

# ARIZONA DEPARTMENT OF REVENUE

## ARIZONA PARTNERSHIP TAX RULING

### PTR 93-3

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:**

Will omissions on an Arizona partnership return constitute the filing of an incomplete partnership return and, therefore, subject the partnership to the \$500 penalty under A.R.S. § 42-136.J?

#### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 42-136.J imposes a penalty of \$500 for filing an information return which fails to show the information required.

A.R.S. § 43-306 requires all partnerships doing business in Arizona to file a partnership return. This section also specifies the information required to be included in the return.

A.R.S. § 43-321 specifies information required to be in returns.

A.R.S. § 43-323 states that all returns required by Title 43 shall be in the form prescribed by the Department.

#### **DISCUSSION:**

Every partnership doing business in Arizona is required to file an Arizona partnership return. This return must state the amount of the partnership's federal income, any Arizona statutory adjustments to this income, and the name, address and amount of distributive income for each partner. Each return must also contain a specific statement of each item of income, adjustments, deductions, and credits. In addition, each return must be signed by a partner with a declaration that it is made under penalties of perjury.

For Arizona partnership reporting purposes, the department has prescribed Arizona Form 165. The instructions to this form state that a completed federal Form 1065 and Schedules must be attached as well as Arizona Form 165 Schedules K-1 and K-1(NR). However, the department will accept copies of Schedules K-1 (and any associated schedules) which are filed for federal purposes in place of the Arizona Form 165 Schedules K-1 and K-1 (NR) provided that:

1. The filing of federal schedules with the Arizona partnership return does not hinder or prevent the department from processing the return or from correlating and analyzing information which is required to be reported on the Arizona schedules with other tax return information (including the partner's tax returns);
2. The filing of federal schedules with the Arizona partnership return does not impair the ability of the partners to report correct information properly on their Arizona tax return; and
3. There are no adjustments to the partnership's federal taxable income on the Arizona Form 165.

If a partnership files an incomplete Arizona partnership return, the partnership will be subject to the \$500 penalty imposed under A.R.S. § 42-136.J, unless the failure to file a complete partnership return is due to reasonable cause.

The penalty imposed by A.R.S. § 42-136.J will not, however, be imposed for any failure to include required information on a partnership return if the failure does not prevent or hinder the department from processing the return or from correlating the information required to be shown on the partnership return with the information shown on the partners' tax returns. Similarly, this penalty will not be imposed for any failure to include required information if the failure cannot reasonably be expected to prevent or hinder the partners from timely receiving correct information and reporting it on their tax returns.

### **RULING:**

Omissions on an Arizona partnership return that prevent or hinder the department from processing the return or from correlating the information required to be shown on the partnership return with the information shown on the partners' tax returns will constitute the filing of an incomplete partnership return and will subject the partnership to the \$500 penalty under A.R.S. § 42-136.J. The following omissions (which are not all inclusive) will subject the partnership to the \$500 penalty.

1. An unsigned partnership return constitutes an incomplete return and will subject the partnership to the penalty under A.R.S. § 42-136.J.

2. A partnership return that is not filled in completely or that does not have the required schedules attached will subject the partnership to the penalty under A.R.S. § 42-136.J.

3. A partnership return that is missing the identifying numbers of any of the partners or of the partnership constitutes an incomplete filing and will subject the partnership to the penalty under A.R.S. § 42-136.J.

Harold Scott, 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.