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## ARIZONA INDIVIDUAL INCOME TAX RULING ITR 14-5

(Supersedes Arizona Individual Income Tax Ruling ITR 13-1)

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

### **ISSUE:**

When an individual is required to sign Arizona Form AZ-8879, may that individual sign Form AZ-8879 using an electronic signature format, and if so what types of electronic signatures are acceptable?

### **RULING:**

For Arizona income tax purposes, the department will permit a taxpayer to sign Arizona Form AZ-8879 using any electronic signature method authorized by the Internal Revenue Service (IRS) for signing federal Form 8879 as outlined in IRS Publication 1345.

### **DISCUSSION:**

For federal income tax purposes, federal Form 8879 is the declaration document and signature authorization for an e-filed return filed by an electronic return originator (ERO). Form 8879 is completed when the Practitioner PIN method is used or when the taxpayer authorizes the ERO to enter or generate the taxpayer's PIN on his or her e-filed individual income tax return. When Form 8879 is required, the taxpayer must sign Form 8879.

For the purpose of signing federal Form 8879, the IRS has approved the use of electronic signature methods. IRS Publication 1345 provides that electronic signatures appear in many forms, and may be created by many different technologies. No specific technology is required.

The electronic signing process must be associated with a person, and accordingly, ensuring the validity of any electronically signed record begins with identification and authentication of the taxpayer. The electronic signature process must be able to generate

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evidence of the person to which the electronic form of signature belongs, as well as generate evidence that the identified person is actually associated with the electronic record. If there is more than one taxpayer for the electronic record, the electronic signature process must be designed to separately identify and authenticate each taxpayer.

Examples of acceptable electronic signature methods include:

- A handwritten signature input onto an electronic signature pad;
- A handwritten signature, mark or command input on a display screen by means of a stylus device;
- A digitized image of a handwritten signature that is attached to an electronic record;
- A typed name (e.g., typed at the end of an electronic record or typed into a signature block on a website form by a signer);
- A shared secret (e.g., a secret code, password or PIN) used by a person to sign the electronic record;
- A digital signature: or
- A mark captured as a scalable graphic.

When a taxpayer signs Form 8879 using an electronic signature, the software must record the following data:

- Digital image of the signed form;
- Date and time of the signature;
- Taxpayer's computer IP address (Remote transaction only);
- Taxpayer's login identification - user name (Remote transaction only);
- Identity verification: taxpayer's knowledge based authentication passed results and for in-person transactions, confirmation that government picture identification has been verified; and
- Method used to sign the record, e.g., typed name; or a system log; or other audit trail that reflects the completion of the electronic signature process by the signer.

For Arizona income tax purposes, an individual may electronically file his or her Arizona individual income tax return when the taxpayer elects to electronically file the federal income tax return. When a taxpayer files electronically and enters their own PIN, Form AZ-8879 is not required. However, if the taxpayer wants the ERO to sign the electronically filed return on the taxpayer's behalf, the taxpayer must sign Form AZ-8879 to give the electronic return originator the authority to sign the taxpayer's return with a PIN.

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Even though Form AZ-8879 is part of the electronic return filing process, Form AZ-8879 is neither submitted electronically, nor mailed in to the department. The Arizona Form AZ-8879 is the counterpart to federal Form 8879.

Under A.R.S. § 44-7007 an electronic record satisfies any law that requires a record to be in writing and that an electronic signature satisfies any law that requires a signature. A.R.S. § 44-7042 authorizes a governmental agency to determine if, and the extent to which, that agency will rely on electronic signatures. Additionally, under A.R.S. § 44-7043, electronic signature use policies adopted by any governmental agency pursuant to section 44-7042 must encourage and promote consistency and interoperability with similar requirements adopted by other governmental agencies, other states, the federal government and nongovernmental persons that interact with governmental agencies.

### **APPLICABLE LAW:**

A.R.S. § 44-7007 provides in part, that an electronic record satisfies any law that requires a record to be in writing and that an electronic signature satisfies any law that requires a signature.

A.R.S. § 44-7031, provides that a signature is a secure electronic signature if, through the application of a security procedure, it can be demonstrated that the electronic signature at the time the signature was made was unique to the person using it; capable of verification; under the sole control of the person using it and linked to the electronic record to which it relates in such a manner that if the record were changed the electronic signature would be invalidated.

A.R.S. § 44-7042 provides, in part, with certain exceptions, that each governmental agency shall determine if, and the extent to which, the governmental agency will accept electronic signatures from other persons and otherwise create, generate, communicate, store, process, use and rely on electronic signatures.

A.R.S. § 44-7043, provides, in part, electronic signature use policies adopted by the secretary of state or any other similar standards adopted by any other governmental agency pursuant to section 44-7042 shall encourage and promote consistency and interoperability with similar requirements adopted by other governmental agencies, other states, the federal government and nongovernmental persons that interact with governmental agencies.

Arizona Administrative Code (A.A.C.) R15-10-503(B)(2) provides that if the taxpayer uses an electronic return preparer to prepare the taxpayer's Arizona electronic return, the taxpayer makes the election by either signifying the election during the electronic filing

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process, or authorizing, in writing on a form prescribed by the department, the electronic return preparer to make the election on behalf of the taxpayer.

David Raber, Director

Signed: October 20, 2014

### Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law that are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement that provides interpretation, detail, or supplementary information concerning application of the law. Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling. See GTP 96-1 for more detailed information regarding documents issued by the Department of Revenue.