

# ARIZONA DEPARTMENT OF REVENUE

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## ARIZONA CORPORATE TAX RULING CTR 93-1

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

### **ISSUE:**

Can an S corporation elect to file as a regular C corporation for Arizona income tax purposes?

### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 43-1126 sets forth the requirements for small business corporations in Arizona.

### **DISCUSSION:**

A.R.S. § 43-1126.A states:

A small business corporation which makes an election for a taxable year pursuant to subtitle A, chapter 1, subchapter S of the Internal Revenue Code is not subject to the taxes imposed by this chapter for such year but only to the extent such corporation is not subject to federal income taxes.

Since this tax treatment is not elective at the Arizona level, no election is required to be filed with the Arizona Department of Revenue. Therefore, a corporation that elects S corporation status at the federal level **must** file to Arizona as an S corporation.

A.R.S. § 43-1126.C provides that the election is effective for the year for which it is made and for all succeeding taxable years until the corporation terminates its election pursuant to the Internal Revenue Code.

An S corporation is required to file an annual return (Arizona Form 120S) to the department on or before the fifteenth day of the third month following the close of the taxable year as provided for in A.R.S. § 43-1126.B.

## ARIZONA CORPORATE TAX RULING

CTR 93-1

Page 2

### RULING:

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Harold Scott, Acting Director

Signed: April 8, 1993

### Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.