

ARIZONA DEPARTMENT OF REVENUE

1600 WEST MONROE - PHOENIX, ARIZONA 85007-2650

FIFE SYMINGTON
GOVERNOR



HAROLD SCOTT
DIRECTOR

ARIZONA CORPORATE TAX RULING CTR 94-16

(On November 23, 2012 the reference to A.A.C. R15-2-1132.F was updated to A.A.C. R15-2D-401.K to use the rule's new number. 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:

What is the taxable year for corporate taxpayers for Arizona income tax purposes?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-102.A.2 sets forth the legislative intent regarding the measurement of taxable income for corporations.

A.R.S. § 43-102.A.3 sets forth the method of achieving the results in A.R.S. § 43-102.A.2.

A.R.S. § 43-104.22 defines "taxable year" for purposes of Title 43.

A.R.S. § 43-1101.1 defines "Arizona gross income" for a corporation.

A.R.S. § 43-901 governs the taxable year of a taxpayer.

Internal Revenue Code (I.R.C.) § 441 and related Treasury regulations govern the period for computing federal taxable income.

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Arizona Administrative Code (A.A.C.) rule R15-2D-401.K provides that members of a unitary business group filing an Arizona corporate income tax return on a combined basis must use the same accounting period.

DISCUSSION:

A.R.S. § 43-102.A.2 provides that the legislative intent is to adopt the provisions of the Internal Revenue Code relating to the measurement of taxable income for corporations, to the end that taxable income reported each taxable year by a corporation to the Internal Revenue Service shall be the identical sum reported to this state, subject only to modifications contained in Title 43 of the Arizona Revised Statutes.

A.R.S. § 43-102.A.3 provides that the legislative intent is to achieve the results in paragraph 2 of A.R.S. § 43-102.A by the application of the various provisions of the Internal Revenue Code relating to the definitions of income, exceptions, deductions, accounting methods, taxation of corporations, basis, and other pertinent provisions relating to gross income as defined, resulting in an amount called taxable income for corporations in the Internal Revenue Code.

A.R.S. § 43-1101.1 states that the "Arizona gross income" of a corporation means its federal taxable income for the taxable year.

A.R.S. § 43-901 provides that taxable income shall be computed upon the basis of the taxpayer's annual accounting period and requires that the taxable year reflect the proper income of the taxpayer.

I.R.C. § 441 and Treas. Reg. § 1.441-1T provide that taxable income shall be computed and a return shall be made for a period known as the taxable year. A taxable year is defined as an annual accounting period, either a fiscal year or a calendar year, or the period for which the return is made if a return is made for a period of less than 12 months. A "fiscal year" also includes a properly elected 52-53 week annual accounting period.

A.R.S. § 43-104.22 states that "taxable year," for purposes of Title 43, means a calendar year or a fiscal year, upon the basis of which the taxable income is computed. If no fiscal year has been established, "taxable year" means a calendar year. In the case of a return made for a fractional part of a year under Title 43 or rules prescribed by the Department of Revenue, "taxable year" means the period for which the return is made.

A.A.C. R15-2D-401.K sets forth a limited exception to the general rule that a corporate taxpayer must have the same taxable year for Arizona income tax

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purposes that the corporate taxpayer has adopted for federal income tax purposes. The administrative rule, A.A.C. R15-2D-401.K, provides that members of a unitary business group having different accounting periods must use the same accounting period for the purpose of filing an Arizona corporate income tax return on a combined basis. The administrative rule sets forth the methods of compliance with this requirement for members of the unitary business group having different accounting periods.

RULING:

A corporate taxpayer must have the same taxable year for Arizona income tax purposes that the corporate taxpayer has adopted for federal income tax purposes with the exception that members of a unitary group must use the same accounting period in filing a combined return. Therefore, the taxable year used by a corporate taxpayer to compute Arizona taxable income must be the same as the taxable year used to compute federal taxable income.

Harold Scott, Director

Signed: February 10, 1995

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.