

2004 Credit for Taxes Paid for Coal Consumed in Generating Electrical Power

Arizona Form
318

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General Instructions

ARS § 43-1178 provides a nonrefundable corporate income tax credit equal to 30 percent of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the Arizona transaction privilege tax was passed through to the taxpayer by the seller as an added charge or that the seller collected the Arizona use tax from the taxpayer or that the taxpayer paid the Arizona use tax to the department. The credit is allowed for taxable years beginning from and after December 31, 1997.

The tax credit is in lieu of a deduction for the taxes for which the credit is claimed. An addition to Arizona gross income is required for the amount of Arizona transaction privilege taxes and Arizona use taxes included in the computation of federal taxable income for which the Arizona tax credit is claimed.

The credit is available only to corporate taxpayers. A partnership may pass this credit through only to its corporate partners. While an S corporation may claim this credit, the S corporation may not pass this credit through to its shareholders.

Co-owners of a business, including corporate partners of a partnership, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year (in an MM/DD/YYYY format). Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an S corporation or a partnership is the taxpayer's employer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Calculation of Current Taxable Year's Credit

Form 318-1 and Line 1 -

Complete Form 318-1 before completing line 1, Part I, of Form 318. Complete Form 318-1 to list the qualifying coal purchases for the taxable year.

Form 318-1 -

The design of Form 318-1 allows the taxpayer to list qualifying coal purchases for the taxable year in two situations:

1. Purchases from vendors that passed the Arizona transaction privilege tax through to the taxpayer as an added charge or purchases from vendors that collected the Arizona use tax from the taxpayer; and
2. Purchases from vendors for which the taxpayer paid the Arizona use tax to the department.

Situation 1: List the qualifying coal purchases *by vendor* for situation 1 above. If the taxpayer has purchased coal from more than two vendors, additional Form(s) 318-1 must be completed to list the qualifying coal purchases for the taxable year. Complete section A to list the vendor name and the vendor's Arizona TPT or use tax number. Do not complete section B.

NOTE: *The Arizona transaction privilege tax must be shown as an added charge on the vendor's invoice. If the vendor collects the Arizona use tax from the taxpayer, the tax must be shown as a separate charge on the vendor's invoice.*

Situation 2: List the qualifying coal purchases *from all vendors* for situation 2 above. Complete section B to list the taxpayer's Arizona TPT or use tax number. Do not complete section A.

NOTE: *If the taxpayer pays the Arizona use tax directly to the department, the taxpayer must document the amount of tax paid for each invoice.*

Column (a): On lines 1 through 12, enter the applicable month of the taxable year.

Column (b): On lines 1 through 12, indicate the type of tax, TPT or use.

Column (c): On lines 1 through 12, enter the total amount of qualifying coal purchases for that month. Do not include the amount of tax paid in the total.

Column (d): On lines 1 through 12, enter the total amount of tax paid for that month.

Column (e): On lines 1 through 12, enter the total of columns (c) and (d).

Now go to Form 318, Part I, line 1.

Line 1 -

Enter the aggregate total from line 13, column (d) of the completed Form(s) 318-1 on line 1, Part I, of Form 318.

Line 2 -

Multiply line 1 by 30 percent (.30). Enter the result. This is the current taxable year's credit.

Part II - Corporate Partner's Share of Credit

Lines 3 through 5 -

The partnership must complete Form(s) 318-1 and Part I of Form 318. Then, complete Part II, lines 3 through 5, separately for each corporate partner. The partnership may pass the credit through **only** to its corporate partners. The partnership must furnish each corporate partner with a copy of the completed Form 318.

Each corporate partner must complete Parts III and IV.

Part III - Available Credit Carryover

The taxpayer should complete Part III only if its allowable credit for taxes paid for coal consumed in generating electrical power in Arizona for prior taxable years exceeded its Arizona income tax liability for those taxable years. Since the credit applies only to taxable years beginning from and after December 31, 1997, there is no available credit carryover from taxable years beginning prior to January 1, 1998.

The corporate partners of a partnership should complete Part III only if their allowable credit for taxes paid for coal consumed in generating electrical power in Arizona for prior taxable years exceeded their Arizona income tax liability for those taxable years. Since the credit applies only to taxable years beginning from and after December 31, 1997, there is no available credit carryover from taxable years beginning prior to January 1, 1998.

Each corporate partner must complete Part III for the computation of the available carryover of the credit passed through by the partnership.

Enter the applicable taxable year(s) in column (a) on lines 6 through 10. Enter the amount of the original tax credit for each taxable year in column (b). Enter the amount of the credit for each taxable year that has been taken in previous taxable years in column (c). Subtract column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 6 through 10, column (d). Enter the total on

line 11, column (d). This is the total available credit carryover available for the current taxable year.

Part IV - Total Available Credit

Line 12 -

Corporations and S corporations - enter the current taxable year's credit from Part I, line 2.

Corporate partners of a partnership - enter the amount from Part II, line 5.

Line 13 -

Enter the amount from Part III, line 11, column (d). This is the total available credit carryover.

Line 14 -

Add lines 12 and 13. This is the total available credit that may be applied to the current taxable year's tax liability. Enter the total here and on Form 300, Part I, line 12.