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ARIZONA CORPORATE INCOME TAX RULING CTR 12-2

(Supersedes Arizona Corporate Income Tax Ruling CTR 94-13)

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:

How does the subsequent sale or dissolution of some or all of the members of an affiliated group, which has elected to file Arizona consolidated income tax returns, affect the Arizona tax liabilities of the group?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-947 provides for the filing of consolidated Arizona income tax returns by an affiliated group of corporations and defines liability for members of the group.

Treasury Reg. § 1.1502-77(a) provides that a parent is the sole agent for the affiliated group and that any refund will be made directly to and in the name of the common parent and will discharge any liability of the government with respect to the subsidiary.

DISCUSSION:

A.R.S. § 43-947 allows corporate taxpayers an election to file consolidated Arizona income tax returns. The election must be accompanied by written consents, signed by an officer of each member of the affiliated group.

Taxpayers who elect to file consolidated Arizona income tax returns are bound by the conditions prescribed for consolidated filing in A.R.S. § 43-947, that provides that all members of the group are jointly and severally liable for tax, penalty, and interest of the affiliated group.

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RULING:

This ruling consists of the department's answers to questions which have been raised concerning the liability for additional tax due with respect to an Arizona affiliated group.

1. If some members of the affiliated group are unable to pay their share of the group's Arizona tax liability, can the parent or other members of the group be required to pay the unpaid portion of the tax liability?

Yes. All members of the group who are represented on a consolidated tax return for a given year are jointly and severally liable for tax, penalty, and interest of the affiliated group for that year.

2. If a member of the group has been sold and a deficiency is subsequently assessed against the group for a period in which the former subsidiary was a member of the group, is that former subsidiary jointly and severally liable for the deficiency?

Yes.

3. If the parent corporation of an affiliated group changes its identity but is otherwise essentially unchanged, is a different affiliated group created?

No. A mere change in identity, form, or place of organization of the parent shall not create a new affiliated group.

John A. Greene, Director

Signed: December 20, 2012

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**

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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.