

ARIZONA DEPARTMENT OF REVENUE

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GOVERNOR



HAROLD SCOTT
DIRECTOR

ARIZONA CORPORATE TAX RULING CTR 93-8

(On 11/23/2012 the reference to Arizona Administrative Code rule R15-2-1148 was updated to use the rule's new number R15-2D-901. No substantive changes were made.)

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:

When may an Arizona multistate taxpayer use separate accounting or alternate reporting methods?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-1139 provides that all business income of a taxpayer shall be apportioned to this state by an apportionment ratio comprised of property, payroll, and sales factors.

A.R.S. § 43-1148 provides for alternate reporting methods if the standard allocation and apportionment provisions do not fairly represent the taxpayer's activity in Arizona.

Arizona Administrative Code (A.A.C.) rule R15-2D-901 permits a departure from the standard allocation and apportionment provisions only in specific cases where unusual fact situations produce incongruous results.

DISCUSSION:

The Uniform Division of Income for Tax Purposes Act (UDITPA) was adopted to provide a uniform method of reporting income for multistate tax purposes. A.R.S. § 43-1139 provides for the apportionment of all business income using the standard factors of property, payroll, and sales. Under A.R.S. § 43-1148 separate accounting is an exception to be utilized only if the apportionment provisions do not fairly represent the extent of the business activity in Arizona. This section also requires the taxpayer to petition the Department of Revenue for use of separate accounting or other alternate methods.

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A.A.C. R15-2D-901 permits a departure from the apportionment provisions only in limited and specific cases. In unusual fact situations the Department of Revenue will examine the circumstances to determine whether an alternate accounting method would more clearly reflect Arizona income.

RULING:

Apportionment based on a ratio comprised of property, payroll and sales factors is the standard method of reporting business income for a multistate business. A taxpayer may only use the separate accounting method or an alternate method of reporting business income when the Department of Revenue determines that such a method is necessary to clearly reflect Arizona income due to unusual fact situations.

Harold Scott, Director

Signed: April 30, 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.