



Process for Limited Managed Audits to Confirm Tax Credit for Motion Picture Production Costs under A.R.S. § 43-1163

The limited managed audit process pursuant to ARS § 43-1163(E) is a cooperative effort on the part of the taxpayer and the Arizona Department of Revenue (“Department”) to confirm the amount of any tax credit for motion picture production costs. The taxpayer, at its own expense, engages an independent Arizona licensed certified public accountant that is not affiliated with the taxpayer to conduct the limited managed audit. A state auditor acts as the audit manager, overseeing the work that the taxpayer’s authorized representative is performing for the taxpayer. The following steps outline the process for these limited managed audits.

1. To initiate the audit process, the taxpayer submits a written request to the Department, expressing the taxpayer’s desire to perform a limited managed audit pursuant to ARS § 43-1163(E). The request must include the following information and documents:

Information:

- Taxpayer’s name, address, telephone number, and Federal Employer Identification number (FEIN);
- Name and contact information of the accountant intended to be the taxpayer’s authorized representative conducting the audit;
- Name and pre/post-approval number of the motion picture production.

Documents:

- Copy of the post-certification notice issued by the Arizona Department of Commerce;
- Power of Attorney (Arizona Form 285) authorizing the taxpayer’s representative to conduct the requested limited managed audit;
- Signed statement by the taxpayer’s authorized representative, confirming that the representative is an independent certified public accountant licensed in Arizona who, personally or through an affiliated firm, does not regularly perform services for the taxpayer or its affiliates.

The request should be sent to the following address:

Arizona Department of Revenue
Corporate Audit Section, Managed Audit Program
1600 W. Monroe St.
Phoenix, AZ 85007

The decision to authorize a limited managed audit rests solely with the Director (or appointed designee) of the Department.

2. Once the request is received, the Department will contact the taxpayer for a preliminary meeting to discuss the managed audit process. At that meeting or afterward, the Department will provide a sample limited managed audit agreement, including a sample audit plan summary to assist the taxpayer in the limited managed audit. Additional meetings may be held with the Department's auditor.
3. A limited managed audit agreement, including an audit plan summary, will be prepared by the Department and sent to the taxpayer. The agreement must be signed by an officer of the corporation. Taxpayer's authorized representative cannot sign the agreement. For the Department, the Director (or appointed designee) will sign the agreement. A fully executed copy will be returned to the taxpayer.
4. Communication between the taxpayer's authorized representative and the Department's auditor is essential for the proper determination of the correct tax credit amount.
5. Schedules submitted by the taxpayer shall be in a format specified by the Department.