ARIZONA CORPORATE TAX PROCEDURE

CTP 94-1

(Note: The footnote was added on August 5, 2020)

ISSUE:

What is the Arizona tax treatment of a taxable year consisting of 52-53 weeks?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-102.A.1 sets forth the legislative intent regarding the measurement of adjusted gross income for individuals.

A.R.S. § 43-102.A.2 sets forth the legislative intent regarding the measurement of taxable income for corporations and partnerships.

A.R.S. § 43-102.A.3 sets forth the method of achieving the results in A.R.S. § 43-102.A.2.

A.R.S. § 43-325 governs the due date for the tax returns of corporations, partnerships, and individuals.

A.R.S. § 43-1126 governs the due date for the tax returns of S corporations.

A.R.S. § 43-901 governs the taxable year of a taxpayer.

A.R.S. § 43-1001.2 provides that the federal adjusted gross income of a resident individual computed pursuant to the Internal Revenue Code will equal Arizona gross income.

A.R.S. § 43-1101.1 defines "Arizona gross income" of a corporation to mean its federal taxable income for the taxable year.

A.R.S. § 43-1401.1 defines "Arizona gross income" of a partnership to mean its taxable income for the year computed pursuant to the Internal Revenue Code.

Internal Revenue Code (I.R.C.) § 441 and related Treasury regulations govern the period for computing federal taxable income.

DISCUSSION AND CONCLUSION:

A taxpayer may establish an annual accounting period consisting of 52-53 weeks. However, certain taxpayers must establish a business purpose for the use of a 52-53 week year.

The 52-53 week year is a taxable year that varies from 52 to 53 weeks and always ends on the same day of the week. In addition, the 52-53 week year either (Option 1) always ends on whatever date this same day of the week last occurs in a calendar month, or (Option 2) always ends on whatever date this same day of the week falls which is nearest to the last day of the calendar month.

Example:

October 1994						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November 1994						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

If the taxpayer elects a taxable year always ending on the last Wednesday in October (Option 1), then for the calendar year 1994, the taxable year would end on October 26, 1994. If the taxpayer had elected a taxable year always ending on the Wednesday nearest to the end of October (Option 2), then for the calendar year 1994, the taxable year would end on November 2, 1994.

The taxable year is deemed to end on the last day of the calendar month ending nearest to the last day of the 52-53 week year. This deemed year end is used to determine the due date of the tax return, tax payment periods, etc. In the example above, the deemed year end for both options is October 31, 1994. If a return was due on the fifteenth day of the fourth month following the close of the taxable year, such as the returns covered by A.R.S. § 43-325[1], the return for this example would be due on February 15, 1995.

If the taxpayer in the example was a corporation that had a six-month extension of time to file the corporate tax return, the return would be due on August 15, 1995.

If the taxpayer in the example was a partnership (or S corporation) whose partners (shareholders) had a taxable year ending October 31, 1994, even under Option 2 (year ending November 2), the distributive share of partnership (S corporation) income would be included in the partner's (shareholder's) return for the taxable year ending October 31, 1994.

A corporate taxpayer's estimated tax payments are normally due on the fifteenth day of the fourth, sixth, ninth, and twelfth months of the taxable year. In the example, the corporation's estimated tax payments would be due on February 15, 1994; April 15, 1994; July 15, 1994; and October 17, 1994 (since October 15 is a Saturday).

If a taxpayer wishes to adopt a 52-53 week taxable year for federal income tax purposes, the taxpayer's books must be maintained on a 52-53 week year and the taxpayer's income must be computed on the basis of the 52-53 week year. The 52-53 week year may be used, generally, by C corporations, personal service corporations, S corporations, partnerships, and individuals filing federal Schedule C or F.

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[1] For Taxable years beginning from and after 12/31/2015, partnership returns are due on the 15th day of the 4th month following the close of the taxable year.

A.R.S. § 43-901 provides that taxable income shall be computed on the basis of the taxpayer's annual accounting period and requires that the taxable year reflect the proper income of the taxpayer. A.R.S. §§ 43-102.A.1 and 43-1001.2 require that the adjusted gross income computed pursuant to the Internal Revenue Code reported by an individual be the same amount shown as Arizona gross income. A.R.S. §§ 43-102.A.2, 43-1101.1, and 43-1401.1 require that taxable income of corporations and partnerships computed pursuant to the Internal Revenue Code be the same amount as reported to Arizona. Therefore, a taxpayer using a 52-53 week taxable year must use the same fiscal period for Arizona income tax purposes that is used for federal income tax purposes. A taxpayer may not adopt a 52-53 week taxable year solely for Arizona income tax purposes.

Harold Scott, Director

Signed: February 10, 1995

Explanatory Notice

The purpose of a tax procedure is to provide procedural guidance to the general public and to department personnel. A tax procedure is a written statement issued by the department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. **Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate any or all of the provisions of any tax procedure**. See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.