The organization's tax liability may be the \$50 minimum tax. The department imposes the extension underpayment penalty on any late or underpaid extension payments.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the organization has a valid federal or Arizona extension. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent (.045) of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month and the amount

of any credit against the tax which may be claimed on the return. The penalty period is for each month or fraction of a month between the due date of the return and the date the organization filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The organization must pay 90 percent of the tax liability (after the Clean Elections Fund tax credit) disclosed by the organization's return on or before the original due date of the return. The department imposes the extension underpayment penalty on any late or underpaid extension payments. The extension underpayment penalty is one-half of one percent (.005) of the tax not paid. The penalty period is for each 30 day period or fraction thereof between the original due date of the return and the date the organization paid the tax. The maximum penalty is 25 percent of the unpaid tax. Organizations subject to the extension underpayment penalty are not subject to the late payment penalty prescribed under ARS § 42-1125(D).

C. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on a return that is not paid by the date prescribed for its payment. "Amount of tax shown on the return" is the amount of tax imposed shown on the return less the amount of any part of the tax paid on or before the beginning of the month and the amount of any credit against the tax that may be claimed on the return. The late payment penalty is one-half of one percent (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10 percent 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 percent.*

Refer to Arizona Corporate Income Tax Ruling CTR 09-1 regarding the application of penalties to returns filed under extension.

D. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the organization, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same time as prescribed by IRC § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2) [the federal short-term rate, determined pursuant to IRC § 6621(b), plus three percentage points].

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.

E. Estimated Tax Underpayment Penalty. The department imposes the estimated tax underpayment penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Form 220 for further details. The penalty imposed is the penalty prescribed by ARS § 43-582 for the applicable period.

IRC § 7519 Required Payments

These payments cannot be deducted on the Arizona tax returns as an ordinary and necessary business expense or otherwise.

Rounding Dollar Amounts

Organizations 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.

Records

Every organization should maintain books and records substantiating information reported on the return and keep these documents for inspection. Arizona General Tax Ruling GTR 96-1 discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate the period covered by the taxable year and whether the taxable year is a calendar year or a fiscal year. 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). Enter the Arizona transaction privilege tax number for the organization. Enter the unrelated business activity code(s) from the federal Form 990-T.

All returns, statements, and other documents filed with the department require a TIN. Organizations 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.

Arizona Unrelated Trade or Business Taxable Income Computation

Line 1 - Unrelated Trade or Business Taxable Income

Enter the amount of unrelated trade or business taxable income from federal Form 990-T.

NOTE: ARS §§ 43-1231 and 43-1241 do not allow additions to or subtractions from federal unrelated trade or business taxable income similar to those allowed for corporations.

Line 2 - Apportionment Ratio

This line is provided for multistate organizations to enter an apportionment ratio. An apportionment ratio represents the percentage of the multistate organization's unrelated trade or business income that arises from Arizona. Schedule A on page 2 of Form 99T is used to compute the apportionment ratio for non-air carrier multistate organizations. Air carrier organizations must complete Schedule ACA. Arizona's apportionment ratio provisions are explained later in these instructions.

An exempt organization that has income from unrelated trade or business activities taxable in more than one state is a

multistate organization. An exempt organization that has income from unrelated trade or business activities taxable entirely within Arizona is a *wholly Arizona organization.*

Non-air carrier multistate organizations - enter the average ratio from page 2, Schedule A, line A5. The organization must carry out the decimal on line 2 to six places.

Air carrier multistate organizations - enter the average ratio from Schedule ACA, line 3. The organization must carry out the decimal on line 2 to six places.

Line 3 - Taxable Income Attributable to Arizona

Multistate organizations: The organization must apportion its unrelated trade or business taxable income; multiply the amount on line 1 by the ratio on line 2. Enter the result.

Wholly Arizona organizations: If the organization has unrelated trade or business taxable income that is taxable entirely within Arizona, enter the amount from line 1.

Arizona Tax Liability Computation

Line 4 - Arizona Tax

Multiply the net unrelated trade or business taxable income that is subject to Arizona tax (page 1, line 3) by 6.968 percent. If the computed amount of tax is less than \$50, enter the minimum tax liability of \$50. Every organization required to file a return shall pay a \$50 minimum tax in accordance with ARS § 43-1111.

Line 5 - Clean Elections Fund Tax Credit

An organization may claim a tax credit on the 2012 tax return for:

- A donation made directly to the Clean Elections Fund during the taxable year 2012, but before August 2, 2012; and/or
- A donation made to the Clean Elections Fund on the organization's 2011 tax return that was filed before August 2, 2012.

The 2012 tax credit is equal to the amount of the donation(s) made before August 2, 2012, but cannot exceed twenty percent of the tax (line 4) or six hundred seventy dollars, whichever is higher. The tax credit is nonrefundable and the unused portion of the tax credit may not be carried forward.

Calculation of 2012 Clean Elections Fund Tax Credit

1.	Enter the amount donated directly to the fund during the taxable year 2012 but before August 2, 2012, PLUS the amount donated to the fund with the 2011 Form 99T filed before August 2, 2012.	\$	00
2.	Enter tax from 2012 Form 99T, line 4.	\$	00
3.	Multiply amount on line 2 by 20 percent (.20).	\$	00
4.		\$	670 00
5.	Enter the larger of line 3 or line 4.	\$	00
6.	Enter the smaller of line 1, line 2, or line 5 here and on 2012 Form 99T, line 5.	\$	00

Tax Payments

Line 7 - Extension Payment

Enter any payment made with the Arizona request for extension of time to file the income tax return or made online by the original due date. If the organization is filing under an extension, check the extension box (82F) on page 1 of the return.

Line 8 - Estimated Tax Payments

Enter the total amount paid by the organization for the taxable year. Use the following worksheet to figure the amount of these payments that should be entered on line 8.

Estimated Tax Payment Worksheet

Payments	Date of Payment	Amount
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 8.		

Line 9 - Payment Made With Original Return (Plus All Payments After It Was Filed) - Amended Returns Only

Use the following worksheet to figure the amount of the payments that should be entered on line 9.

NOTE: Do not include payments reported on lines 7 or 8.

Payment Worksheet

Payments (Other)	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 9.		

Line 10 - Subtotal Payments

Add lines 7 through 9. Enter the subtotal.

Line 11 - Overpayments of Tax From Original Return or Later Adjustments

Enter the amount of the overpayment of tax, if any, from the original return, and the total amount of any overpayments from a Department of Revenue correction notice, an amended return, or an audit. Do not include or enter the amount of any penalties or interest paid.

Computation of Total Due or Overpayment

Line 13 - Balance of Tax Due

If the amount on line 6 is **larger** than the amount on line 12, there is a balance of tax due. Subtract line 12 from line 6 and enter the difference. Skip line 14.

Line 14 - Overpayment of Tax

If the amount on line 12 is **larger** than the amount on line 6, there is an overpayment of tax. Subtract line 6 from line 12 and enter the difference.

Line 15 - Penalty and Interest

Calculate any penalty or interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 13 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section beginning on page 2 of these instructions.

Line 16 - Estimated Tax Underpayment Penalty

Original returns: The organization does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the organization made its estimated tax payments based on either of the following methods:

- An amount equal to 90 percent of the current taxable year's tax liability after the Clean Elections Fund tax credit (line 6), paid in four equal installments; or
- An amount equal to 100 percent of the organization's tax liability (after the Clean Elections Fund tax credit) for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the organization of any amount due. If the organization elects to have the department compute the penalty, do not check box **16A** or enter an amount on line 16.

The organization must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on either of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method.

Enter the total penalty from Form 220, Part C, line 37. Attach the completed Form 220 to the return **and** check box **16A**.

Amended returns: Do not recompute the estimated tax underpayment penalty. Enter the amount of estimated tax underpayment penalty from the original return or the amount from a department correction notice.

Line 17 - Total Amount Due

If the organization had a balance of tax due on line 13, add lines 13, 15 and 16. Enter the total on line 17. This is the total amount due. Pay this amount when the organization files the return. Payments can be made via check, electronic check, money order, or credit card.

Check or Money Order

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

Internet Payments

Organizations must be licensed by the Department of Revenue before they can register to pay taxes online. Go to www.aztaxes.gov to register and make payments over the internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.aztaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made via 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. 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.

Line 18 - Overpayment

If the organization had an overpayment of tax on line 14, subtract the total of lines 15 and 16 from line 14. Enter a positive difference on line 18. This is the total overpayment. If the difference is a negative, enter the difference as a positive number on line 17.

Line 19 - Overpayment Applied to Estimated Tax

Original Returns: The organization may apply part or all of an overpayment reported on line 18 as a 2013 estimated tax payment. Enter the applicable amount on line 19.

Amended Returns: The organization may apply part or all of an overpayment reported on line 18 as a 2013 estimated tax payment, if this amended return is filed during the organization's taxable year 2013. Enter the applicable amount on line 19.

Line 20 - Refund

Subtract line 19 from line 18. This is the refund amount.

Schedule ACA - Air Carrier Apportionment Formula (Multistate Air Carriers Only)
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ARS § 43-1139 requires an organization that is a qualifying air carrier to use revenue miles to apportion its business income to Arizona. The organization must complete Schedule ACA. Schedule ACA is available on the department's website: <http://www.azdor.gov/Forms/Corporate.aspx>. Check the box for information question D on page 1 of the return. Do not complete Schedule A.

The organization must be engaged in air commerce. "Air commerce" means transporting persons or property for hire by aircraft in interstate, intrastate or international transportation.

Schedule A - Apportionment Formula (Non-Air Carrier Multistate Organizations Only)

If the organization engages in unrelated trade or business activities both within and without Arizona, the organization is a multistate organization and must apportion its income. An apportionment formula determines the unrelated trade or business taxable income based on property, payroll, and sales in Arizona compared with everywhere. Everywhere means the property, payroll, and sales factors related to the whole unrelated trade or business activity.

For tax years beginning from and after December 31, 2006, non-air carrier multistate organizations have the opportunity to choose one of two apportionment formulae for calculating the apportionment ratio. Non-air carrier multistate organizations may select the enhanced sales factor formula. The standard sales factor formula must be used by organizations not selecting to use the enhanced sales factor formula.

The numerator of the fraction of the standard sales factor formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four. For tax years beginning from and after December 31, 2008, the numerator of the fraction of the enhanced sales factor formula is the property factor plus the payroll factor plus eight times the sales factor. The denominator of the fraction is ten.

NOTE: When computing the factors of the apportionment ratio, 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.

Line A1 - Property Factor

The value of tangible personal property and real property owned by the organization is its original cost. The organization normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period.

The value of tangible personal property and real property rented by the organization is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the organization for rented property less the aggregate annual subrental rates paid by subtenants of the organization. The organization automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

List real property situated in and tangible personal property permanently located in this state as within Arizona only if connected with the unrelated business activity. Allocate the value of mobile property to Arizona based on the total time the property was within Arizona.

Compute the property factor on line A1 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The property factor on line A1, column C, will never exceed 100 percent.

Line A2 - Payroll Factor

Enter salaries, wages, or other compensation of officers, employees, etc., as within the state if performance of the services occurs here. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable unrelated business carried on outside of Arizona.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state, but the direction or control of the employee is from this state; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in this state.

Compute the payroll factor on line A2 by dividing column A by column B and entering the resulting ratio in column C. Express the ratio as a decimal carried out to six places. The payroll factor on line A2, column C, will never exceed 100 percent.

Instructions for the standard sales factor formula begin below. If you have selected the enhanced sales factor formula, skip ahead to the section titled "Enhanced Sales Factor".

Standard Sales Factor

Check the box for information question D on page 1 of the return to indicate that the standard double weighting of the sales factor will be used to calculate the apportionment ratio on the organization's return. Use the number located on the left-hand side of Schedule A, line A3(b), column A, to double-weight the sales factor.

Line A3 - Standard Sales Factor

Gross receipts means gross sales less returns and allowances. Gross receipts includes interest income, service charges, carrying charges, and time price differential charges incidental to such sales.

Determine sales within this state on a destination sales basis.

Complete line A3 as follows:

- Multiply the amount entered on line A3(a), column A, the total Arizona sales, by two (double-weighted sales factor). Enter the result on line A3(c), column A.
- Do not double the amount entered on line A3(a), column B, the everywhere sales of the organization.

EXAMPLE: The organization has Arizona sales of \$100,000 and everywhere sales of \$1,000,000. On line A3(c), column A, enter \$200,000 of Arizona sales. On line A3(c), column B, enter \$1,000,000 of everywhere sales for the organization.

The sales factor on line A3(c), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by four, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by four. Enter the average ratio here and on page 1, line 2. Express the ratio as a decimal carried out to six places.

NOTE: *The organization must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Enhanced Sales Factor

Check the box for information question D on page 1 of the return to indicate that the enhanced sales factor formula will be used to calculate the apportionment ratio on the organization's return. Use the number located on the right-hand side of line A3(b), column A, to weight the sales factors at eight times.

Line A3 - Enhanced Sales Factor

Gross receipts means gross sales less returns and allowances. Gross receipts includes interest income, service charges, carrying charges, and time price differential charges incidental to such sales.

Determine sales within this state on a destination sales basis.

Complete line A3 as follows:

- Multiply the amount entered on line A3(a), column A, the total Arizona sales, by eight on line A3(b), column A. Enter the result on line A3(c), column A.
- Do not multiply the amount entered on line A3(a), column B, the everywhere sales of the organization, by eight.

EXAMPLE: The organization has Arizona sales of \$100,000 and everywhere sales of \$1,000,000. On line A3(c), column A, enter \$800,000 of Arizona sales. On line A3(c), column B, enter \$1,000,000 of everywhere sales for the organization.

The sales factor on line A3(c), column C, may, in certain circumstances, exceed 100 percent. However, since the total ratio (line A4, column C) is divided by ten, the average ratio (line A5, column C) will not exceed 100 percent.

Line A5 - Average Apportionment Ratio

Divide the total ratio, line A4, column C, by ten. Enter the average ratio here and on page 1, line 2. Express the ratio as a decimal carried out to six places.

NOTE: *The organization must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. If the property or payroll factor is excluded, determine the average ratio (line A5, column C) by dividing the total ratio by nine. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.*

Certification

An executive officer of the organization must sign the return.

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