

# ARIZONA DEPARTMENT OF REVENUE

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## **ARIZONA FIDUCIARY TAX RULING** **FTR 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:**

Must a trust or an estate have the same tax year for Arizona income tax purposes as for federal income tax purposes?

### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 43-102.A.2 sets forth the legislative intent to adopt, for Arizona purposes, the provisions of the Internal Revenue Code relating to the measurement of taxable income for trusts and estates.

A.R.S. § 43-901 requires a taxpayer to use a tax period that reflects the taxpayer's proper income.

A.R.S. § 43-1301.1 defines "Arizona gross income" of an estate or trust to mean its taxable income for the taxable year computed according to the Internal Revenue Code.

Internal Revenue Code (I.R.C.) § 441 governs the period for computing taxable income of an estate for federal income tax purposes.

I.R.C. § 641(b) provides that the taxable income of an estate or trust shall be computed in the same manner as in the case of an individual, except as otherwise provided.

I.R.C. § 645 governs the taxable year of trusts.

### **DISCUSSION:**

For federal income tax purposes, I.R.C. § 441 provides that taxable income must be computed on the basis of the taxpayer's taxable year. For an estate the taxable year will be the estate's annual accounting period if it is a calendar year or a fiscal year. Although an estate may select either a fiscal year or calendar year, trusts (except for trusts exempt from tax under I.R.C. § 501(a) and wholly exempt charitable trusts) are required, under I.R.C. § 645, to adopt the calendar year as their tax year.

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For Arizona purposes, A.R.S. § 43-901 requires that a taxpayer, including a trust or an estate, use a tax period that reflects proper income. A.R.S. § 43-102.A.2 and § 43-1301.1 further provide that the taxable income of a trust or an estate reported for Arizona income tax purposes must be the same as that reported for federal income tax purposes. Therefore, when A.R.S. §§ 43-901, 43-102.A.2 and 43-1301.1 are read together, a trust or an estate will be required to have the same tax year for Arizona purposes as is used for federal purposes.

### **RULING:**

The tax year used by a trust or an estate to compute Arizona taxable income must be the same as the tax year used to compute federal taxable income.

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.