

**CONTACTS FOR REFUND OF CREDIT FOR  
INCREASED RESEARCH ACTIVITIES**

**Arizona Commerce Authority**

- Application forms
- Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**CONTACTS FOR NONREFUNDABLE CREDIT FOR  
INCREASED RESEARCH ACTIVITIES**

**Arizona Department of Revenue**

- Tax forms and instructions
- Information and assistance

Website: [www.azdor.gov](http://www.azdor.gov)

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

**General Instructions**

For taxable years beginning prior to January 1, 2023, taxpayers may file an amended return to claim the Credit for Increased Research Activities (R & D Credit) using the Alternative Simplified Credit (ASC) calculation.<sup>1</sup>

- Taxpayers<sup>2</sup> may amend any prior year return for which the Arizona four-year Statute of Limitations has not expired.
- Any taxpayer having a federal waiver that extends Arizona's four-year Statute of Limitations may use that federal waiver to amend its returns for all years extended by the waiver.<sup>3</sup>
- Partnerships and S Corporations that previously passed this through to their partners or shareholders may amend their returns to pass any additional credit through to those partners or shareholders.
- Taxpayers that previously claimed the refundable R & D credit may amend their returns to claim an additional refundable amount *only to the extent originally authorized by the Arizona Commerce Authority (ACA).*<sup>4</sup>

**NOTE:** *Electronic filing of your amended return is not available to claim this credit. To claim this credit, please file your amended return as a paper return.*

<sup>1</sup> For taxable years beginning from and after January 1, 2023, taxpayers may claim the R & D Credit using the ASC calculation by filing Form 308 (corporations and partnerships) or Form 308-I (individuals).

<sup>2</sup> "Taxpayers" include: Individuals, C Corporations, S Corporations claiming this credit at the corporate level, Exempt Organizations with unrelated business taxable income (UBTI), and partnerships or S Corporations passing this credit through to their partners or shareholders.

<sup>3</sup> The taxpayer must include a copy of its federal waiver indicating the taxable years being amended are open by federal waiver. Refer to A.R.S. §§ 42-1104(B)(7) and 42-1104(B)(8) to determine how a federal waiver may impact an amended return.

<sup>4</sup> A taxpayer cannot file an amended return to claim an original refundable credit.

**AMENDING A RETURN TO CLAIM THIS CREDIT**

This worksheet is intended for use by Individuals, C corporations, S Corporations, exempt organizations with UBTI, and partnerships wishing to amend prior taxable years returns to utilize the ASC calculation to claim the Arizona Credit for Increased Research Activities (R & D Credit).

**PARTNERSHIPS AND S CORPORATIONS  
PASSING THIS CREDIT THROUGH TO THEIR  
PARTNERS AND SHAREHOLDERS<sup>5</sup>**

- Complete Form 308-ASC to calculate the ASC credit.
- Complete Form 308 to calculate the credit.
- Complete amended Forms 308-P or 308-S for all partners or shareholders.<sup>6</sup>
- Distribute amended Forms 308-P or 308-S to all partners or shareholders.<sup>7</sup>
- Complete the amended return (Form 165 or 120-S).
- Submit to the department:
  - The amended return.
  - Form 308-ASC.
  - Form 308.
  - Copies of all amended Forms 308-P or 308-S distributed to partners or shareholders.
  - Certification from ACA, if the credit is refundable.
  - The federal waiver, as needed.

**TAXPAYERS CLAIMING THIS CREDIT**

***IF THIS CREDIT IS REFUNDABLE:***

*And it was passed through from a partnership or S Corporation:*

- ***Do NOT complete Form 308-ASC.*** The credit has been calculated by the partnership or S Corporation that passed the amended credit through to you on an amended Form 308-P or on an amended Form 308-S.

***Individuals:***

- Enter your portion of the maximum refund amount from the amended Form 308-P, Part 3, line 6 on your Form 308-I, Part 7, line 37b.
- Enter your portion of the maximum refund amount from the amended Form 308-S, Part 3, line 6 on your Form 308-I, Part 7, line 37c.
- Complete Form 308-I as instructed to claim this refundable credit.

***Corporations or other partners:***

- Enter your portion of the maximum refund amount from Form 308-P, Part 3, line 6 on your form 308, Part 7, line 41b.
- Complete Form 308 as instructed to claim this refundable credit.

<sup>5</sup> S Corporations claiming this credit at the corporate level, proceed to the section "Taxpayers amending a return to claim this credit".

<sup>6</sup> Indicate on each Form 308-P or Form 308-S if the amount passed through is refundable or non-refundable

<sup>7</sup> If the credit is refundable provide each partner or shareholder a copy of the Certification received from the ACA.

**Partnerships and S Corporations that are partners in this partnership:**

- Enter your portion of the maximum amount from Form 308-P, Part 3, line 6 on your Form 308, Part 5, line 33.
- Complete Form 308 as instructed to claim this refundable credit.

*Or, it is based on your own research activities:*

- To establish the amended credit, complete Form 308-ASC to calculate the amount of the R & D Credit using the ASC calculation.
- Enter the amount from line 19 of Form 308-ASC:
  - **Individuals**, enter this amount on page 1, Part 2, line 23 of Form 308-I for the year you wish to claim the ASC credit.
  - **All others**, enter this amount on page 1, Part 2, line 27 of Form 308 for the year you wish to claim the ASC credit.
- Complete Form 308 or Form 308-I as instructed to claim this refundable credit.

*Or, a portion of the credit was passed through from partnerships or S Corporations AND a portion of the credit results from your own research activities:*

To claim the portion the credit passed-through from partnerships or S Corporations:

- **Individuals:**
  - Enter the amount from the amended Form 308-P, Part 3, line 6 on your Form 308-I, Part 7, line 37b.
  - Enter the amount from the amended Form 308-S, Part 3, line 6 on your Form 308-I, Part 7, line 37c.
  - Complete Form 308-I as instructed to claim this refundable credit.
- **Corporations or other partners:**
  - Enter the amount from Form 308-P, Part 3, line 6 on your form 308, Part 7, line 41b.
  - Complete Form 308 as instructed to claim this refundable credit.
- **Partnerships and S Corporations that are partners in this partnership:**
  - Enter the amount from Form 308-P, Part 3, line 6 on your Form 308, Part 5, line 33.
  - Complete Form 308 as instructed to claim this refundable credit.

To claim the portion of the credit based on your own research activities:

- Complete Form 308-ASC to calculate the amount of the credit from your research activities.
- Enter the amount from line 19 of Form 308-ASC:
  - **Individuals**, enter this amount on page 1, Part 2, line 23 of Form 308-I for the year you wish to claim the ASC credit.
  - **All others**, enter this amount on page 1, Part 2, line 27 of Form 308 for the year you wish to claim the ASC credit.
- Complete Form 308 or Form 308-I to calculate your credit.

**NOTE:**

- ❖ *A taxpayer cannot file an amended return to claim an original refundable credit.*
- ❖ *The refundable portion of this credit cannot exceed the maximum refundable amount originally established by the ACA. Additionally, any amount in excess of the difference between the maximum credit amount and the taxpayer liability is waived.*

**IF THIS CREDIT IS NON-REFUNDABLE:**

*And it was passed through from a partnership or S Corporation:*

- Do NOT complete Form 308-ASC. The credit has been calculated by the partnership or S Corporation that passed the amended credit through to you on an amended Form 308-P or on an amended Form 308-S.
- **Individuals:**
  - Enter the amount from the amended Form 308-P, Part 2, line 4 on your Form 308-I, Part 3, line 24.
  - Enter the amount from the amended Form 308-S, Part 2, line 4 on your Form 308-I, Part 3, line 25.
  - Complete Form 308-I.
- **Corporations and other partners:**
  - All others, enter the amount from Form 308-P, Part 2, line 4 on your form 308, Part 3, line 28.
  - Complete Form 308.
- **Partnerships and S Corporations that are partners in this partnership:**
  - Follow the instructions above for all other partners.

*Or, it is based on your own research activities:*

- To establish the amended credit, complete Form 308-ASC to calculate the amount of the ASC credit.
- Enter the amount from line 19 of Form 308-ASC:
  - **Individuals**, enter this amount on page 1, Part 2, line 23 of Form 308-I for the year you wish to claim the ASC credit.
  - **All others**, enter this amount on page 1, Part 2, line 27 of Form 308 for the year you wish to claim the ASC credit.
- Complete Form 308 or Form 308-I as instructed to claim this refundable credit.

*Or, a portion of the credit was passed through from partnerships or S Corporations AND a portion of the credit results from your own research activities:*

To claim the portion the credit passed-through from partnerships or S Corporations:

- **Individuals:**
  - Enter the amount from Part 2, line 4 of the amended Form 308-P on line 24 of Form 308-I.
  - Enter the amount from Part 2, line 4 of the amended Form 308-S on line 25 of Form 308-I
- **All others**, enter the amount from Part 2, line 4 of the amended Form 308-P on line 28 of Form 308.

To claim the portion of the credit based on your own research activities:

- Complete Form 308-ASC to calculate the amount of the credit from your research activities.
- Enter the amount from line 19 of Form 308-ASC:
  - **Individuals**, enter this amount on page 1, Part 2, line 23 of Form 308-I for the year you wish to claim the ASC credit.
  - **All others**, enter this amount on page 1, Part 2, line 27 of Form 308 for the year you wish to claim the ASC credit.
- Complete Form 308 or Form 308-I to calculate your credit.

**WHEN FILING AN AMENDED RETURN TO CLAIM THIS CREDIT**

- Complete Form 308-ASC as needed (see the instructions above for direction).
- Complete Form 308 or Form 308-I.
- Complete the corresponding amended return
  - Individuals that did not make the SBI election, complete Form 140X.
  - Individuals that made the SBI election for taxable years 2020 or 2021, or both, complete Form 140X and Form 140X-SBI for each taxable being amended.<sup>8</sup>
  - C Corporations, complete Form 120X
  - S Corporations, whether passing the credit through to shareholders or claiming the credit at the corporate level, complete an amended Form 120S.
  - Partnerships passing through to partners of the partnership, complete an amended Form 165.
  - Exempt organizations with UBTI, complete an amended Form 99T.
- Individuals that did not make the SBI election, complete Form 301.
- Individuals that made the SBI election, complete Form 301 and Form 301-SBI.
- C Corporations, S Corporations claiming the credit at the corporate level, and exempt organizations with UBTI, complete Form 300.
- If the credit was passed through from partnerships or S Corporations, include copies of the amended Forms 308-P or 308-S you received.
- If the ASC credit is refundable, include the Certification received from the ACA.
- Include federal waivers as needed.

<sup>8</sup> Taxable years ending 12/31/2021 and 12/31/2022 were the first years an Individual could make the SBI election. Prior to taxable year 12/31/2021, no SBI election was available.

**Specific Instructions**

Indicate the period covered by the taxable year. Complete the name and social security number (SSN) or employer identification number (EIN) section at the top of the form. Include the completed worksheet with the amended tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN).

- The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN).
- The TIN for a corporation, an exempt organization with UBTI, an S Corporation or a partnership is the taxpayer's EIN.

**NOTE:** *Taxpayers that fail to include their TIN may be subject to a penalty.*

**ALTERNATIVE SIMPLIFIED CREDIT CALCULATION**

**C corporations, including exempt organizations with unrelated business taxable income claiming the ASC:** *Begin computing your current year's credit on line 1 – Basic research payments paid or incurred to qualified organizations.*

**S Corporations, partnerships, individuals and all other taxpayers claiming the ASC:** *Begin computing your current year's credit on line 4 – Current year wages for qualified services.*

**Line 1 – Basic Research Payments**

Enter the amount you paid to a qualified university, scientific research organization, or grant organization for basic research conducted in Arizona.

**NOTE:** *You must have a written contract with the organization to include these payments in the calculation.*

**Line 2 – Qualified Organization Base Period Amount**

Enter the base period amount based on minimum basic research amounts plus maintenance-of-effort amounts for the preceding three taxable years.

**Line 3**

Subtract line 2 from line 1. Enter the difference. If less than zero, enter "0".

**Line 4 – Current Year Wages For Qualified Services**

Enter total wages paid or incurred for qualified services performed in Arizona. Do not include the amount of wages paid to employees that were used in the calculation of the federal work opportunity credit.

**NOTE:** *Wages include any wages paid or incurred to an employee for qualified services performed in Arizona.*

*Qualified services are: (1) engaging in qualified research; or (2) engaging in the direct supervision, or the direct support of research activities conducted in Arizona that are defined as qualified research.*

*Qualified research is an investigation undertaken to discover information that is technological in nature. Its application must be intended for use in developing a new or improved business component.*

### **Line 5 – Current Year Cost of Supplies**

Enter the cost of supplies paid or incurred for use in conducting qualified research in Arizona. Supplies include expenditures for any tangible property, other than land or improvements to land, and property of a character subject to the allowance for depreciation.

### **Line 6 – Current Year Cost to Rent or Lease Computers**

Enter the amount paid or incurred to rent or lease the right to use computers in conducting qualified research in Arizona.

### **Line 7 – Current Year Contract Research Expenses**

Enter the total of:

- (a) Seventy-five percent of any amount paid or incurred for qualified research performed in Arizona by a qualified research consortium on the taxpayer's behalf. "Qualified research consortium" is any qualifying organization as defined in IRC § 41(b)(3)(C)(ii). Also, include 75% of that portion of line 1, basic research payments, paid to a qualified research consortium that does not exceed the line 2 base amount.
- (b) Sixty-five percent of any amount paid or incurred for qualified research performed in Arizona on the taxpayer's behalf, other than such amounts paid to a qualified research consortium. Prepaid contract research expenses are considered paid in the year the research is actually done. Also include 65% of that portion of line 2, basic research payments, that does not exceed the line 3 base amount, other than amounts paid to a qualified research consortium.

**NOTE:** *If you made basic research payments to an Arizona university under the jurisdiction of the Arizona Board of Regents, you may be entitled to an additional credit. See Arizona Form 346 for details.*

### **Line 8 – Total Research Expenses for the Current Year**

Add lines 4 through 7. Enter the total.

### **Line 9 – Total Qualified Research Expenses for the Prior Three Years**

Enter your qualified research expenses for the previous three years. ***If you have no qualified research expenses in any one of those three years, STOP! You do not qualify for the credit.***

### **Line 10 – Average Qualified Research Expenses for the Prior Three Years**

If you have qualified research expenses for each of the prior three years, divide line 9 by 6.0. Enter the result. ***If you do not have QREs for the previous three years, STOP! You do not qualify for the credit.***

### **Line 11**

Subtract line 10 from line 8. Enter the difference. If less than zero, enter "0".

### **Line 12**

Multiply line 8 by 50% (.50). Enter the result.

### **Line 13**

Enter the lesser of line 11 or line 12.

### **Line 14**

Add line 3 and line 13. Enter the total.

### **NOTE:**

- *If line 14 is \$2,500,000 or less, complete lines 15 and 19. Skip lines 16 through 18.*
- *If line 14 is more than \$2,500,000, skip line 15. Complete lines 16 through 19.*

### **Line 15**

If line 14 is \$ 2,500,000 or less, multiply line 14 by 24% (.24). Enter the result; skip to line 19.

### **Line 16**

If line 14 is more than \$ 2,500,000, subtract \$ 2,500,000 from line 14. Enter the difference.

### **Line 17**

Multiply line 16 by 15% (.15). Enter the result.

### **Line 18**

Add \$ 600,000 to line 17. Enter the total.

### **Line 19**

Enter the amount from line 15 or 18.

- ***Individuals***, enter this amount on Form 308-I, page 1, Part 2, line 23 for the taxable year you are claiming the ASC. Complete the remainder of that Form 308-I.
- ***All others***, enter this amount on Form 308, page 1, Part 2, line 27 for the year you are claiming the ASC. Complete the remainder of that Form 308.
- ***For taxable years ending prior to 12/31/2020 :***  
Prior to taxable year 2020, Forms 308 and Forms 308-I had differing and various line numberings. When amending returns for taxable years prior to 2020, enter the amounts you would enter on line 23 of Form 308-I or on line 27 of Form 308, on the line corresponding to that line number for taxable years 2020 and forward.