

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 click on *Reports & Legal Research* then click on *Legal Research* and select a Document Type and Category from the drop down menus.

Publications

To view or print the department's publications, go to our website and click on *Reports & Legal Research*. Then click on *Publications*.

General Instructions

Organizations Which Must File This Tax Return

Organizations that have tax-exempt status under Arizona Revised Statutes (A.R.S.) § 43-1201(A) file this return to report Internal Revenue Code (IRC) § 512 unrelated business taxable income (UBTI).

Organizations exempt under A.R.S. § 43-1202 file Form 99T to report UBTI if their income is payable to a church or to a convention or association of churches. These organizations also file this return if their income is payable to another tax-exempt organization required to file Form 99T.

Homeowners Associations

Homeowners associations that file federal Form 1120-H or federal Form 1120 are not exempt from Arizona income tax. These associations must file an Arizona corporate income tax return on Arizona Form 120A or Arizona Form 120.

Certain homeowners associations are federally tax exempt as social welfare organizations, or as clubs organized for pleasure or recreation. These homeowners associations are similarly tax exempt for Arizona income tax purposes and are not required to file an Arizona information return.

Records

Every organization should maintain books and records substantiating information reported on the return and keep these documents for inspection. The department's ruling, GTR 96-1, *Electronic Data Processing* discusses the general requirements for the maintenance and retention of books, records and other sources of information received, created, maintained or generated through various computer, electronic and imaging processes and systems. Refer to this tax ruling for further information.

IRC § 7519 Required Payments

These payments cannot be deducted on the Arizona tax returns as an ordinary and necessary business expense or otherwise.

Rounding Dollar Amounts

Organizations 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.

Examples:

Company A (A) reports federal taxable income of \$15,000. A has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .326954. A multiplies the federal taxable income by the apportionment ratio. The result is \$4,904.31. Company A rounds the result to \$4,904.00.

Company W (W) reports a federal taxable loss of (\$27,000). W has no Arizona additions to, or subtractions from, its federal taxable loss. Its apportionment ratio is .005946. W multiplies its federal loss of (\$27,000) by the apportionment ratio. The result is an Arizona loss of (\$160.54). Company W rounds the result to (\$161.00).

Company Z (Z) reports a federal taxable loss of (\$500). Z has no Arizona additions to, or subtractions from, federal taxable income. Its apportionment ratio is .075000. Z multiplies its federal loss of (\$500) by the apportionment ratio. The result is an Arizona loss of (\$37.50). Company Z rounds the result to (\$38.00).

Extension of Time to File a Return

- The organization can apply for an Arizona extension by filing a completed Arizona Form 120EXT by the original due date of the return.
- ***The department may grant an Arizona extension request for a period of six months.***
- The organization can also use a valid federal extension, rather than applying for an Arizona extension. Arizona will accept the federal extension for the same period of time as covered by the federal extension.
- The organization must use Arizona Form 120EXT to transmit extension payments by check or money order, whether the organization uses a valid federal extension or requests an Arizona extension.
- If the organization uses an extension, the organization must check the extension box (82F) on page 1 of the return.
- The Arizona extension and the federal extension provide an extension of time to file; they do not provide an extension of time to pay.
 - The organization must pay 90% of the tax liability (less any tax credits) by the original due date of the return. The organization's tax liability may be the \$50 minimum tax.
 - The department imposes the extension underpayment penalty on any late or underpaid extension payments.
- See the department's ruling, CTR 01-3, *Extensions*, for additional information.
- Mail the extension request to the address shown on the form.

Timely filing of returns

- The department determines the timeliness of a tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is post-marked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

Taxable Year Covered by Return

File the 2020 Form 99T for calendar year 2020 and for fiscal years that begin in 2020 and end in 2021. Indicate whether the taxable year is a calendar year or a fiscal year. If the return is for a fiscal year, indicate the beginning and ending dates for the year in the space(s) provided at the top of page 1.

The 2020 Form 99T can also be used if the organization has a tax year of less than 12 months that begins and ends in 2021, and the 2021 Form 99T is not available at the time the organization is required to file its return.

The organization must show its 2021 year on the 2020 Form 99T and take into account any tax law changes that are effective for tax years beginning after December 31, 2020.

Filing Original Returns

- The due date to file Form 99T is the 15th day of the fifth month after the close of the taxable year.
- An exempt organization filing a short-period return must file by the 15th day of the 5th month after the short period ends.
- If this is the first time the exempt organization is filing an Arizona return, be sure to check the box indicating "This is a first return."
- If the organization has a valid federal or Arizona extension, file the return by the extended due date.
- If the organization uses an extension, check the extension box (82F) on page 1 of the return.
- Mail the return to the address shown on the form.

Filing Amended Returns

- Any tax exempt organization with UBTI that files an amended return with the IRS must file an Arizona amended return on Form 99T within 90 days after the final determination of the change or determination by the IRS.
- The organization must report to the department changes or corrections to the organization's UBTI by the IRS, or as the result of renegotiation of a contract or subcontract with the United States. The organization must either:
 - File a copy of the final determination with the department, concede the accuracy of the determination or state any errors, and request the department to recompute the tax owed to Arizona; or,
 - File an amended return as required by the department.
- The organization must include schedules that provide sufficient information for the department to recompute the organization's Arizona UBTI based on the Revenue Agent Report changes.

- The department may require the organization to file an amended return if the department does not have the necessary information to recompute the tax owed to Arizona.
- Be sure to check the box on page 1 of the return to indicate that the organization is filing an amended return.
- Mail the amended return to the address shown on the form.

NOTE: *File an amended return for a prior taxable year on the Form 99T for that taxable year. Use the 2020 Form 99T to amend only taxable year 2020.*

*Do **NOT** file an amended return until the original return has been processed.*

Payment of Tax, Penalties, and Interest

The entire amount of tax, penalties, and interest is due by the original due date of the return.

Payment by Electronic Funds Transfer

Organizations are required to pay their tax liability by electronic funds transfer (EFT) if the Organization owes:

- \$5,000 or more for any taxable year beginning from and after December 31, 2019, through December 31, 2020; or
- \$500 or more for any taxable year beginning from and after December 31, 2020.

NOTE: *If an organization was required to make its tax payments for taxable year 2020 by EFT, it must also pay any additional tax due from an amended return by EFT,*

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

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: *An Organization that 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.

How to Make EFT Payments

Organizations making EFT payments must register with the department before their EFT payments may be accepted. ***An officer of the Organization must complete the initial registration.***

Organizations may use 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 and choose the e check option. Follow the prompts to complete your registration.

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. If 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 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.

Organizations may also make EFT payment by ACH Credit.

To register to make ACH Credit payments, go to the department’s website, www.azdor.gov. Click on “Forms”, then click “Other Forms.” Click on Form number 10366, Electronic Funds Transfer (EFT) Disclosure Agreement for ACH Credit filers. Click “Download.” Complete the form as instructed. Submit the completed at least five 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. Once the application is processed, the Organization will receive additional information to present to its bank to make the ACH Credit payment.

The payment will be electronically transferred into the department’s account, normally the next business day. The Organization should consult with its bank for the timeframe required to make timely payments. NOTE: The Organization may be charged a service fee.

NOTE: Exempt organizations 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 exempt organization wishes to make payment from a foreign bank account by EFT, the payment MUST be made by ACH Credit. See the instructions for ACH Credit above to register and make ACH Credit payments.

Estimated Tax Payments

Organizations expecting an Arizona income tax liability for the taxable year of \$1,000 or more must make Arizona estimated income tax payments. All organizations required to make Arizona estimated payments must make those payments by the 15th day of the 4th, 6th, 9th, and 12th months of their taxable year.

The Arizona required annual payment of estimated tax for organizations is the smaller of:

- Ninety percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the current taxable year; or
- One hundred percent of the taxpayer's Arizona tax liability (reduced by refundable tax credits and claim of right adjustments, if applicable) for the prior taxable year. For a corporation to base its Arizona estimated tax payments on its prior taxable year’s tax liability:
 - The corporation’s return filed for the prior taxable year must have shown at least some amount of tax liability (an amount greater than zero); and
 - The corporation’s return filed for the prior taxable year must have been for a period of twelve months.

Complete Form 120W to compute the amount of the estimated payment(s) for 2021 and to compute the required installments.

NOTE: Taxpayers required to make corporate estimated payments via EFT that fail to do so are 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.

MAKING ESTIMATED TAX PAYMENTS FOR 2021

Organizations making estimated payments for 2021 that expect a 2021 income tax liability of \$500 or more must make Arizona estimated income tax payments using EFT. See the Section *Payment of Tax Liability by Electronic Funds Transfer* on page 4 for details on making tax payments by EFT.

NOTE: Organizations that make estimated tax payments by EFT should not submit Form 120ES.

Organizations making estimated payments for 2021 who expect a 2021 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 of Tax Liability by Electronic Funds Transfer* on page 4 for additional information. If paying by check or money order, complete Form 120ES and include the check or money order with the form.

Is the organization subject to the Estimated Underpayment Penalty for the 2020 taxable year?
See the instructions for Form 220.

Penalties and Interest

NOTE: *If more than one of the penalties described in A, B, or C apply, the maximum combined penalty is 25%.*

A. Late Filing Penalty

Without a valid federal or Arizona extension, a return filed after the original due date is subject to the late filing penalty. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4.5% (.045) of the amount of tax required to be shown on the return. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25% of the tax found to be remaining due.

B. Extension Underpayment Penalty

The organization must pay 90% of the tax liability reported on its return by the original due date of the return. If it does not, the extension underpayment penalty is charged on any late or underpaid extension payments. The extension underpayment penalty is 0.5% (.005) of the tax not paid for each 30-day period or fraction of a 30-day period between the original due date and the date the tax is paid. The maximum penalty is 25% of the unpaid tax. Organizations subject to the extension underpayment penalty are not subject to the late payment penalty described in C.

C. Late Payment Penalty

The late payment penalty is charged on any amount shown as tax on a return that is not paid by the due date. The late payment penalty is 0.5% (.005) of the unpaid tax for each month or fraction of a month that the tax remains unpaid, not to exceed 10% of the unpaid tax.

NOTE: Amended Return Filers: *For taxable years beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

Refer to the department's ruling, CTR 09-1, *When do Penalties Apply to an Income Tax Return Filed Under an Extension*, regarding the application of penalties to returns filed under extension.

D. Interest

The department charges interest on any portion of the tax not paid by the due date. The department compounds interest annually and applies it in the same manner and at the same time as the IRS, except that the Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate.

On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

E. Estimated Tax Underpayment Penalty

The department imposes the estimated tax underpayment penalty on any late payment or underpayment of a required

installment of estimated tax. Refer to Arizona Form 220 for further details. The penalty imposed is the penalty prescribed by A.R.S. § 43-582 for the applicable period.

Specific Instructions

Type or print the required information in the name, address, and information boxes on the top of page 1. Indicate whether the taxable year is a calendar year or a fiscal year; if a fiscal year, indicate the taxable year on the top of the return. Indicate whether this return is an original or an amended return.

Enter the employer identification number (EIN) of the organization. Organizations that do not have an EIN must get one from the Internal Revenue Service. Organizations that fail to include their EIN may be subject to a penalty.

Complete lines A through G. Be sure to enter the unrelated business activity code(s) from the federal Form 990-T on line C.

Box 68

- Check box "A", "This is a first return" if this is the taxpayer's first return filed to Arizona.
- Check box "B", "Name change" if the taxpayer changed its name during the tax year.
- Check box "C", "Address change" if the taxpayer changed its address during the tax year.

Box 82F

- Check box 82F if this return is filed under extension.

Line A – Arizona Operations

Enter the date Arizona operations began.

Line B – Nature of Unrelated Business Activities

Enter the nature of the unrelated business activities.

Line C – Unrelated Business Activity Codes

Enter the unrelated business activity code(s).

Line D – Arizona Apportionment

If the organization is a multistate organization, check the box indicating its method of apportioning income to Arizona.

- Check Box 1 if the taxpayer used the Air Carrier apportionment. Complete Form ACA and include it with this return.
- Check Box 2 if the taxpayer used the standard apportionment formula.
- Check Box 3 if the taxpayer used the Sales Factor Only Apportionment formula.

If the organization is not a multistate organization, or did not apportion its income to Arizona, leave this line blank.

Line E – Multistate Service Provider

- Check this box only if the organization elected to be treated as a multistate service provider by completing Arizona Schedule MSP and including it with this return. Check the appropriate box, Yr 1 through Yr 5, to indicate the year of the taxpayer's election cycle.
- If the organization did not elect multistate service provider treatment, leave this line blank.

Line F – Federal Form Filed

- Check Box 1 if the organization filed federal Form 990-T
- If the organization filed any other federal Form, check Box 2 and indicate the federal form filed.

Arizona Unrelated Business Taxable Income (UBTI) Computation

Line 1 - Unrelated Business Taxable Income

Enter the amount of UBTI from federal Form 990-T.

NOTE: *A.R.S. §§ 43-1231 and 43-1241 do not allow additions to or subtractions from federal UBTI similar to those allowed for corporations. However, if the organization claims certain Arizona income tax credits related to its UBTI activities, each credit statute requires an addition to UBTI.*

Line 2 - Additions Related to Arizona Tax Credits

Enter the following additions to UBTI that are related to Arizona tax credits claimed by the organization. Include a schedule detailing these additions.

A. Environmental Technology Facility Credit

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the facility over depreciation or amortization computed on the Arizona adjusted basis of the facility. Make this adjustment for the facility for which the organization claimed a tax credit on Form 305 in a current or prior year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the facility exceeds the Arizona adjusted basis of the facility. Make this adjustment if the facility or any component of the facility for which the organization claimed a tax credit on Form 305 in a prior year was sold or otherwise disposed of during the taxable year.

B. Pollution Control Credit

• **Excess Federal Depreciation or Amortization**

Enter the excess of depreciation or amortization computed on the federal basis of the property over depreciation or amortization computed on the Arizona adjusted basis of the property. Make this adjustment for the property for which the organization claimed a tax credit on Form 315 in a current or prior year.

• **Excess in Federal Adjusted Basis**

Enter the amount by which the federal adjusted basis of the property exceeds the Arizona adjusted basis of the property. Make this adjustment if the property for which the organization claimed a tax credit on Form 315 in a prior year was sold or otherwise disposed of during the taxable year.

C. Credit for Taxes Paid for Coal Consumed in Generating Electrical Power

Enter the amount of expenses deducted pursuant to the IRC for which the organization claimed the credit for taxes paid for coal consumed in generating electrical power, in Arizona on Form 318. The addition is required for the amount of Arizona

transaction privilege taxes and Arizona use taxes included in the computation of UBTI for which the Arizona credit is claimed.

D. Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients

Enter the amount of wage expenses deducted pursuant to the IRC for which the organization claimed a tax credit for employment of TANF recipients on Form 320.

E. Credit for Corporate Contributions to School Tuition Organizations

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Form 335.

F. Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students with Disabilities

Enter the amount deducted in computing UBTI as contributions for which a tax credit is claimed on Form 341.

Line 4 - Apportionment Ratio

This line is provided for multistate organizations as a means to apportion their UBTI. The apportionment ratio represents the percentage of the multistate organization’s UBTI that arises from Arizona. Schedule A on page 2 of Form 99T is used to compute the apportionment ratio for non-air carrier multistate organizations. Air carrier organizations must complete Schedule ACA and include the schedule with their return. Arizona’s apportionment ratio provisions are explained later in these instructions.

An exempt organization that has income from unrelated business activities taxable in more than one state is a *multistate organization*. An exempt organization that has income from unrelated business activities taxable entirely within Arizona is a *wholly Arizona organization*.

Non-air carrier multistate organizations: Enter the average ratio from page 2, Schedule A, line A5, column C. The organization must carry out the decimal on line 4 to six places.

Air carrier multistate organizations: Enter the average ratio from Schedule ACA, line 3. The organization must carry out the decimal on line 4 to six places.

NOTE: *If line 4 is “0.000000”, the organization is considered to have no Arizona nexus.*

If line 4 is blank, the organization is considered to be taxable entirely within Arizona (100% Arizona organization).

Line 5 - Taxable Income Attributable to Arizona

Multistate organizations: The organization must apportion its UBTI:

- If the UBTI resulted from operations in more than one state, the exempt organization must apportion its UBTI. Multiply the amount on line 3 by the ratio on line 4. Enter the result.
- If the UBTI resulted from operations only in Arizona, the exempt organization must allocate its UBTI. Enter the amount from line 3 on line 5.

Wholly Arizona organizations: If the organization has UBTI that is taxable entirely within Arizona, enter the amount from line 3.

Arizona Tax Liability Computation
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Line 6 - Arizona Tax

Multiply the net UBTI that is subject to Arizona tax (page 1, line 5) by 4.9%. If the computed amount of tax is less than \$50, enter the minimum tax liability of \$50. Every organization required to file a return shall pay a \$50 minimum tax.

Line 7 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the credits from Arizona Form 300, Part 2, line 22.

Line 8 - Subtotal

Add line 6 and line 7. This is the amount of tax to which the total amount of tax credits claimed by the organization may be applied.

Line 9 - Nonrefundable Tax Credits

Enter the allowable nonrefundable tax credit amount from Arizona Form 300, Part 2, line 40. This amount cannot be larger than the amount on Form 99T, line 8.

These credits are available to an exempt organization that is subject to corporate income tax on UBTI. The credit(s) must result from the activities that generate UBTI.

- **Environmental Technology Facility Credit**

This tax credit is for costs incurred in constructing a qualified environmental technology manufacturing, producing, or processing facility. Complete Form 305 to claim this tax credit.

- **Military Reuse Zone Credit**

The credit for the military reuse zone credit has been repealed. The unused portion of valid military reuse zone credits may be carried forward for the respective five year carryforward period. Complete Form 306 to claim the carry-forward of this tax credit.

- **Credit for Increased Research Activities**

This tax credit is for organizations that incur qualified research expenses for research conducted in Arizona. A portion of the excess credit claimed for taxable years beginning from and after December 31, 2009, may be refundable with approval from the Arizona Commerce Authority. Be sure to enter only the nonrefundable portion of this credit on line 9. Complete Form 308 to claim this tax credit.

- **Pollution Control Credit**

This tax credit is for expenses incurred during the taxable year to purchase real or personal property used in the organization's unrelated business in Arizona to control or prevent pollution. Complete Form 315 to claim this tax credit.

- **Credit for Taxes Paid for Coal Consumed in Generating Electrical Power**

This tax credit is for a percentage of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the organization that is consumed in the generation of electrical power in Arizona. "Amount paid by the seller or purchaser as transaction privilege tax or use tax" means that the organization paid the Arizona use tax to

the department, the seller passed the Arizona transaction privilege tax through to the organization as an added charge, or the seller collected the Arizona use tax from the organization. Complete Form 318 to claim this tax credit.

- **Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

The credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets has been repealed. All credits for solar hot water heater plumbing stub outs and electric vehicle recharge outlets that were properly established can be carried forward for the respective five year carry-forward period. Complete Form 319 to claim this carry-forward tax credit.

- **Credit for Employment of Temporary Assistance for Needy Families (TANF) Recipients**

This tax credit is for net increases in qualified employment for recipients of TANF who are residents of Arizona. Complete Form 320 to claim this tax credit.

- **Credit for Employing National Guard Members**

This tax credit is for an employer who has an employee that is a member of the Arizona National Guard and the employee was placed on active duty. Complete Form 333 to claim this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations**

This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to children attending qualified nongovernmental schools. Complete Form 335 to claim this tax credit.

- **Credit for Solar Energy Devices - Commercial and Industrial Applications**

- This tax credit expired December 31, 2018. The expiration did not affect carryovers of this properly established credit. Complete Form 336 to claim the carryforward of this tax credit.

- **Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities**

This tax credit is for organizations that made contributions to school tuition organizations that provide scholarships and tuition grants to qualifying children attending qualified nongovernmental schools. Complete Form 341 to claim this tax credit.

- **Renewable Energy Production Tax Credit**

This tax credit is for organizations that produce electricity using qualified energy resources. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Form 343 to claim this tax credit.

- **Credit for New Employment**

This tax credit is for organizations that have net increases in employment resulting from the activities that generate UBTI. The credit limit is administered by the Arizona Commerce Authority. Complete Form 345 to claim this tax credit.

- **Additional Credit for Increased Research Activities for Basic Research Payments**

This tax credit is for organizations that made qualified basic research payments for research conducted in Arizona. Approval by the Arizona Department of Revenue is required prior to claiming this tax credit. Complete Form 346 to claim this tax credit.

- **Credit for Renewable Energy Investment and Production for Self-consumption by International Operations Centers**

This tax credit is for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers. Complete Form 351 to claim this tax credit.

Complete the appropriate credit form for each tax credit. Include the completed credit form and Form 300 with the tax return.

Line 10 - Credit Type

Indicate which nonrefundable tax credits are claimed on line 9 by entering the applicable form number(s) in the space provided.

Nonrefundable Income Tax Credit	Form
Environmental Technology Facility Credit	305
Military Reuse Zone Credit	306
Credit for Increased Research Activities	308
Pollution Control Credit	315
Credit for Taxes Paid for Coal Consumed in Generating Electrical Power	318
Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets	319
Credit for Employment of TANF Recipients	320
Credit for Employing National Guard Members	333
Credit for Corporate Contributions to School Tuition Organizations	335
Credit for Solar Energy Devices - Commercial and Industrial Applications	336
Credit for Corporate Contributions to School Tuition Organizations for Displaced Students or Students With Disabilities	341
Renewable Energy Production Tax Credit	343
Credit for New Employment	345
Additional Credit for Increased Research Activities for Basic Research Payments	346
Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers	351

Line 11 - Tax Liability

Subtract line 9 from line 8 and enter the difference. If line 9 is larger than line 8, enter "0". Line 11 cannot be a negative amount.

Tax Payments

Line 12 - Refundable Tax Credits

Check the box(es) marked 308 and/or 349 to indicate which of these refundable tax credits the organization is claiming. Enter the total amount of the refundable credits claimed on line 12.

Credit for Increased Research Activities

A portion of this tax credit is refundable for qualified organizations. The refund is limited to 75% of the excess credit, which is the current year's credit less the current year's tax liability, not to exceed the amount approved by the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority, Arizona Form 300 and Arizona Form 308 with your return. Enter the amount from Form 308, Part 7, line 42.

Credit for Qualified Facilities

This tax credit is for expanding or locating a qualified facility in Arizona and is refundable in five equal installments. Pre-approval and post-approval are required through the Arizona Commerce Authority. Include a copy of your "Certificate of Qualification" from the Arizona Commerce Authority and Arizona Form 349 with your tax return to claim this credit. Enter the amount from Form 349, Part 8, line 20.

If you are claiming more than one of the refundable tax credits, check the appropriate boxes and add the amounts from the credit forms together and enter the total on line 12 or use the worksheet below to figure the amount to enter on line 12.

Refundable Credit Worksheet	
1. Enter the refundable credit from Form 308, Part 7, line 42.	
2. Enter the apportioned credit from Form 349, Part 8, line 20.	
3. Add the amounts on lines 1, and 2. Enter the total here and on Form 99T, page 1, line 12.	

Line 13 - Extension Payment

Enter any payment made with the Arizona request for extension of time to file the income tax return (Arizona Form 120EXT) or made online by the original due date. If the organization is filing under an extension, check the extension box (82F) on page 1 of the return.

NOTE: Organizations whose 2020 income tax liability is \$5,000 or more, must make extension payments by EFT. See the instructions for Form 120EXT for additional information.

Line 14 - Estimated Tax Payments

Enter the total amount of estimated tax payments made by the organization during the tax year. Use the following worksheet to figure the amount of these payments that should be entered on line 14.

Estimated Tax Payment Worksheet		
Payments	Date of Payment	Amount
1. Estimated Payment 1		
2. Estimated Payment 2		
3. Estimated Payment 3		
4. Estimated Payment 4		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 14.		

Line 15 - Amended Returns: Payment Made With Original Return Plus All Payments After It Was Filed

Use the following worksheet to figure the amount of the payments that should be entered on line 15.

NOTE: Do not include payments reported on lines 13 or 14.

Payment Worksheet		
Payments	Date of Payment	Amount
1. Payment with original return		
2. Payment		
3. Payment		
4. Payment		
5. Total. Add lines 1 through 4. Enter the total here and also on Form 99T, page 1, line 15.		

Line 16 - Subtotal Payments

Add lines 12 through 15. Enter the total.

Line 17 - Overpayments of Tax From Original Return or Later Adjustments

Enter the amount of the overpayment of tax, if any, from the original return, and the total amount of any overpayments from an Arizona Department of Revenue correction notice, an amended return, or an audit. Do not include or enter the amount of any penalties or interest paid.

Line 18 - Total Payments

Subtract line 17 from line 16. Enter the difference.

Computation of Total Due or Overpayment

Line 19 - Balance of Tax Due

If the amount on line 11 is **larger** than the amount on line 18, there is a balance of tax due. Subtract line 18 from line 11 and enter the difference. Skip line 20.

Line 20 - Overpayment of Tax

If the amount on line 18 is **larger** than the amount on line 11, there is an overpayment of tax. Subtract line 11 from line 18 and enter the difference.

Line 21 - Penalty and Interest

Calculate any penalty or interest due as a result of late filing or late payment of tax. Calculate interest on the amount shown on line 19 at the prevailing rate. The interest period is from the original due date of the return to the payment date. See the "Penalties and Interest" section on page 2 of these instructions.

NOTE: If the organization chooses to calculate the penalty and interest amount(s) to be entered on this line, round the result to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.

Line 22 - Estimated Tax Underpayment Penalty

Original returns: The organization does not have to complete Form 220, *Underpayment of Estimated Tax by Corporations*, if the organization made its estimated tax payments based on either of the following methods:

- An amount equal to 90% of the current taxable year's tax liability (line 11 less line 12), paid in four equal installments; or
- An amount equal to 100% of the organization's tax liability for the prior taxable year, paid in four equal installments.

The department will compute the estimated tax underpayment penalty based on either of these methods and notify the organization of any amount due. If the organization elects to have the department compute the penalty, do not check box **22A** or enter an amount on line 22.

The organization must complete Form 220, even though no penalty is due, if it made its estimated tax payments based on either of the following methods:

- The annualized income installment method; or
- The adjusted seasonal installment method.

Enter the total penalty from Form 220, Part C, line 37. Include the completed Form 220 with the return **and** check box **22A**.

Amended returns: Do not recompute the estimated tax underpayment penalty. Enter the amount of estimated tax underpayment penalty from the original return or the amount from a department correction notice.

Line 23 - Total Amount Due

If the organization has a balance of tax due on line 19, add lines 19, 21 and 22. Enter the total on line 23. This is the total amount due. Pay this amount when the organization files the return. Payments can be made by check, e-check, money order, or credit card.

Payment of Tax, Penalties, and Interest

Full payment for all tax, penalties, and interest is due by the original due date of the return.

Organizations required to make payments by EFT, see the Section, *Payment of Tax Liability by Electronic Funds Transfer*, for options to pay your tax liability by EFT.

Organizations not required to make payments by EFT, may elect to pay by EFT. They may also pay by check or money order. Make the check or money order payable to Arizona Department of Revenue. Include the corporation's EIN on the front of the check or money order. *If paying by check or money order, include the check or money order with the return.* Mail the check and the return to the address shown on the form.

Line 24 - Overpayment

If the organization has an overpayment of tax on line 20, subtract the total of lines 21 and 22 from line 20. Enter a positive difference on line 24. This is the total overpayment. If the difference is a negative, enter the difference as a positive number on line 23.

Line 25 - Overpayment Applied to Estimated Tax

Original Returns: The organization may apply part or all of an overpayment reported on line 24 as a 2020 estimated tax payment. Enter the applicable amount on line 25.

Amended Returns: The organization may apply part or all of an overpayment reported on line 24 as a 2020 estimated tax payment, if this amended return is filed during the organization's taxable year, 2020. Enter the applicable amount on line 25.

Line 26 - Refund

Subtract line 25 from line 24. This is the refund amount.

**Schedule A - Apportionment of Income
(Multistate Organizations With UBTI Only)**

A.R.S. §§ 43-1131 through 43-1150 govern the apportionment of income. An organization that engages in unrelated business activities both within and without Arizona must apportion its unrelated business income based on the ratio of its property, payroll, and sales factors in Arizona to its Everywhere factors. **Include only the property, payroll, and sales factors that generated the unrelated business income in determining the apportionment ratio.**

NON-APPORTIONABLE INCOME

Apportionment factors generating nonapportionable or non-taxable income are not to be included in the calculation of the apportionment ratio.

ADMINISTRATIVE RELIEF REQUESTS

A.R.S. § 43-1148 provides administrative relief if the allocation and apportionment provisions of UDITPA do not fairly represent the extent of the taxpayer's business activity in this state. The taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- Separate accounting, except with respect to an Arizona affiliated group, as defined in A.R.S. § 43-947.
- The exclusion of any one or more of the factors.
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state.
- The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income, other than disallowance of a properly elected consolidated return.

This section permits a departure from the allocation and apportionment provisions only in limited cases. A.R.S. § 43-1148 may be invoked only if unusual fact situations produce incongruous results under the apportionment and allocation provisions. Taxpayers seeking such relief should submit a letter to the Corporate Income Tax Audit Section 60 days prior to the filing of the return setting forth the relief that is requested and the justification for the relief.

The department normally makes such determinations only upon audit of the taxpayer. Such a detailed examination of the specific facts and circumstances reveals whether such unusual fact situations and incongruous results exist.

COMPUTING THE APPORTIONMENT RATIO

When computing the factors of the apportionment ratio, carry the result out to six places after the decimal. If the seventh place after the decimal is five or more, round the sixth decimal place up to the next higher digit. If the seventh place after the decimal is less than five, leave the sixth place decimal as it is.

Example #1:

Arizona Amount	<u>123,456</u>
Everywhere Amount	789,654
Factor	.1563418

The seventh digit after the decimal is "8". Since "8" is greater than five the sixth digit after the decimal is increased to the next higher digit, "2".

The factor rounded to six decimal places is .156342.

Example #2:

Total Ratio	<u>.179865</u>
Divided by	4
Apportionment Ratio	.0449662

The seventh digit after the decimal is "2". Since "2" is less than five, the sixth digit after the decimal remains "6". No increase to the sixth digit after the decimal is made.

The ratio rounded to six decimal places is .044966.

**MULTISTATE EXEMPT ORGANIZATIONS
APPORTIONMENT FORMULA**

Multistate exempt organizations may use one of three apportionment formulas for calculating the apportionment ratio.

- The Standard apportionment formula,
- The Sales Factor Only apportionment formula, or
- The Air Carrier Apportionment formula

Check the box on line D of page 1 of the return to indicate which apportionment formula, "Standard," "Sales Factor Only," or "AIR CARRIER APPORTIONMENT" will be used. Whichever apportionment method is chosen, the exempt organization must complete the apportionment ratio using that formula.

Standard Apportionment -

For the standard apportionment ratio, the numerator of the fraction of the standard apportionment formula is the property factor plus the payroll factor plus two times the sales factor. The denominator of the fraction is four (4). Use the numbers located on the left-hand side of Schedule A, column A, to double-weight the sales factor.

Sales Factor Only Apportionment -

For taxable years beginning after December 31, 2016, Sales Factor Only Apportionment replaced the enhanced apportionment ratio. The numerator is Arizona Sales. The denominator is Everywhere Sales. The property factor and the payroll factor are not included in this computation.

Air Carrier Apportionment -

Refer to the instructions for Schedule ACA to determine if the exempt organization may apportion its UBTI using Air Carrier Apportionment. If the exempt organization qualifies to use Air Carrier Apportionment, include Schedule ACA with the return.

Line A1 - Property Factor – Standard Apportionment

Exempt Organizations electing “SALES FACTOR ONLY APPORTIONMENT” – leave blank.

The Property Factor is a fraction that represents the average value of the taxpayer’s property owned or rented and used in Arizona to the total average value of the taxpayer’s property owned or rented and used during the tax period.

NOTE: Include only that property generated by the activities in UBTI in the calculating the property factor.

The value of tangible personal property and real property owned by the taxpayer is its original cost. The taxpayer normally determines the average value of its owned property by averaging the values at the beginning and ending of the tax period. Property used to generate non-apportionable or non-taxable income is not included in the property factor.

The value of tangible personal property and real property rented by the taxpayer is eight times its net annual rental rate. The net annual rental rate is the annual rental rate paid by the taxpayer for rented property, less the aggregate annual subrental rates paid by subtenants of the taxpayer. The taxpayer automatically achieves averaging for rented property by the method of determining the net annual rental rate of such property.

For a discussion of the treatment of computer software in the property factor, refer to the department’s ruling, CTR 01-2, *How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is Included in the Property Factor.*

Report real property situated and tangible personal property permanently located in Arizona as property within Arizona during the tax year. Attribute the value of mobile property to Arizona based on the total time that the property was within Arizona.

Exempt Organizations Electing “STANDARD APPORTIONMENT”

Divide the numerator of the property factor by the denominator. Express the ratio as a decimal carried out to six places. (The property factor may not exceed 1.0.) Enter the result on line A1, Column C.

Exempt Organizations Electing “SALES FACTOR ONLY APPORTIONMENT,” leave line A1, Columns A through C, blank.

For additional information on the property factor, refer to:
 A.R.S. §§ 43-1140 through 43-1142
 A.A.C. R15-2D-601 through R15-2D-607 and R15-2D-902
 CTR 01-2, *How does a Taxpayer Filing an Arizona Corporate Income Tax Return Determine Whether Computer Software is included in the Property Factor*

Line A2 - Payroll Factor – Standard Apportionment

Exempt Organizations electing “SALES FACTOR ONLY APPORTIONMENT” – leave blank.

The Payroll Factor is a fraction that represents the compensation paid in Arizona by the taxpayer to the total compensation paid by the taxpayer during the tax year.

NOTE: Include only those payroll expenses generated by the activities resulting in UBTI in calculating the payroll factor.

Report the salaries, wages, or other compensation of officers, employees, etc., as being within Arizona if the performance of those services occurs entirely in Arizona. This rule applies regardless of where payment is made or control exercised. This rule also applies regardless of whether the performance of the services is partly or wholly in connection with the apportionable business carried on outside the state or in interstate or foreign commerce. Payroll used to generate non-apportionable or non-taxable income is not included in the payroll factor.

Allocate the compensation of officers and employees who perform services partly within and partly without Arizona to this state when:

- The services performed outside of Arizona are incidental to the employee's service within Arizona; or
- The employee's base of operation is in Arizona; or
- The employee has no base of operation in any state but the direction or control of the employee is from Arizona; or
- The employee has no base of operation in any state, and there is no direction or control from a state in which the employee performs some part of his services, but the employee's residence is in Arizona.

Exempt Organizations Electing “STANDARD APPORTIONMENT”

Divide the numerator of the payroll factor by the denominator. Express the ratio as a decimal carried out to six places. (The payroll factor may not exceed 1.0.) Enter the result on line A2, Column C.

Exempt Organizations Electing “SALES FACTOR ONLY APPORTIONMENT,” leave line A2, Columns A through C, blank.

For additional information on the payroll factor, refer to:
 A.R.S. §§ 43-1143 and 43-1144
 A.A.C. R15-2D-701 through R15-2D-705

Line A3 - Sales Factor

The Sales Factor is a fraction that represents the total UBTI sales of the taxpayer in Arizona to the total UBTI sales of the taxpayer during the tax period.

NOTE: *Include only the sales generated by the activities resulting in UBTI in calculating the sales factor.*

"Sales" includes all gross receipts from transactions and activities in the course of generating UBTI.

Sales of tangible personal property is determined on a destination sales basis. Sales of real property is determined based on the location of the property. Generally, sales of other than tangible personal property is determined based on the location where the income producing activity occurs. Service income is determined based on the location of the income producing activity, *unless* the taxpayer elected to be treated as a Multistate Service Provider (MSP). (See the box below for a description of an MSP.)

EXEMPT ORGANIZATIONS THAT QUALIFY AS MULTISTATE SERVICE PROVIDERS ELECTING TO SOURCE SALES FROM SERVICES AND FROM DESIGNATED INTANGIBLES TO ARIZONA USING MARKET SALES

*Exempt Organizations that qualify as a Multistate Service Provider MSP may elect to treat sales from services and from **designated intangibles** as being sourced to Arizona based on market sales.*

[NOTE: *For purposes of the Multistate Service Provider Election and Computation, sales from **designated intangibles** means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue [A.R.S. § 43-1147(3)(a)]. **The sale of any other intangible may not be included in the calculation of this election.***

*Multistate Exempt Organizations complete Schedule MSP to determine if they qualify as an MSP. If the taxpayer qualifies, and wishes to make the election, the completed Schedule MSP must be included with the taxpayer's original, timely-filed tax return. (The election to be treated as an MSP **cannot** be made on an amended return.) Once made, the election is binding for five years. For each year of the election period, Schedule MSP must be completed by the taxpayer to source sales from services and from designated intangibles to Arizona. Once Schedule MSP is completed, the taxpayer can compute the sales factor.*

Exempt Organizations that qualify, and who want to make the election, should:

- *Ensure the completed Schedule MSP is included with the return.*
- *Ensure the box on Line E of the return is checked*
- *Ensure the box indicating the year of the taxpayer's election cycle is checked.*
- *Enter on line A3b, column A, the Arizona sales from services and from designated intangibles from the completed Schedule MSP, line B.*
- *Complete the calculation of the sales factor following the instructions for the taxpayer's choice of the "STANDARD" or "SALES FACTOR ONLY" apportionment formula.*

Exempt Organizations qualifying as an MSP, and electing to be treated as an MSP:

Enter the Arizona sales from services and from designated intangibles on line A3b from the completed Schedule MSP, line B.

Exempt Organizations not making the election to be treated as an MSP:

Include Arizona sales from services on line A3c.

Exempt Organizations Electing "STANDARD APPORTIONMENT"

- Check the box on line D of the return labeled "STANDARD."
- Multiply the numerator of the sales factor by two. Divide that result by the denominator. Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 2.0.) Enter the result in Column C of line A3f.

Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT"

- Check the box on line D of the return labeled "SALES FACTOR ONLY."
- Divide the numerator (Arizona sales) by the denominator (Everywhere sales). Express the ratio as a decimal carried out to six places. (The sales factor may not exceed 1.0.) Enter the result. Also, enter the result on page 1, line 4.

For more information on the sales factor, refer to:
 A.R.S. §§ 43-1145 through 43-1147
 A.A.C. R15-2D-801 through R15-2D-807, and R15-2D-903
 CTR 02-2, Apportionment of Installment Gain
 CTR 07-1, Inclusion of Short Term Investments in the Sales Factor

Line A4 – Total Ratio

Exempt Organizations Electing "STANDARD APPORTIONMENT."

Add the amounts in Column C of line A1, A2, and A3f and enter the total here.

Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT," leave this line blank.

Line A5 - Average Apportionment Ratio

NOTE: *Exempt Organizations must exclude a factor if both the numerator and the denominator of a factor are zero. Do not exclude a factor if the numerator of the factor is zero and the denominator of a factor is greater than zero. See A.A.C. R15-2D-901(B).*

Exempt Organizations Electing "STANDARD APPORTIONMENT"

If either the property or the payroll factor is excluded, determine the average ratio by dividing the total ratio by three. If the sales factor is excluded, determine the average ratio by dividing the total ratio by two. If two of the factors are excluded, the remaining factor, without respect to any weighting, is the apportionment ratio.

Exempt Organizations Electing "STANDARD APPORTIONMENT"

Divide the total ratio, line A4, column C, by four. Express the ratio as a decimal carried out to six places. Enter the average ratio. Also, enter the ratio on page 1, line 4.

Exempt Organizations Electing "SALES FACTOR ONLY APPORTIONMENT," leave this line blank.

NOTE: If line A5 is "0.000000", the organization is considered to have no Arizona nexus.

If line A5 is blank, the organization is considered to be taxable entirely within Arizona (100% Arizona company).

Certification

The president, treasurer, or other principal corporate officer must sign the return. If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the return.

Paid preparers: Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The EIN for the business,
- The individual preparer's social security number (SSN), if self-employed.