

ARIZONA DEPARTMENT OF REVENUE

ARIZONA INDIVIDUAL INCOME TAX RULING

ITR 93-2

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ISSUE:

Must individuals have the same tax year for Arizona purposes as they have for federal purposes?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-102(A)(1) sets forth the legislative intent to adopt, for Arizona purposes, the provisions of the Internal Revenue Code relating to the measurement of adjusted gross income for individuals.

A.R.S. § 43-1001(2) provides that Arizona gross income of a resident individual means his federal adjusted gross income computed pursuant to the Internal Revenue Code.

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

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

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 individual taxpayers, the taxable year will usually be either:

- (1) the individual's annual accounting period if it is a calendar year or a fiscal year;
- (2) a calendar year if the individual (a) keeps no books; (b) does not have an annual accounting period; or (c) has an annual accounting period that does not qualify as a fiscal year.

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For Arizona purposes, A.R.S. § 43-901 requires that taxable income must be computed upon the basis of the taxpayer's annual accounting period. This period must be either a fiscal year or a calendar year in accordance with the taxpayer's regular method of accounting. A.R.S. § 43-102(A)(1) and A.R.S. § 43-1001(2) further provide that the adjusted gross income 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)(1) and 43-1001(2) are read together, an individual will be required to have the same tax year for Arizona purposes as is used for federal purposes.

CONCLUSION AND RULING:

The tax year used by an individual to compute Arizona taxable income must be the same as the tax year used to compute federal taxable income. Therefore, an individual who has a calendar year for federal purposes must likewise have a calendar year for Arizona purposes. Similarly, an individual who has a fiscal year for federal purposes must have the same fiscal year for Arizona purposes.

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.