2025

Arizona Booklet 120/165ES

Corporate and Pass-Through Entity Estimated Tax Payment

This booklet contains:

☐ Form 120/165ES

☐ Form 120/PTE-W

2024 CORPORATE INCOME TAX HIGHLIGHTS

Electronic Filing of Corporate Income Tax Returns

Electronic filing of Arizona corporate income tax returns is required for the 2024 taxable year. Please see the department's website at https://azdor.gov/file-and-pay/e-file-services/approved-vendors for a list of approved software vendors.

Any corporate taxpayer who is required to file its income tax return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted if any of the following apply:

- The taxpayer has no computer.
- The taxpayer has no internet access.
- Any other circumstance considered to be worthy by the director.

Waivers are granted on an annual basis and expire at the end of the requested tax year. Waivers must be renewed each calendar year. If a waiver is not renewed, you will be subject to statutory electronic filing and payment requirements at the expiration of your waiver.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application.

A waiver is not required if the corporation's income tax return cannot be electronically filed for reasons beyond the corporation's control, including situations in which the corporation was instructed by either the Internal Revenue Service or the Arizona Department of Revenue to file by paper.

Please contact the department at azefile@azdor.gov if you need assistance in electronically submitting your Arizona corporate income tax return.

S Corporations and the Pass-Through Entity Election

For taxable years beginning from and after December 31, 2021 the shareholders of an S Corporation may consent to be taxed at the entity level in Arizona. The Arizona Pass Through Entity (PTE) income tax is assessed at a rate of 2.5% of the income attributable to the S Corporation's resident shareholders and the income derived from sources within Arizona attributable to the nonresident shareholders.

This election must be made by the S Corporation no later than the due date or extended due date of its return. Shareholders that are not individuals or estates and trusts may not participate in this election. Shareholders who are individuals or estates and trusts who opt out of this election also may not participate in this election.

For additional information, see the instructions for Form 120S.

Electronic Funds Transfer

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation's tax liability is $500 or more for any taxable year beginning from and after December 31, 2020.

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.
- Any other circumstance considered to be worthy by the director exists, including:
  o The corporation has a sustained record of timely payments and
  o The corporation has no delinquent tax account with the departnemt.

To request a waiver, submit Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Form 292 is available at: https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application.

> **NOTE:** *A corporation who is required to pay by EFT but who fails to do so is subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*
>
> *For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

Extension of Time to File a Return

Effective for taxable years beginning after December 31, 2020 the department may grant an extension request for a maximum of 7 months to a C corporation:

- That has a valid federal extension.
- That filed an Arizona extension request on Arizona Form 120EXT.

> **NOTE:** *The maximum length of time for an extension granted to an S Corporation remains 6 months.*

Inclusion of Federal Return with Arizona return

The department requests that taxpayers include a copy of their "as-filed" federal return (i.e. federal Form(s) 1120, 1120-S, 1120-F, etc.) and all its schedules and attachments with their Arizona return.

Changes to Tax Credits

Arizona Credit for Increased Research Activities

For taxable years beginning from and after December 31, 2022, Arizon will permit taxpayers to compute the Credit for Increased Research Activities using:

- The regular method – the excess of Arizona qualified research expenses for the taxable year over the base amount and the Arizona basic research payments; or,
- The Alternative Simplified Credit – the excess of Arizona qualified research expenses for the taxable year over the average Arizona qualified research expenses for the previous three years.

See the instructions for Form 308 for additional information.

For taxable years beginning before January 1, 2023, taxpayers may file an amended return to claim the Arizona Credit for Increased Research Activities using the Alternative Simplified Credit (ASC) method of computing the Credit for Increased Research Activities .

See the instructions for Form 308-ASC for additional information.

Tax Credits Repealed

The carryover period for *The Credit for Solar Energy Devices – Commercial and Industrial Applications*, claimed on Form 336, has expired and is no longer available to taxpayers.

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To ensure proper application of this payment, this form must be completed in its entirety.

For the ☐ calendar year 2025 or ☐ fiscal year beginning |M,M|D,D|2,0,2,5| and ending |M,M|D,D|2,0,Y,Y|.

1 Name of Firm – exactly as it will appear on the return	Employer Identification Number (EIN)
2 Address – number and street or PO Box	Business Phone Number (with area code)
2 Address – continued	**REVENUE USE ONLY. DO NOT MARK IN THIS AREA** **88**
3 City State ZIP Code	**81** PM **80** RCVD

A ☐ Check if this is the first tax return filed under this name and EIN.

B ☐ Check if name and/or address has changed.

C ☐ Check if EIN has changed. Enter prior EIN: _____

Type of tax form filed:
☐ 120/120A; .... ☐ 120S, Making PTE election; .... ☐ 120S, No PTE election; .... ☐ 165, Making PTE election.

1 Payment is for quarter number: ☐ Qtr 1.............. ☐ Qtr 2 .... ☐ Qtr 3............. ☐ Qtr 4

2 Payment: Round estimated payment to a whole dollar (no cents).
Enter the amount of payment enclosed .... $ _____ 00
  ✓ Make check payable to Arizona Department of Revenue.
  ✓ Include EIN on payment.
  ✓ Mail to Arizona Department of Revenue, PO Box 29085, Phoenix, AZ 85038-9085.

General Instructions

Obtain additional information or assistance by calling one of the numbers listed below:

Phoenix.. (602) 255-3381
From area codes 520 and 928, toll-free .... (800) 352-4090

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's website at www.azdor.gov.

Who is Required to Make Estimated Tax Payments

C corporations, S Corporations subject to tax at the federal level and exempt organizations with unrelated business taxable income that anticipate an Arizona tax liability for the year of at least $1,000 are required to make Arizona estimated payments.

- A unitary group of corporations filing a combined return on Form 120 must make Arizona estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

- An Arizona affiliated group filing an Arizona consolidated return pursuant to A.R.S. § 43-947 on Form 120 must make Arizona estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

Pass-Through Entity (PTE) Election

Partnerships and S Corporations making the PTE election whose taxable income for the previous year exceeds $150,000 are required to make Arizona estimated tax payments.

S Corporations subject to tax at the federal level and making the PTE election for the same taxable year must:

- Make Arizona estimated tax payments if their total taxable income for the previous year exceeds $150,000.

- Total their separately calculated estimated payments for the corporate tax liability and the PTE tax liability to compute their total required estimated payments.

- Make the required estimated payments on or before the 15th day of April, June, and September of the taxable year, and January 15th of the following year.

Composite Returns

Partnerships and S corporations must use Form 140ES to make voluntary estimated tax payments on a composite basis on behalf of nonresident individual shareholders or nonresident individual partners participating in the filing of a composite return on Arizona Form 140NR Refer to the department's ruling, ITR 16-2, *Composite Individual Income Tax Returns*, for additional information regarding composite returns. For additional information, see Form 140NR instructions for completing a composite return.

Who Should Use Arizona Form 120/165ES

Taxpayers for whom the Director has granted a waiver from the electronic payment requirement.

Taxpayers whose anticipated tax liability for the year is less than $500 that wish to make Arizona estimated payments may complete this form and mail the form and payment to the address above.

When to Make Estimated Tax Payments

Calendar year and fiscal year basis corporate taxpayers are required to make their Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Partnerships and S Corporations making the PTE election are required to make their estimated payments by the 15th day of the 4th, 6th, and 9th months of the taxable year. The final payment is due by the 15th day of the 1st month following the close of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

S Corporations having a tax liability at the federal level and that are making the Arizona PTE election must make their estimated payments by the 15th day of the 4th, 6th, and 9th months of the taxable year. The final estimated payment is due by the 15th day of the 1st month following the close of the taxable year. If the payment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Computation of Required Installments of Estimated Tax on Arizona Form 120/PTE-W

Taxpayers should use Form 120/PTE-W, *Estimated Tax Worksheet for Corporations*, to compute the amount of the required installments of estimated tax.

Underpayment of Required Installments of Estimated Tax

If the taxpayer is required to make Arizona corporate estimated tax payments, a penalty will be imposed on any required installment that is late or underpaid. **See A.R.S. § 42-1125(Q).**

Recomputing Required Installments of Estimated Tax

If the taxpayer, after paying one or more required installments of Arizona estimated tax, finds that its tax liability for the taxable year will be more or less than originally estimated, the taxpayer should recompute its required installments. If earlier installments were underpaid, the taxpayer may be subject to a penalty for underpayment of estimated tax.

If a new estimate is made, the required installments payable on or after the date of the new estimate should be adjusted. An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a payment, or a mistake.

Estimated Tax Payments by Electronic Funds Transfer (EFT)

Refer to Arizona Revised Statutes § 42-1129 and the related Arizona Administrative Code R15-10-301 through R15-10-307 for detailed information regarding EFT.

Taxpayers anticipating a tax liability for the current year of at least $1,000 must make Arizona estimated tax payments by EFT.

Taxpayers that anticipate a tax liability for the current year of more than $500 but less than $1,000 are not required to make Arizona estimated tax payments. If the taxpayer elects to make Arizona estimated tax payments, it is required to make those payments by EFT.

> **NOTE: Taxpayers required to make Arizona estimated tax payments via EFT that fail to do so will be subject to a penalty of 5% of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).**

Taxpayers required to make Arizona estimated tax payments via EFT must complete the department's EFT authorization agreement at least 30 days prior to initiation of the first applicable transaction.

Taxpayers who anticipate their Arizona income tax liability for the 2025 taxable year to be less than $500 may elect voluntary participation in the EFT program. Voluntary participants in the program must complete the department's EFT authorization agreement at least 30 days prior to the first applicable transaction.

DO NOT submit Form 120/165ES to the department if the taxpayer makes its Arizona estimated tax payments by EFT.

Estimated Tax Payments via the Internet

Taxpayers wishing to make EFT payments via the Internet are no longer required to register with the department before their EFT payments may be accepted. Visit AZTaxes.gov, go to "Make a Corporation/S-Corporation/Partnership Payment" and follow the prompts to choose a payment type and make a payment.

DO NOT submit Form 120/165ES to the department if the taxpayer makes its Arizona estimated tax payments over the Internet.

Electronic payment from checking or savings account

Arizona estimated tax payments can be made electronically from a checking or savings account. Visit www.AZTaxes.gov, click "Make a Corporation/S-Corporation/Partnership Payment", follow the prompts and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

Credit card payment

Arizona estimated tax payments can be made by American Express, Discover, MasterCard or Visa credit cards. Visit www.AZTaxes.gov, click "Make a Corporation/S-Corporation/Partnership Payment", follow the prompts and choose the credit card option. This will take you to the web site of the credit card payment service provider. The service provider will charge a convenience fee based on the amount of the tax payment. The service provider will disclose the amount of the convenience fee during the transaction and the option to continue or cancel the transaction will be presented. **If you accept the convenience fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

Completing Arizona Form 120/165ES

Complete Form 120/165ES in its entirety to ensure the proper application of the estimated tax payment.

Enter the following information on Form 120/165ES:

- The period covered by the taxable year;
- Taxpayer name, address and employer identification number (EIN) as it will appear on the tax return. If the taxpayer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not abbreviate the country's name.**
- Check the box on line 1 indicating the quarter for which the payment is to be applied;
- Enter the amount of the estimated tax payment (in whole dollars) on line 2.

Check the appropriate box:

- If the taxpayer will file an initial return under the name and EIN listed, check box "A".
- If the taxpayer's name or address has changed, check box "B".
- If the taxpayer's EIN has changed, check box "C". Indicate the previous EIN in the space provided.

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

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NOTE: Partnerships or S Corporations making the Pass-Through Entity (PTE) election, check here ☐.
See instructions before proceeding.

1	**Arizona tax liability:** See instructions before completing this line............	**1**	00
2	**Required annual payment:**		
	a Enter 90% of line 1	**2a** 00	
	b C corporations and exempt organizations: Enter the tax as shown on the 2024 return	**2b** 00	
	c S Corporations subject to tax at the federal level: See instructions............	**2c** 00	
	d **Partnerships and S Corporations making the PTE election:** See instructions............	**2d** 00	
	e All taxpayers: See instructions............	**2e**	00

Required Installments – Due Dates and Amounts

		(a)	(b)	(c)	(d)
3	**Installment due dates:** See instructions **3**	M,M,D,D,Y,Y	M,M,D,D,Y,Y	M,M,D,D,Y,Y	M,M,D,D,Y,Y
4	**Required installments:** Enter 25% of line 2e in columns (a) through (d) unless the taxpayer uses the annualized income installment method, the adjusted seasonal installment method, or is a "large corporation". See instructions **4**				

SCHEDULE A — Required Installments Using the Annualized Income or Adjusted Seasonal Installment Methods Under IRC § 6655(e)

Part 1 — Annualized Income Installment Method (Available to partnerships or S Corporations making the PTE election.)

		(a) First ___ Months	(b) First ___ Months	(c) First ___ Months	(d) First ___ Months
5	Annualization periods: See instructions......... **5**				
6	Enter taxable income for each annualization period......... **6**				
7	Annualization amounts: See instructions......... **7**				
8	Annualized taxable income: Multiply line 6 by line 7. Enter result... **8**				
9	Multiply the amount in each column on line 8 by 4.9%: Enter the result. (**PTE's use 2.5% as tax rate.**). **9**				
10	Enter tax from recapture of tax credits for each payment period: See instructions......... **10**				
11	Subtotal tax: Add lines 9 and 10. Enter the total......... **11**				
12	For each period, enter the amount of nonrefundable tax credits: See instructions......... **12**				
13	Arizona tax liability: Subtract line 12 from line 11. Enter the difference. If zero or less, enter "0"......... **13**				
14	Refundable tax credits: See instructions......... **14**				
15	Claim of right adjustment: See instructions......... **15**				
16	Net liability: Subtract the sum of line 14 and line 15 from line 13. Enter the difference. If zero or less, enter "0"......... **16**				
17	Applicable percentage......... **17**	22.5%	45%	67.5%	90%
18	Multiply line 16 by line 17. Enter the result. **18**				
19	Add the amounts in all preceding columns from page 2, Part 3, line 52: See instructions......... **19**				
20	**Annualized income installments:** Subtract line 19 from line 18. Enter the difference. If zero or less, enter "0"......... **20**				

Part 2 — Adjusted Seasonal Installment Method (Not available to partnerships or S Corporations making the PTE election.)

CAUTION: Use this method only if the base period percentage of any 6 consecutive months is at least 70%. See the instructions for more information.

		(a) First 3 Months	(b) First 5 Months	(c) First 8 Months	(d) First 11 Months
21	Enter taxable income for the following periods:				
	a Taxable year beginning in 2022......... **21a**				
	b Taxable year beginning in 2023......... **21b**				
	c Taxable year beginning in 2024......... **21c**				
22	Enter taxable income for each period for taxable year beginning in 2025......... **22**				

		(a) First 4 Months	(b) First 6 Months	(c) First 9 Months	(d) Entire Year
23	Enter taxable income for the following periods:				
	a Taxable year beginning in 2022...................................... **23a**				
	b Taxable year beginning in 2023...................................... **23b**				
	c Taxable year beginning in 2024...................................... **23c**				
24	Divide the amount in each column on line 21a by the amount in column (d) on line 23a. Enter the result........................... **24**				
25	Divide the amount in each column on line 21b by the amount in column (d) on line 23b. Enter the result........................... **25**				
26	Divide the amount in each column on line 21c by the amount in column (d) on line 23c. Enter the result........................... **26**				
27	Add lines 24 through 26. Enter the total............................... **27**				
28	Divide line 27 by three (3). Enter the result **28**				
29	Divide line 22 by line 28. Enter the result **29**				
30	Multiply the amount in each column on line 29 by 4.9%: PTEs use 2.5% Enter the result. **30**				
31	Divide the amount in each column on line 23a by the amount in column (d) on line 23a. Enter the result........................... **31**				
32	Divide the amount in each column on line 23b by the amount in column (d) on line 23b. Enter the result........................... **32**				
33	Divide the amount in each column on line 23c by the amount in column (d) on line 23c. Enter the result........................... **33**				
34	Add columns (a) through (c) of lines 31 through 33. Enter the total.. **34**				
35	Divide columns (a) through (c) of line 34 by three (3). Enter the result **35**				
36	Multiply the amount in columns (a) through (c) of line 30 by the amount in the corresponding column of line 35. Enter the result. In column (d), enter the amount from line 30, column (d).... **36**				
37	Enter tax from recapture of tax credits for each payment period: See instructions.. **37**				
38	Subtotal tax: Add lines 36 and 37. Enter the total...................... **38**				
39	For each period, enter the amount of nonrefundable tax credits: See instructions **39**				
40	Arizona tax liability: Subtract line 39 from line 38. Enter the difference. If zero or less, enter "0"............................ **40**				
41	Refundable tax credits: See instructions **41**				
42	Claim of right adjustment: See instructions............................ **42**				
43	Net liability: Subtract the sum of line 41 and line 42 from line 40. Enter the difference. If zero or less, enter "0" **43**				
44	Multiply line 43 by 90%. Enter the result **44**				
45	Add the amounts in all preceding columns from Part 3, line 52: See instructions **45**				
46	**Adjusted seasonal installments:** Subtract line 45 from line 44. Enter the difference. If zero or less, enter "0" **46**				

Part 3 — Required Installments

		(a) First Installment	(b) Second Installment	(c) Third Installment	(d) Fourth Installment
47	If only one of the above parts is completed, enter the amount in each column from line 20 or line 46. (If both parts are completed, enter the **lesser** of the amounts in each column from line 20 or line 46.) **47**				
48	Enter 25% of line 2e in each column. **NOTE:** "Large corporations", see instructions for line 4 to determine the amount to enter... **48**				
49	Enter the amount from line 51 of this schedule for the preceding column.. **49**				
50	Add lines 48 and 49. Enter the total.................................... **50**				
51	If line 50 is more than line 47, subtract line 47 from line 50. Otherwise, enter "0" **51**				
52	**Required Installments:** Enter the **lesser** of line 47 or line 50 here and on page 1, line 4... **52**				

2025 Estimated Tax Worksheet for Corporations & Pass-Through Entities

Arizona
120/PTE-W

For information or help, call one of the numbers listed:
Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information
If you need tax forms, instructions, and other tax information, go to the department's website at **www.azdor.gov.**

Income Tax Procedures and Rulings
These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

Publications
To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

General Instructions

Who Is Required To Make Arizona Estimated Tax Payments

- C corporations, exempt organizations with unrelated business taxable income (UBTI), and S Corporations subject to tax at the federal level that anticipate a tax liability of at least $1,000 for the taxable year are required to make Arizona estimated tax payments.

  o *A unitary group of corporations filing a combined return* on Arizona Form 120 must make estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

  o *An Arizona affiliated group filing an Arizona consolidated return* on Arizona Form 120 must make estimated tax payments on a consolidated basis. Therefore, an Arizona consolidated group, as a single taxpayer, must make estimated tax payments if its Arizona tax liability for the taxable year is at least $1,000.

- Partnerships and S Corporations making the Pass-Through Entity (PTE) election to pay Arizona income tax at the entity level must make Arizona estimated tax payments if their taxable income from the previous year exceeds $150,000.

Complete Arizona Form 120/PTE-W to compute the required annual payment of estimated tax and the required installments.

NOTE: *Partnerships NOT making the PTE election are not required to complete Form 120PTE-W. S Corporations NOT subject to tax at the federal level AND/OR NOT making the PTE election are not required to complete Form 120PTE-W.*

When to Make Estimated Tax Payments

Estimated tax payments for C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level are due on or before:

- The 15th day of the 4th month of the taxable year;
- The 15th day of the 6th month of the taxable year;
- The 15th day of the 9th month of the taxable year; and,
- The 15th day of the 12th month of the taxable year.

Estimated tax payments for partnerships and S Corporations making the PTE election are due on or before:

- The 15th day of the 4th month of the taxable year;
- The 15th day of the 6th month of the taxable year;
- The 15th day of the 9th month of the taxable year; and,
- The 15th day of the 1st month following the close of the taxable year.

Calculating the Annual Required Payment

Corporations and Exempt Organizations with UBTI

For corporations and exempt organizations with UBTI, the anticipated amount of the annual estimated payment is the lesser of:

- Ninety percent (90%) of the tax shown on the return for the current taxable year, or,
- One hundred percent (100%) of the tax shown on the corporation's return for the preceding taxable year, unless:
  o The preceding taxable year was not a taxable year of 12 months
  o The corporation did not file a return for the preceding taxable year showing a liability for tax.

Large Corporations

Large corporations[1] must make an annual estimated tax payment equal to ninety percent (90%) of the tax shown on the return for the current taxable year. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment payment by the amount of the reduction.

S Corporations subject to tax at the federal level and NOT making the PTE Election

For S Corporations the anticipated amount of the required annual payment for an S Corporation is the lesser of:

- Ninety percent (90%) of the tax shown on the return for the current taxable year, or
- The sum of:
  o Ninety percent (90%) of the amount of current year tax shown on the return for the taxable year attributable to built-in gains income or certain capital gains income, plus,

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[1] A "Large Corporation" is defined as: "… a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of $1 million or more for any of the immediately preceding 3 taxable years, excluding any federal net operating loss or capital gains carryback or carryovers." A.R.S § 43-582(C).

o One hundred percent (100%) of the tax liability attributable to excess passive income on the return for the preceding taxable year.

> **NOTE:** *The requirement that an S Corporation's return for the previous taxable year show a tax liability related to excess passive income does not apply.*
>
> *If the S Corporation's preceding taxable year had fewer than 12 months, it may not calculate its annual estimated payment on the tax attributable to built-in gains, certain capital gains income, or excess passive income reported on the return for the previous taxable year.*

Partnerships and S Corporations making the PTE Election

Partnerships and S Corporations making the PTE election must make estimated tax payments if their Arizona taxable income for the previous year exceeds $150,000. The amount of the payments must be an amount that reasonably reflects the PTE's Arizona income tax liability that will be unpaid at the end of the year. The amount due must be paid in 4 equal installments on or before the due dates indicated above, and shall total:

- At least ninety percent (90%) of the tax due for the current taxable year, or,
- One hundred percent (100%) of the tax due for the previous taxable year.

S Corporations subject to tax at the federal level AND are making the PTE Election

S Corporations subject to tax at the federal level AND that are making the PTE election must separately compute their required minimum payments for the income generating the federal tax liability and the income generating the PTE tax liability.

> **NOTE:** *Compute the minimum payment for the income generating the federal tax liability using the corporate tax rate, 4.9% and the due dates for the PTE required payments. Compute the required minimum payment for the income generating the PTE tax liability using the PTE tax rate, 2.5% and the due dates for the PTE required payments.*

Installment Payments and Due Dates

Corporate Installment Payments

For all corporations (C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level **NOT** making the PTE election), four installments of estimated tax are required for each taxable year. Unless otherwise prescribed, the amount of each installment is twenty five percent (25%) of the required annual payment. A lower required installment payment, as established by section 6655 of the internal revenue code, applies if the lower installment is less than twenty five percent (25%) of the required annual payment.

In addition to the standard method of calculating the installment payments, corporations also may calculate their installment payment by:

- The Annualized Income Installment Method, or,
- The Adjusted Seasonal Installment Method.

Installment Due Dates

The due dates for the required payment of estimated taxes for a C corporation, exempt organization with UBTI, or an S Corporation subject to tax at the federal level, are:

- The 15th day of the 4th month of the taxable year;
- The 15th day of the 6th month of the taxable year;
- The 15th day of the 9th month of the taxable year; and,
- The 15th day of the 12th month of the taxable year.

If the corporation's taxable year begins on a date other than January 1, the installment payments are due during the months that correspond to the prescribed months of the calendar year.

If the due date for a payment falls on a Saturday, Sunday, or legal holiday, the payment is considered timely if it is made on the next business day. (See GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.)

Penalties

If a Corporation fails to pay the full amount of estimated tax, or any required installment, the corporation is subject to a penalty prescribed by ARS 42-1125(Q). For purposes of this paragraph:

- The amount of underpayment is the excess of the required installment over the amount, if any, of the installment paid on or before the due date of the payment.
- A payment of estimated tax shall be credited against unpaid required installment payments in the order in which the installments are required to be paid.

Partnerships and S Corporations Making the PTE Election

For partnerships and S Corporations making the PTE election, the total of the payments of estimated tax must be an amount that reasonably reflects the PTE's Arizona income tax liability at the end of the taxable year. The payments must total:

- At least ninety percent (90%) of the tax due for the current year, or,
- One hundred percent (100%) of the tax due from the preceding taxable year.

PTE Installment Payments

Four payments of estimated tax are required for each taxable year.

Partnerships and S Corporations making the PTE election, may also calculate their required installment payment using the Annualized Income Installment Method, if the partnership or S Corporation qualifies to use this method.

PTE Installment Due Dates

The due dates for each installment of the required payment of estimated tax are:

- The 15th day of the 4th month of the taxable year;
- The 15th day of the 6th month of the taxable year;
- The 15th day of the 9th month of the taxable year; and,

- The 15th of the 1st month following the close of the taxable year.
- *The tax rate is 2.5% of Arizona taxable income.*

If the due date for a payment falls on a Saturday, Sunday, or legal holiday, the payment is considered timely if it is made on the next business day. (See GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.)

Penalties

If the partnership or S Corporation making the PTE election does not pay the estimated tax required on or before the prescribed dates, a penalty shall be assessed on the unpaid amount. (See A.R.S. § 42-1125(Q).) Penalties or interest shall not be assessed or collected if either of the following applies:

- The estimated tax payments are allowable exceptions under section 6654 of the internal revenue code; or,
- The Arizona income tax liability due on the PTE's return is less than $1,000.

S Corporations Subject to tax at the Federal Level AND Making the PTE Election

S Corporations subject to tax at the federal level and that are making the PTE election must:

- Separately compute the required minimum payment for the income generating the federal tax liability using the corporate tax rate, 4.9%.
- Separately compute the required minimum payment for the income generating the PTE tax liability using the PTE tax rate, 2.5%.
- Total those amounts. This is the total required minimum payment due for each quarter. Enter these amounts in the corresponding quarter of Form 120/PTE-W.

The payments must total:

- At least ninety percent (90%) of the tax due for the current year, or,
- One hundred percent (100%) of the tax due from the preceding taxable year.

Installment Payments

Four payments of estimated tax are required for each taxable year.

The S Corporation may also calculate its required installment payment using the Annualized Income Installment Method if it qualifies to use this method.

Installment Due Dates

The due dates for each installment of the required payment of estimated tax are:

- The 15th day of the 4th month of the taxable year;
- The 15th day of the 6th month of the taxable year;
- The 15th day of the 9th month of the taxable year; and,
- The 15th of the 1st month following the close of the taxable year.

If the due date for a payment falls on a Saturday, Sunday, or legal holiday, the payment is considered timely if it is made on the next business day. (See GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.)

Penalties

If the S Corporation does not pay the estimated tax required on or before the prescribed dates, a penalty shall be assessed on the unpaid amount. (See A.R.S. § 42-1125(Q).) Penalties or interest shall not be assessed or collected if either of the following applies:

- The estimated tax payments are allowable exceptions under section 6654 of the internal revenue code; or,
- The Arizona income tax liability due on the return is less than $1,000.

Making Estimated Tax Payments

Taxpayers[2] making estimated payments for 2025 that expect a 2025 income tax liability of $500 or more must make Arizona estimated payments using EFT. See the Section *Payment by Electronic Funds Transfer*, below, for details on making tax payments by EFT.

> **NOTE:** *Taxpayers that make estimated tax payments by EFT should not submit Arizona Form 120/165ES.*

Taxpayers making estimated payments for 2025 who expect a 2025 income tax liability of less than $500 may pay by check, e-check, money order, credit card, or they may elect to participate in EFT. See the Section, *Payment by Electronic Funds Transfer,* below, for additional information. If paying by check or money order, complete Arizona Form 120/165ES and include the check or money order with the form.

> **NOTE:** *Taxpayers required to make estimated payments by EFT that fail to do so are subject to a penalty of five percent (5%) of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*
>
> *For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307).*

Rounding Dollar Amounts

Taxpayers must round amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

> **NOTE:** *If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts. Round only the total.*

Payment by Electronic Funds Transfer

Corporations are required to pay their tax liability by electronic funds transfer (EFT) if the corporation owes $500 or more for any taxable year beginning from and after December 31, 2020.

A corporation may apply to the director for an annual waiver from the electronic payment requirement. The application must be received by December 31 of each year. The director may grant the waiver if any of the following applies:

- The corporation has no computer.
- The corporation has no internet access.

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[2] For purposes of these instructions, "taxpayer" refers to C corporations, exempt organizations with UBTI, S Corporations subject to tax at the federal level, and partnerships or S Corporations making the PTE election.

- Any other circumstance considered to be worthy by the director exists, including:
  - o The corporation has a sustained record of timely payments, and,
  - o No delinquent tax account with the department.

To request a waiver, submit Arizona Form 292, *Electronic Filing and Payment Waiver Application*, to the department. Arizona Form 292 is available at: https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application.

> **NOTE:** *A taxpayer that is required to pay by EFT but who fails to do so is subject to a penalty of five percent (5%) of the amount of the payment not made by EFT. See A.R.S. § 42-1125(O).*
>
> *For additional information on electronic funds transfer, refer to A.R.S. § 42-1129 and the related Arizona Administrative Code rules (A.A.C. R15-10-301 through R15-10-307) for detailed information.*

How to Make EFT Payments

Corporations and PTE's making an EFT payment from a checking or savings account or by credit card are no longer required to register with the department prior to making EFT payments for tax year 2024. Visit AZTaxes.gov, click "Make a Corporation/S Corporation/Partnership Payment" and follow the prompts. *An officer of the corporation or a partner of the partnership must complete the initial EFT registration.*

Taxpayers may use www.AZTaxes.gov to make EFT payments:

- *Electronic payment from checking or savings account/e-check/ACH Debit.*

  Payments can be made electronically from a checking or savings account. Go to www.AZTaxes.gov, click "Make a Corporation/S Corporation/Partnership Payment", follow the prompts, and choose the e-check option. Follow the prompts to make your payment.

  There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. **When an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- *Online credit card payment.*

  Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to www.AZTaxes.gov, click "Make a Corporation/S Corporation/PartnershipPayment", follow the prompts, and choose the credit card option. This will take you to the website of the credit card payment service provider. Follow the prompts to make your payment.

  The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. **If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.**

- *Corporations may also make EFT payment by ACH Credit.* Corporations wishing to pay by ACH credit must register with the department before their ACH payment will be accepted.

  To register to make ACH Credit payments, complete Arizona Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers, available here: https://azdor.gov/forms/other-forms/electronic-funds-transfer-eft-disclosure-agreement-ach-credit-filers. Complete the form as instructed. Submit the completed form at least ten business days before the first anticipated transaction as it may take that long to process the application.

  Fax the completed form to the department at (602) 771-9913. You may also email the completed form to the department at electronicfundstransfer@azdor.gov. If you have not received your approval within one week, you may direct follow-up inquiries to electronicfundstransfer@azdor.gov. Once the application is processed, you will receive additional information to present to your bank to make the ACH Credit payment.

  Your payment will be electronically transferred into the department's account, normally the next business day. Consult with your bank for the timeframe required to make timely payments. You may be charged a service fee.

> **NOTE:** *Corporate taxpayers using a foreign bank account to make EFT payments cannot make EFT payments by ACH Debit. The department does not accept ACH Debit payments from a foreign bank account. If the taxpayer wishes to make payment by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.*

Specific Instructions

All taxpayers who are required to make estimated tax payments should use Form 120/PTE-W to compute the required annual payment of estimated tax and the required installments.

S corporations subject to tax at the federal level and making the PTE election for the same taxable year must separately compute their tax liability and required installment payments for the PTE tax and for the corporate tax. The required installment payment for each due date is the sum of the required payment for each due date. (Include all worksheets with Form 120/PTE-W.)

> **NOTE:** *Partnerships and S Corporations making the Pass-Through election to pay tax at the entity level, check the box at the top of the form.*

Line 1 - Arizona Tax Liability

Enter the taxpayer's estimated tax liability for the current taxable year. Arizona tax liability is computed as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits plus refundable tax credits].

Partnerships and S Corporations making the PTE election, enter the estimated PTE tax liability for the current taxable year.

S corporations subject to tax at the federal level and making the PTE election for the same taxable year, enter the sum of the estimated tax liability from the income subject to federal tax and the estimated tax liability from the PTE income.

NOTE: Claim of right adjustments (Arizona Forms 120 and 120A): *If a taxpayer computes its tax liability under the claim of right provisions, the estimated tax payments should be based on the net tax liability computed under the claim of right provisions.*

Line 2 - Required Annual Payment

The Arizona required annual payment of estimated tax is the smaller of A or B:

A. *All taxpayers* - ninety percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the current taxable year; **or**

B. *C corporations, and exempt organizations with UBTI* - one hundred percent of the taxpayer's Arizona tax liability (reduced by any refundable tax credits and the claim of right adjustment, if applicable) for the prior taxable year.

S Corporations subject to tax at the federal level not making the PTE election- an amount equal to the sum of: (a) ninety percent of the portion of the <u>current</u> taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus (b) one hundred percent of the portion of the <u>prior</u> taxable year's Arizona tax liability that is attributable to excess net passive income.

S Corporations subject to tax at the federal level AND making the PTE Election – an amount equal to the sum of: (a) ninety percent (90%) of the portion of the <u>current</u> taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus (b) one hundred percent of the portion of the <u>prior</u> taxable year's Arizona tax liability that is attributable to excess net passive income, **PLUS** (c) one hundred percent (100%) of the PTE tax shown on the return for the previous taxable year.

Partnerships and S Corporations making the PTE election to pay tax at the entity level – one hundred percent (100%) of the tax shown on the return for the previous taxable year.

NOTE: *C corporations and exempt organizations with UBTI must meet certain conditions in order to make estimated tax payments equal to one hundred percent of the prior taxable year's tax liability. (See instructions for line 2b.)*

S Corporations subject to tax at the federal level may not use one hundred percent of the prior taxable year's tax liability. In addition, S Corporations subject to tax at the federal level must meet certain conditions in order to make estimated tax payments equal to the amount calculated in (b) above. (See instructions for line 2c, below.)

Line 2a - (All Taxpayers[3], including partnerships and S Corporations making the PTE election)

Multiply line 1 by ninety percent (90%). Enter the result on line 2a.

Line 2b - C corporations and exempt organizations with UBTI

Enter the tax as shown on the 2024 return.

NOTE: *If the taxpayer had no tax liability for 2024, or if its 2024 taxable year was a period of less than twelve months, skip line 2b and enter the amount from line 2a on line 2d.*

Line 2c - S Corporations subject to tax at the federal level and NOT making the PTE election

Enter the sum of:

- Ninety percent of the portion of the current taxable Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
- One hundred percent of the portion of the previous taxable year Arizona tax liability that is attributable to excess net passive income.

NOTE: *If the S corporation's 2024 taxable year was a period of less than twelve months, skip line 2c. Enter the amount from line 2a on line 2d.*

S Corporations having a federal tax liability and a PTE tax liability for the same taxable year. *Separately compute the tax liability for the income generating the corporate tax liability and for the income generating the PTE tax liability.* Enter the amount of the corporate tax liability on line 2c. Enter the amount of the PTE tax liability on line 2d.

Line 2d – Partnerships and S Corporations making the PTE election to pay tax at the entity level

Enter the PTE tax shown on the 2024 return.

S Corporations having a federal tax liability and a PTE tax liability for the same taxable year. *Separately compute the tax liability for the income generating the corporate tax liability and for the income generating the PTE tax liability.* Enter the amount of the corporate tax liability on line 2c. Enter the amount of the PTE tax liability on line 2d.

Line 2e - (All Taxpayers)

C corporations and exempt organizations with UBTI: Enter the smaller of line 2a or line 2b (if an amount was entered on line 2b).

S Corporations subject to tax at the federal level and NOT making the PTE election: Enter the smaller of line 2a or line 2c (if an amount was entered on line 2c).

Partnerships and S Corporations making the PTE election: Enter the smaller of line 2a or 2d.

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[3] For purposes of these instructions, "taxpayer" refers to C corporations, exempt organizations with UBTI, S Corporations subject to tax at the federal level, and partnerships or S Corporations making the PTE election.

S corporations subject to tax at the federal level AND making the PTE election for the same taxable year, enter the smaller of line 2a or the sum of lines 2c and 2d.

Line 3 - Installment Due Dates

Enter the installment due dates for the estimated payments.

All corporate taxpayers are required to make Arizona corporate estimated tax payments by the 15th day of the 4th, 6th, 9th, and 12th months of their taxable year. If the installment due date falls on a weekend or legal holiday, the payment is considered timely if made on the next business day.

Partnerships and S Corporations making the PTE election are required to make four Arizona estimated payments. The required installment due dates are the same as for individual taxpayers: the 15th day of the 4th, 6th, and 9th month of the taxable year, and the 15th day of the 1st month following the close of the taxable year.

S corporations subject to tax at the federal level AND making the PTE election for the same taxable year, enter the installment due dates for individual taxpayers: the 15th day of the 4th, 6th, and 9th month of the taxable year and the 15th day of the 1st month following the close of the taxable year.

Note for short period returns: *Enter the installment due dates and number of installments required by the Internal Revenue Service.*

Line 4 - Required Installments

Enter twenty five percent (25%) of line 2e in columns (a) through (d) unless:
- The entity uses the annualized income installment method; or,
- The entity uses the seasonal installment method; or,
- The entity is a "large corporation".

NOTE: *When making estimated tax payments, be sure to take into account any 2024 overpayment that the entity chose to apply against its 2025 Arizona tax liability.*

Annualized Income Installment Method and/or Adjusted Seasonal Installment Method

If the taxpayer's income is expected to vary during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Schedule A to calculate the amount of one or more required installments using one or both of these methods. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to determine the amount of each required installment and to select the lesser of:
- The annualized income installment;
- The adjusted seasonal installment (if applicable); or
- The regular installment, twenty five percent (25%) of the required annual payment, increased by any reduction recapture under Internal Revenue Code § 6655(e)(1)(B).

Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year. Partnerships and S Corporations may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.

S corporations subject to tax at the federal level AND making the PTE election for the same taxable year must separately compute their tax liability for the PTE tax and for the corporate tax. (Include all worksheets with Form 120/PTE-W.)

Instructions for "Large Corporations" (Arizona Forms 120 and 120A)

"Large corporation" means a corporation or unitary group of corporations if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing an Arizona consolidated return is treated as a single corporation for purposes of applying this definition.

A. If the taxpayer DOES NOT USE the annualized income installment method or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on line 4.

- If line **2a** is **less than** line **2b,** enter 25% of line 2a in columns (a) through (d) of line 4.

- If line **2b** is **less than** line **2a**:
  o Enter 25% of line 2b in column (a) of line 4.
  o Determine the amount to enter in column (b) as follows:
    (i) Subtract line 2b from line 2a,
    (ii) Add the result to the amount on line 2a, and
    (iii) Multiply the total in (ii) above by 25%.
  o Enter 25% of line 2a in columns (c) and (d).

B. If the taxpayer uses the annualized income installment method and/or the adjusted seasonal installment method, follow the instructions below to compute the amounts to enter on Part 3, line 48, columns (a) through (d) before completing the remainder of the lines in Part 3 of Schedule A.

- If line **2a** is **less than** line **2b,** enter 25% of line 2a in columns (a) through (d) of Schedule A, Part 3, line 48.

- If line **2b** is **less than** line **2a**:
  o Enter 25% of line 2b in column (a) of Schedule A, Part 3, line 48.
  o Determine the amount to enter in column (b) of Schedule A, Part 3, line 48 as follows:
    (i) Subtract line 2b from line 2a,
    (ii) Add the result to the amount on line 2a, and
    (iii) Multiply the total in (ii) above by 25%.
  o Complete the remainder of Part 3, Schedule A.
  o Enter 25% of line 2a in columns (c) and (d) of Schedule A, Part 3, line 48.

- Complete the remainder of Schedule A, Part 3.
- Enter the amounts from columns (a) through (d) from Schedule A, Part 3, line 48 in columns (a) through (d) of this line.

Arizona Form 120/PTE-W Schedule A

Follow the steps below to determine which parts of the Arizona Form 120/PTE-W, Schedule A, to complete.

- If only the annualized income installment method is used, complete Parts 1 and 3 of Schedule A.
- If only the adjusted seasonal installment method is used, complete Parts 2 and 3 of Schedule A.
- If both methods are used, complete all three parts of Schedule A.
- All taxpayers: In each column on Arizona Form 120/PTE-W, line 4, enter the amounts from the corresponding column of line 48 of Schedule A.

CAUTION: *Do not compute any required installment until after the end of the month preceding the due date for that installment.*

Part 1 - Annualized Income Installment Method

Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year.

Partnerships and S Corporations making the PTE election may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.

NOTE for lines 5 through 20: *Complete all lines in each column before completing the next column.*

- *C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level NOT making the PTE election*, follow the directions here and on the form.
- **Partnerships and S Corporations making the PTE election,** compute the required minimum payment using the PTE tax rate, 2.5%, and the PTE due dates for the required minimum payment.
- *S Corporations subject to tax at the federal level and that are making the PTE election that elect to use the Annualized Income Installment Method* to compute their required minimum payments *must* separately compute their required minimum payments for the income generating the federal tax liability, and for the income generating the PTE tax liability. When computing the required minimum payments for the income generating the federal tax liability, use the corporate tax rate, 4.9%, and the due dates for the PTE required minimum payments. Total the required minimum payments for both sources of income for each quarter. That amount is the amount of the S Corporation's minimum required estimated tax payment.

Line 5 - Annualization Periods

Enter the annualization period the taxpayer is using in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S

Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Arizona Form 99T

Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Pass-Through Entities

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	3	5	8	11

Line 6 – Taxable Income for Annualization Period

Enter the taxable income for each annualization period indicated in columns (a) through (d).

Line 7 - Annualization Amounts

Enter the annualization amounts for the option used on line 5 in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S

Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Arizona Form 99T

Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Pass-Through Entities

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	4.0	2.4	1.5	1.0

Line 8 – Annualized Taxable Income
Multiply columns (a) through (d) of line 6 by columns (a) through (d) of line 7. Enter the result in each column.

Line 9 - Calculate the Tax

C Corporations, S Corporations subject to tax at the federal level, and exempt organizations with UBTI, multiply columns (a) through (d) of line 8 by the corporate tax rate, 4.9%. Enter the result in each column.

Partnerships and S Corporations making the PTE election, multiply columns (a) through (d) of line 8 by the PTE tax rate, 2.5%. Enter the result in each column.

S corporations subject to tax at the federal level and making the PTE election must separately compute the annualized taxable income for the income subject to tax at the federal level and for the income subject to PTE tax.

NOTE: *Calculate the tax on the amount in each column using the instructions for taxable year 2024 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 19; or Arizona Form 165, line 23.*

Line 10 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):
- The Credit for Motion Picture Production Costs claimed on Arizona Form 334,
- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Form 354.

Line 11 – Subtotal Tax

Add columns (a) through (d) of lines 9 and 10. Enter the total in each column.

Line 12 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2024 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

Line 13 – Arizona Tax Liability

Subtract columns (a) through (d) of line 12 from columns (a) through (d) of line 11. Enter the difference in each column. If the difference is zero or less, enter "0".

Line 14 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2024 for: Arizona Form 99T, line 12; Arizona Form 120, line 22; Arizona Form 120A, line 14 or Arizona Form 120S, line 20.

Line 15 - Claim of Right Adjustment (Arizona Forms 120 and 120A)

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

Line 16 – Net Liability

Subtract the sum of columns (a) through (d) of line 14 and columns (a) through (d) of line 15 from columns (a) through (d) of line 13. Enter the difference in each column. If the difference is zero or less, enter "0".

Line 18

Multiply columns (a) through (d) of line 16 by columns (a) through (d) of line 17. Enter the result in each column.

Line 19 - Cumulative Installments

Do not enter an amount in column (a). Enter the amounts from Part 3, line 52, columns (a) through (c) in columns (b) through (d) of this line.

Line 20 – Annualized Income Installments

Enter line 18, column (a) in line 20, column (a). Subtract line 19 columns (b) through (d) from line 18 columns (b) through (d). Enter the difference. If zero or less, enter "0".

Part 2 - Adjusted Seasonal Installment Method

NOTE: *This method of computing required minimum payments is not available to partnerships and S Corporations making the PTE election.*

Complete Part 2 only if the taxpayer's base period percentage for any 6 consecutive months of the tax year equals or exceeds seventy percent (70%). Figure the base period percentage using the 6 month period in which the taxpayer normally receives the largest part of its taxable income.

The taxpayer's base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding 6 consecutive month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

See the **EXAMPLE** below for information on how to calculate the base period percentage.

EXAMPLE: *A calendar year taxpayer receives the largest part of its taxable income during the 6-month period from April through September. To compute its base period percentage for this 6-month period in 2024, the taxpayer figures its taxable income for each April through September period in 2022, 2023, and 2024. It then divides the taxable income for each April through September period by the total taxable income for that particular tax year. The resulting percentages are 65% for April - September 2022, 75% for April - September 2023, and 70% for April - September 2024. Because the average of 65%, 75%, and 70% is 70%, the base period percentage for April through September 2025 is 70%. Therefore, the taxpayer qualifies for the adjusted seasonal installment method.*

Lines 21 through 29

Read and follow the instructions on the form.

Line 30 - Calculate the Tax

Multiply columns (a) through (d) of line 29 by the corporate tax rate, 4.9%. Enter the result.

NOTE*: Refer to the instructions for taxable year 2024 for Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 12 for additional information.*

Lines 31 through 36

Read and follow the instructions on the form.

Line 37 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The Credit for Motion Picture Production Costs claimed on Arizona Form 334,
- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351,
- The Affordable Housing Tax Credit claimed on Arizona Form 354.

Line 38 – Subtotal Tax

Add columns (a) through (d) of lines 36 and 37. Enter the total in each column.

Line 39 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 21. Calculate this amount using the instructions for taxable year 2023 for: Arizona Form 99T, line 9; Arizona Form 120, line 19; Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

Line 40 – Arizona Tax Liability

Subtract columns (a) through (d) of line 39 from columns (a) through (d) of line 38. Enter the difference in each column. If the difference in any column is zero or less than zero, enter "0".

Line 41 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate taxable income for the period. Calculate this amount using the instructions for taxable year 2023 for: Arizona Form 99T, line 12; Arizona Form 120, line 22; Arizona Form 120A, line 14; or Arizona Form 120S, line 20.

Line 42 - Claim of Right Adjustment (Arizona Forms 120 and 120A)

If a taxpayer computes its tax liability under the claim of right provisions, it should base its estimated tax liability on the net tax liability computed under the claim of right provisions. Enter the Claim of Right adjustment to be claimed.

Line 43 – Net Liability

Subtract the sum of columns (a) through (d) of lines 41 and line 42 from columns (a) through (d) of line 40. Enter the difference in each column. If the difference in any column is zero or less than zero, enter "0".

Line 44

Multiply columns (a) through (d) of line 43 by ninety percent (90%). Enter the result in each column.

Line 45 - Cumulative Installments

Do not enter an amount in column (a). Enter columns (a) through (d) of Part 3, line 52 in columns (b) through (d) of this line.

Line 46 – Adjusted Seasonal Installments

Subtract columns (a) through (d) of line 45 from columns (a) through (d) of line 44. Enter the difference in each column. If the difference in any column is zero or less than zero, enter "0".

Part 3 - Required Installments

Line 47 -

- If Part 1 is completed, enter the amounts from columns (a) through (d) of line 20.
- If Part 2 is completed, enter the amounts from columns (a) through (d) of line 46.
- If Part 1 and Part 2 are completed, enter the lesser of the amounts from columns (a) through (d) of line 20 or
- columns (a) through (d) of line 46.

Line 48 –

Enter 25% of line 2e in each column.

NOTE: *"Large corporations" see the instructions for line 4 to determine the amount to enter in columns (a) through (d).*

Line 49 -

Do not enter an amount in column (a). Enter the amounts from columns (a) through (c) of line 51, in columns (b) through (d) of this line.

Line 50 -

Add columns (a) through (d) of line 48, and columns (b) through (d) of line 49. Enter the totals in the respective columns.

Line 51 –

If columns (a) through (c) of line 50 are greater than columns (a) through (c) of line 47, subtract columns (a) through (c) of line 47 from columns (a) through (c) of line 50. Otherwise, enter "0". Do not enter an amount in column (d).

Line 52 – Required Installments

Enter the lesser of columns (a) through (d) of line 47 or columns (a) through (d) of line 50 and in columns (a) through (d) of Page 1, line 4.

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