

# 2024 Underpayment of Estimated Tax by Corporations & Pass-Through Entities

# Arizona Form 220/PTE

## 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](http://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 select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

## Publications

To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

For additional information, see Section A, below, or Section B on page 2 of these instructions.

2. Partnerships and S Corporations making the PTE election may be subject to the underpayment penalty if their Arizona taxable income for the previous year exceeds \$150,000 AND they did not timely pay at least the smaller of:

- The tax shown on their 2024 Arizona income tax return; or,
- The tax shown on their 2023 Arizona income tax return (if it filed a 2023 return reporting an Arizona income tax AND the return was for a full 12 months).

For additional information, see Sections C and D on page 2 of these instructions.

**NOTE:** Partnerships **NOT** making the PTE election are not subject to the Estimated Underpayment Penalty and are not required to complete Form 220PTE. S Corporations **NOT** subject to tax at the federal level AND/OR **NOT** making the PTE election are not subject to the Estimated Underpayment Penalty and are not required to complete Form 220PTE.

## General Instructions

### Purpose of Form

C corporations, exempt organizations with unrelated business taxable income (UBTI) and S Corporations subject to tax at the federal level and filing Arizona Forms 99T, 120, 120A, and 120S, use Arizona Form 220/PTE to determine if they are subject to a penalty for underpayment of their Arizona estimated tax liability, and if so, the amount of the penalty.

Partnerships and S Corporations making the Pass-Through Entity (PTE) election to pay Arizona income tax at the entity level also use Arizona Form 220/PTE to determine if they are subject to a penalty for underpayment of their Arizona estimated tax liability, and if they are, to calculate the amount of the penalty.

The taxpayer's Arizona estimated tax liability is determined as follows: [income tax plus tax from recapture of tax credits] less [nonrefundable tax credits and any refundable tax credits].

### CLAIM OF RIGHT ADJUSTMENT (FORMS 120 AND 120A):

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

### Who is Subject to the Underpayment Penalty

1. C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level (but NOT making the PTE election), may be subject to the underpayment penalty if their Arizona taxable liability<sup>1</sup> for the year is \$1,000 or more AND they did not timely pay at least the smaller of:

- Ninety percent (90%) of the tax shown on their 2024 Arizona income tax return; or,
- The tax shown on their 2023 Arizona income tax return (if they filed a 2023 return reporting an Arizona income tax AND the return was for a full 12 months).

### Arizona Tax Liability

Arizona tax liability can be found on Arizona Form 99T, page 1, line 11 (reduced by any refundable tax credit, if applicable); or Arizona Form 120, page 1, line 21 (reduced by any refundable tax credit and the claim of right adjustments, if applicable); or Arizona Form 120A, page 1, line 13 (reduced by any refundable tax credit and claim of right adjustments, if applicable); or Arizona Form 120S, page 1, line 19 (reduced by any refundable tax credit, if applicable); or Arizona Form 165, page 2, line 23.

**NOTE:** In these instructions, "return" generally refers to the taxpayer's<sup>2</sup> original return. However, an amended return is considered the original return if the amended return is filed by the due date (including extensions) of the original return. Refer to the department's ruling, CTR 02-1, Amended Return's Effect on the Estimated Payment Underpayment Penalty, for further information.

A. C corporations and exempt organizations with UBTI Filing Forms 99T, 120, and 120A: Generally, the corporation or exempt organization is subject to the penalty if the tax shown on the taxpayer's 2024 Arizona tax return is \$1,000 or more and it did not timely pay at least the smaller of:

- Ninety percent (90%) of the tax (reduced by any refundable tax credit and the claim of right adjustments, if applicable) shown on its current taxable year return, OR,
- One hundred percent (100%) of the tax shown on its prior year return (reduced by any refundable tax credit and the claim of right adjustments, if applicable). The taxpayer must have filed a 2023 return showing at least some amount of tax and the return must have been filed for a period of 12 full months. However, a "large corporation"<sup>3</sup> may base only its first required installment on the prior taxable year's tax.

<sup>1</sup> Arizona tax liability is determined as follows: [income tax plus tax from the recapture of credits] less [nonrefundable tax credits plus any refundable credits].

<sup>2</sup> For purposes of these instructions, "taxpayer" refers to C corporations, exempt organizations with UBTI, S Corporations subject to tax at the federal level, or partnerships or S Corporations making the PTE election.

<sup>3</sup> A "Large Corporation" is defined as: "... a corporation or unitary group of corporations if the corporation, or a

**NOTE:** A “large corporation” can base only its first required installment payment on the prior year’s return. If the large corporation reduces its first installment payment, that amount must be recaptured by increasing the amount of the next installment by the amount of that reduction.

**NOTE FOR CORPORATIONS FILING ARIZONA FORM 120: A unitary group of corporations filing a combined return** must make its estimated tax payments on a combined basis. Therefore, a unitary group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a combined basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**NOTE FOR CORPORATIONS FILING ARIZONA FORM 120: An Arizona affiliated group filing an Arizona consolidated return** pursuant to Arizona Revised Statutes (A.R.S.) § 43-947 must make its estimated tax payments on a consolidated basis. Therefore, an Arizona affiliated group, as a single taxpayer, must compute the underpayment of estimated tax penalty on a consolidated basis if its Arizona tax liability for the taxable year is \$1,000 or more.

**B. S Corporations subject to tax at the federal level and NOT making the PTE election:**

Generally, the S Corporation is subject to the penalty if the tax shown on the taxpayer’s 2024 Arizona tax return is \$1,000 or more and it did not timely pay at least the **smaller** of:

- Ninety percent (90%) of the tax (reduced by any refundable tax credit, if applicable) shown on its 2024 return, OR
- If the taxpayer’s 2023 return was filed for a period of twelve months, an amount of tax equal to the sum of:
  - Ninety percent (90%) of the tax (reduced by any refundable tax credit, if applicable) shown on its 2024 return, **OR**
  - One hundred percent (100%) of the portion of the 2023 Arizona tax liability that is attributable to net passive income.

**C. Partnerships and S Corporations Making the PTE Election:**

Partnerships and S Corporations making the PTE election must make estimated tax payments if their Arizona taxable income for the previous taxable year exceeds \$150,000. The amount of payments of estimated tax must be an amount that reasonably reflects the PTE’s Arizona income tax liability that will be unpaid at the end of the taxable year. The amount must be paid in four installments on or before the due dates established by the internal revenue code and shall total:

- At least ninety percent (90%) of the tax due for the 2024 taxable year, or,
- One hundred percent (100%) of the tax due for the 2023 taxable year.

Partnerships and S Corporations making the PTE election that do not pay the estimated tax required on or before the prescribed due dates shall be assessed a penalty on the unpaid amount.

predecessor corporation, had federal taxable income of \$1 million or more for any of the immediately preceding 3 taxable years, excluding any federal net operating loss or capital gains carryback or carryovers.” A.R.S § 43-582(C).

[See A.R.S. 42-1125(Q).] Penalties or interest shall not be assessed or collected if either of the following applies:

- The estimated tax payments are allowable exceptions under section 6654 of the internal revenue code; or,
- The Arizona income tax liability due on the PTE’s return is less than \$1,000.

**D. S Corporations subject to tax at the federal level AND making the PTE Election:**

S Corporations subject to tax at the federal level **AND** that are making the PTE election must separately compute the underpayment penalty for the income generating the federal tax liability and the income generating the PTE tax liability.

Compute the underpayment penalty for the income generating the federal liability using the corporate tax rate, 4.9%, and the required due dates for the PTE required payments. (See the instructions for Arizona Form 120/PTE-W for details.)

Compute the underpayment penalty for the income generating the PTE tax liability using the PTE rate, 2.5% and the due dates for the PTE required payments.

Total the amounts of the underpayment penalty for each type of income and enter the total underpayment penalty on Form 220. Include all workpapers with the return.

**NOTE:** The underpayment penalty is calculated separately for each installment due date. Therefore, the taxpayer may owe a penalty for an earlier installment due date, even if later “catch-up” payments were made for the earlier installment due date underpayment.

A taxpayer may be subject to the underpayment penalty even if the taxpayer is due a refund when its return is filed.

A taxpayer may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method if the taxpayer is permitted to use those methods.

**Who Must Complete This Form**

A taxpayer **DOES NOT HAVE TO COMPLETE** Arizona Form 220, *Underpayment of Estimated Tax by Corporations*, if the taxpayer made estimated tax payments based on either of the following methods:

- *All taxpayers:* An amount equal to ninety percent (90%) of the current taxable year’s tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable), paid in four equal installments; or
- *C corporations and exempt organizations filing Arizona Form(s) 99T, 120, and 120A:* An amount equal to one hundred percent (100%) of the taxpayer’s tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year, paid in four equal installments.

**NOTE:** A “large corporation” may not use this method.

The department will compute the estimated tax penalty based on either of these methods and notify the taxpayer of any amount due.

A taxpayer MUST COMPLETE Arizona Form 220, even though no penalty is due, if it made its estimated tax payments based on any of the following methods:

- *All taxpayers*: The annualized income installment method; **or**
- *All taxpayers*: The adjusted seasonal installment method; **or**
- *Arizona Forms 120 and 120A*: The taxpayer is a “large corporation” that computed its first required installment based on the taxpayer’s tax liability for the prior taxable year; **or**
- *Arizona Form 120S*: An amount, paid in four equal installments, that is equal to the sum of:
  - Ninety percent (90%) of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
  - One hundred percent (100%) of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.

### How to Use This Form

Check the applicable boxes in Part A. Complete Part B to determine if the taxpayer has an underpayment for any of the four installment due dates. If the taxpayer has an underpayment on line 15 [column (a), (b), (c), or (d)], complete Part C to calculate the penalty.

If the taxpayer is required to complete Arizona Form 220, include the completed Arizona Form 220/PTE with the taxpayer's Arizona tax return. Check the box on Arizona Form 99T, page 1, line 22; Arizona Form 120, page 1, line 29; Arizona Form 120A, page 1, line 21; or Arizona Form 120S, page 1, line 27, to indicate Arizona Form 220/PTE is included with the return.

### Specific Instructions

Complete the name and employer identification number (EIN) section at the top of the form. If filing on a fiscal year, indicate the period covered by the taxable year.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation is the corporation’s EIN. Taxpayers that fail to include their TIN may be subject to a penalty.

Partnerships and S Corporations making the Pass-Through election to pay tax at the entity level, check the box at the top of the form.

#### Part A - Reasons for Filing Arizona Form 220

##### Lines 1 and 2 - Annualized Income Installment Method and/or Adjusted Seasonal Installment Method

If the taxpayer's income varied during the taxable year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method.

Use Arizona Form 220, Schedule A, to compute one or more required installments. If Schedule A is used for any payment due date, it must be used for all payment due dates.

Use Schedule A to calculate the amount of each required installment and to select the lesser of:

- The annualized income installment; or,
- The adjusted seasonal installment (if applicable); or
- The regular installment, twenty five percent (25%) of the required annual payment, increased by any reduction recaptured under Internal Revenue Code (IRC) § 6655(e)(1)(B).

Follow the steps below to determine which parts of Arizona Form 220, Schedule A, to complete.

- If the taxpayer is using only the annualized income installment method, check the box on Part A, line 1 and complete Schedule A, Parts 1 and 3.
- If the taxpayer is using only the seasonal installment method, check the box on Part A, line 2 and complete Schedule A, Parts 2 and 3.
- If the taxpayer is using both methods, check the boxes on Part A, lines 1 and 2 and complete all three parts of Schedule A.
- *All taxpayers*: In each column on line 8, enter the amounts from the corresponding column of line 48 of Schedule A. Include a copy of Schedule A with Arizona Form 220.

**NOTE:** *Partnerships and S Corporations that made the PTE election may use the Annualized Income Installment Method to compute their required installments.*

*Partnerships and S Corporations that made the PTE election may NOT use the Adjusted Seasonal Installment Method to compute their required installments.*

#### Line 3 - Large Corporations (Arizona Forms 120 and 120A)

"Large corporation" means a corporation or unitary group of corporations, if the corporation, or a predecessor corporation, had federal taxable income of one million dollars or more for any of the immediately preceding three taxable years, excluding any federal net operating loss or capital loss carrybacks or carryovers. An Arizona affiliated group filing an Arizona consolidated return is treated as a single corporation for purposes of applying the large corporation definition.

If the taxpayer is a large corporation, check the box on Part A, line 3. If applicable, check the box(es) on line 1 and/or line 2. Complete Schedule A, Parts 1, 2, and 3, as discussed above.

#### Line 4 - S Corporations Subject to Tax at the Federal Level (Arizona Form 120S)

If the taxpayer is an S corporation, check the box on Part A, line 4. Complete Part B.

#### Part B - Calculation of Underpayment

S Corporations that are subject to tax at the federal level and that have made the PTE election must separately compute their Arizona tax liability

**Line 5 - Arizona Tax Liability**

Enter the 2024 Arizona tax liability from Arizona Form 99T, line 11 less line 12; or Arizona Form 120, line 21 less line 22; or Arizona Form 120A, line 13 less line 14; or Arizona Form 120S, line 19 less line 20, or Form 165, line 23.

**CLAIM OF RIGHT ADJUSTMENT (ARIZONA FORMS 120 AND 120A):**

Taxpayers computing the Arizona tax liability under the claim of right provisions should use the Arizona tax liability reduced by those provisions for purposes of computing underpayment of estimated tax. Enter the Claim of Right adjustment.

**Line 6 - Required Annual Payment**

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

- *All taxpayers* - ninety percent (90%) of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the current taxable year; **or**
- *Arizona Forms 99T, 120, and 120A* - one hundred percent (100%) of the taxpayer's Arizona tax liability (reduced by any refundable tax credit and the claim of right adjustments, if applicable) for the prior taxable year.
- *S Corporations subject to tax at the federal level not making the PTE election* - an amount equal to the sum of:
  - Ninety percent (90%) of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
  - One hundred percent (100%) of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income.
- *S Corporations subject to tax at the federal level AND making the PTE Election* – an amount equal to the sum of:
  - (a) *ninety percent (90%) of the portion of the current taxable year's Arizona tax liability that is attributable to built-in gains income or certain capital gains income plus*
  - (b) *one hundred percent (100%) of the portion of the prior taxable year's Arizona tax liability that is attributable to excess net passive income, **PLUS***
  - (c) *one hundred percent (100%) of the PTE tax shown on the return for the previous taxable year.*
- *Partnerships and S Corporations making the PTE election* – one hundred percent (100%) of the PTE's Arizona tax liability for the prior taxable year.

**NOTE:** *An S Corporation subject to tax at the federal level and that made the PTE election must separately compute the required annual payment for its income subject to tax at the federal level and its PTE income. After computing each required minimum payment, add the amounts. That total is the S Corporation's required minimum payment for the taxable year.*

**Line 6a - All Taxpayers, including partnerships and S Corporations that made the PTE election**

Multiply line 5 by 90%. Enter the result on line 6a.

**Line 6b - Arizona Forms 99T, 120, and 120A)**

Determine the amount of the taxpayer's Arizona tax liability from the prior taxable year (reduced by any refundable tax credit and the claim of right adjustments, if applicable). Enter the net amount on line 6b.

DO NOT COMPLETE THIS LINE IF: (1) a return was not filed for the taxable year showing at least some amount of tax liability (an amount greater than zero), OR (2) the 2023 taxable year was a period of less than twelve months. Skip line 6b and enter the amount from line 6a on line 6e.

**Line 6c - S Corporations subject to tax at the federal level**

Enter an amount on line 6c that is the sum of:

- Ninety percent (90%) of the portion of the 2024 Arizona tax liability that is attributable to built-in gains income or certain capital gains income; **plus**
- One hundred percent (100%) of the portion of the 2023 Arizona tax liability that is attributable to excess net passive income.

DO NOT COMPLETE THIS LINE IF: the 2023 taxable year was a period of less than twelve months. Skip line 6c and enter the amount from line 6a on line 6e.

**Line 6d – Partnerships and S Corporations that made the PTE Election**

Determine the amount of the PTE's Arizona tax liability from the prior taxable year (reduced by any refundable tax credit and the claim of right adjustments, if applicable). Enter the net amount on line 6d.

**DO NOT COMPLETE THIS LINE IF:**

- (1) The estimated payments made were allowable exceptions under section 6654 of the internal revenue code, OR,
- (2) The PTE's Arizona income tax liability due on the return is less than \$1,000.

If (1) or (2) above are true, skip line 6d and enter the amount from line 6a on line 6e.

**NOTE:** *S Corporations subject to tax at the federal level AND making the PTE election, complete lines 6c and 6d.*

**Line 6e – (All Taxpayers)**

*Corporations filing Arizona Forms 99T, 120, 120A* - enter the smaller of line 6a or line 6b (if an amount was entered on line 6b).

**S Corporations subject to tax at the federal level that did NOT make the PTE election** - enter the smaller of line 6a or line 6c (if an amount was entered on line 6c).

*Partnerships and S Corporations that made the PTE Election* – enter the smaller of line 6a or line 6d.

*S Corporations that made the PTE election and are subject to tax at the federal level*, add line 6d to the smaller of 6a or line 6c. Enter the total.

**NOTE for lines 7 through 16:** Complete all lines in each column before completing the next column.

**Line 7 - Installment Due Dates**

Enter the installment due dates for the estimated payments.

- C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level that did NOT make the PTE election are required to make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months of the taxable year.
- Short period returns: Enter the installment due dates and the number of installments required by the Internal Revenue Service.
- Partnerships or S Corporations that made the PTE election are required to make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The fourth and final payment is due on or before the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.
- S Corporations that are subject to tax at the federal level AND that made the PTE election shall make their Arizona estimated tax payments by the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> months of the taxable year. The fourth and final payment is due on or before the 15<sup>th</sup> day of the 1<sup>st</sup> month following the close of the taxable year.

**Line 8 - Required Installments**

- If the box on line 1 and/or line 2 is checked, enter the amounts from Schedule A, Part 3, line 48.
- If the box on line 3 is checked, see the instructions for "Large Corporations" below for the amounts to enter.
- If box 4 is checked, or if none of the boxes are checked, enter 25% of the amount on line 6e.

**Instructions for "Large Corporations" - Arizona Forms 120 and 120A**

**A.** If the box on line 3 (but not the box on line 1 or line 2) is checked, follow the instructions below to compute the amount to enter on Part B, line 8.

- If line **6a** is **less than** line **6b**, enter 25% of line 6a in columns (a) through (d) of line 8.
- If line **6b** is **less than** line **6a**:
  - Enter 25% of line 6b in column (a) of line 8.
  - Determine the amount to enter in column (b) of line 8 as follows:
    - (i) Subtract line 6b from line 6a,
    - (ii) Add the result to the amount on line 6a, and
    - (iii) Multiply the total in (ii) above by 25%.
  - Enter 25% of line 6a in columns (c) and (d) of line 8.

**B.** If the box on line 3 **and** the box on line 1 and/or line 2 is checked, follow the instructions below to determine the amounts to enter on Schedule A, Part 3, line 44, columns (a) through (d). Complete the remainder of the lines in Part 3 of Schedule A. Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Part B, line 8, columns (a) through (d).

- If Part B, line **6a** is **less than** line **6b**, enter 25% of line 6a in columns (a) through (d) of Schedule A, Part 3, line 44.
- If Part B, line **6b** is **less than** line **6a**:

- Enter 25% of line 6b in column (a) of Schedule A, Part 3, line 44.
- Determine the amount to enter in column (b) of Schedule A, Part 3, line 44 as follows:
  - (i) Subtract line 6b from line 6a,
  - (ii) Add the result to the amount on line 6a, and
  - (iii) Multiply the total in (ii) above by 25%.
- Enter 25% of line 6a in columns (c) and (d) of Schedule A, Part 3, line 44.
- Complete the remainder of the lines on Schedule A, Part 3.
- Enter the amounts from Schedule A, Part 3, line 48, columns (a) through (d) on Part B, line 8, columns (a) through (d).

**Line 9 - Estimated Tax Paid or Credited**

Enter the estimated tax payments made by the taxpayer for its taxable year.

The department will apply the payment of a required installment in the order in which the installments are required to be paid, regardless of the installment to which the payment pertains.

Include any overpayment of tax from the taxpayer's 2023 Arizona tax return that the taxpayer elected to apply to its 2024 Arizona estimated tax.

**NOTE:** For column (a) only, skip lines 10 through 12. Enter the amount from line 9 on line 13.

**Column (a)** Enter payments made by the 15th day of the fourth month.

**Column (b)** Enter payments made after the 15th day of the fourth month through the 15th day of the sixth month.

**Column (c)** Enter payments made after the 15th day of the sixth month through the 15th day of the ninth month.

**Column (d)** Enter payments made after the 15th day of the ninth month through the 15th day of the 12th month. (PTE's enter the payments made after the 15<sup>th</sup> day of the ninth month through the last day of the taxable year.)

**Lines 10 through 14**

Read and follow the instructions on the form.

**Line 15 - Underpayment**

If line 13 is less than or equal to line 8, subtract line 13 from line 8. Enter the difference. If this amount is greater than zero, complete Part C to calculate the underpayment penalty. Otherwise, continue to line 16.

**Line 16 - Overpayment**

If line 8 is less than line 13, subtract line 8 from line 13 and enter the difference. Enter the on line 10, columns (b) through (d).

**Part C - Penalty Calculation**

**NOTE:** Do not round amounts or components you use in the calculation for Part C, lines 20, 22, 24, 26, 28, 30, 32, 34, and 36 to the nearest whole dollar.

Round the total penalty on line 37, to the nearest whole dollar.

The underpayment of estimated tax penalty is imposed on any required installment of estimated tax that is late or underpaid.

The penalty is equal to the interest that would accrue under A.R.S. § 42-1123 on the amount not paid for the period of nonpayment. The maximum penalty is 10% of the amount not paid. The Arizona interest rate is the federal underpayment rate for the calendar quarter in which the underpayment occurred.

**NOTE for lines 17 through 37:** Complete all lines in each column before completing the next column.

**Lines 17 through 36**

Complete Part C, lines 17 through 36 to determine the underpayment penalty for any underpayment of a required installment for the period of nonpayment.

- Apply the applicable rate to each underpayment. The penalty is computed for the number of days the underpayment remained unpaid, or until the original due date of the return, whichever is earlier.
- If the taxpayer made more than one payment of a required installment, include a separate computation for each payment.

**Line 37 - Penalty**

Add columns (a) through (d) on line 36. Enter the total. Also, enter the total on Arizona Form 99T, line 22, or Arizona Form 120, line 29, or Arizona Form 120A, line 21, Arizona Form 120S, line 27, or Arizona Form 165, line 30.

**NOTE FOR COMPOUND PENALTY AMOUNT:** *The penalty is compounded annually (on January 1 of each year) on any underpayment of an installment outstanding as of that date. The compound penalty amount is added to the principal amount of the underpayment. The amount added to the principal accrues penalty until the underpayment is paid or until the original due date of the return, whichever is earlier.*

**Arizona Form 220/PTE, Schedule A**

**Part 1 - Annualized Income Installment Method**

*Partnerships and S Corporations making the PTE election may utilize the Annualized Income Installment Method to calculate their required installment if their income is expected to vary during the taxable year.*

**Partnerships and S Corporations making the PTE election may NOT use the Adjusted Seasonal Installment Method to calculate their required installment payments.**

**NOTE for Schedule A, lines 1 through 16:** Complete all lines in each column before completing the next column.

- *C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level NOT making the PTE election, follow the directions here and on the form.*
- **Partnerships and S Corporations making the PTE election, compute the required minimum payment using the PTE tax rate, 2.5%, and the PTE due dates for the required minimum payment.**
- **S Corporations subject to tax at the federal level and that made the PTE election that elect to use the Annualized Income Installment Method** to compute their required minimum payments *shall* separately compute their

required minimum payments for the income generating the federal tax liability, and for the income generating the PTE tax liability. When computing the required minimum payments for the income generating the federal tax liability, the S Corporation shall use the corporate tax rate, 4.9%, and the due dates for the PTE required minimum payments. Total the required minimum payments, and the underpayment penalty, for both sources of income for each quarter. That amount is the amount of the S Corporation’s minimum required estimated tax payment.

**Line 1 - Annualization Periods**

Enter the annualization period that the taxpayer is using in the space on line 1, columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	2	3	6	9
Option 1	2	4	7	10

Pass-Through Entities <sup>4</sup>			
1st Installment	2nd Installment	3rd Installment	4th Installment
3	5	8	12

**Line 2 – Taxable Income for each Annualization Period**

Enter the taxable income for each annualization period indicated in columns (a) through (d).

**Line 3 - Annualization Amounts**

Enter the annualization amounts for the option used on line 1 in columns (a) through (d), respectively.

Arizona Forms 120, 120A, and 120S				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

<sup>4</sup> Annualization Period is computed by dividing 12 months by the Annualization Amounts found on federal Form 2221.

Arizona Form 99T				
Option	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	6	4	2	1.33333
Option 1	6	3	1.71429	1.2

Pass-Through Entities			
1 <sup>st</sup> Installment	2 <sup>nd</sup> Installment	3 <sup>rd</sup> Installment	4 <sup>th</sup> Installment
4.0	2.4	1.5	1.0

**Line 4 - Annualized Taxable Income**

Multiply columns (a) through (d) of line 2 by columns (a) through (d) of line 3. Enter the result in each column.

**Line 5 - Calculate the Tax**

**C corporations, exempt organizations with UBTI, and S Corporations subject to tax at the federal level and NOT making the PTE election:**

Multiply columns (a) through (d) of line 4 by 4.9%. Enter the result in each column.

**Partnerships and S Corporations making the PTE election:**

Multiply columns (a) through (d) of line 4 by 2.5%. Enter the result in each column.

**S Corporations subject to tax at the federal level AND are making the PTE election:**

Separately compute the tax on income subject to tax at the federal level and the tax on the PTE income. Enter the total amounts of tax in each column. Include your worksheets with Form 220.

**NOTE:** Calculate the tax on the amount in each column using the instructions for taxable year 2024 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; Arizona Form 120S, line 12, or Arizona Form 165, line 23.

**Line 6 - Tax From Recapture of Tax Credits**

Enter the amount of tax due from the recapture of credits from Arizona Form 300, Part 2, line 26 for each payment period [columns (a) through (d)]. Credits subject to recapture include:

- The Credit for Motion Picture Production Costs claimed on Arizona Form 334,
- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Arizona Form 354.

**Line 7 - Subtotal Tax**

Add the amounts in columns (a) through (d) of line 5 with the amounts in columns (a) through (d) of line 6. Enter the totals in the corresponding column.

**Line 8 - Nonrefundable Tax Credits**

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2024 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

**Line 9 - Arizona Tax Liability**

Subtract the amounts in columns (a) through (d) of line 8 from the amounts in columns (a) through (d) of line 7. Enter the difference in the corresponding column. If the difference is zero or less, enter "0".

**Line 10 - Refundable Tax Credits**

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings used to calculate annualized taxable income. Calculate this amount using the instructions for taxable year 2024 for: Arizona Form 99T, line 12; or Arizona Form 120, line 22; or Arizona Form 120A, line 14; or Arizona Form 120S, line 20.

**Line 11 - Claim of Right Adjustment (Arizona Forms 120 and 120A)**

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions.

**Line 12 - Net Liability**

Subtract the sum of columns (a) through (d) of line 10 and columns (a) through (d) of line 11 from columns (a) through (d) of line 9. Enter the difference in each column. If the difference is zero or less, enter "0".

**Line 14 - Multiply Line 12 by Line 13**

Multiply the amounts in columns (a) through (d) of line 12 by the percentage in columns (a) through (d) of line 13. Enter the result in the corresponding column.

**Line 15 - Cumulative Installments**

Do not enter an amount in column (a). Enter the amounts from columns (b) through (d) of Part 3, line 48 in columns (b) through (d).

**Line 16 - Annualized Income Installments**

Read and follow the instructions on the form.

**Part 2 - Adjusted Seasonal Installment Method**

**NOTE:** This method of computing required minimum payments is not available to partnerships and S Corporations that made the PTE election.

Complete Part 2 only if your base period percentage for any 6 consecutive months of your tax year equals or exceeds 70%. Figure the base period percentage using the 6 month period in which you normally receive the largest part of your taxable income.

The taxpayer's base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding 6

consecutive month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

**EXAMPLE:** *A calendar year taxpayer receives the largest part of its taxable income during the 6-month period from April through September. To compute its base period percentage for this 6-month period in 2024, the taxpayer figures its taxable income for each April through September period in 2021, 2022, and 2023. It then divides the taxable income for each April through September period by the total taxable income for that particular tax year. The resulting percentages are 65% for April - September 2021, 75% for April - September 2022, and 70% for April - September 2023. Because the average of 65%, 75%, and 70% is 70%, the base period percentage for April through September 2024 is 70%. Therefore, the taxpayer qualifies for the adjusted seasonal installment method.*

**NOTE for Part 2, lines 17 through 42:** Complete all lines in each column before completing the next column.

### Lines 17 through 25

Read and follow the instructions on the form.

### Line 26 - Calculate the Tax

Multiply columns (a) through (d) of line 25 by 4.9%. Enter the result in each column.

**NOTE:** *Refer to the instructions for taxable year 2024 for: Arizona Form 99T, line 6; or Arizona Form 120, line 16; or Arizona Form 120A, line 8; or Arizona Form 120S, line 19.*

### Lines 27 through 32

Read and follow the instructions on the form.

### Line 33 - Tax From Recapture of Tax Credits

Enter the amount of tax due from recapture of the following credits for each payment period in each column (a) through (d):

- The Credit for Motion Picture Production Costs claimed on Arizona Form 334,
- The credit for Qualified Facilities claimed on Arizona Form 349,
- The credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers claimed on Arizona Form 351, and,
- The Affordable Housing Tax Credit claimed on Arizona Form 354

### Line 34 - Subtotal Tax

Add the amounts in columns (a) through (d) of line 32 to the amounts in line 33. Enter the total in the corresponding column.

### Line 35 - Nonrefundable Tax Credits

Enter the total amount of nonrefundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17.

Calculate this amount using the instructions for taxable year 2024 for: Arizona Form 99T, line 9; or Arizona Form 120, line 19; or Arizona Form 120A, line 11; or Arizona Form 120S, line 15.

### Line 36 - Arizona Tax Liability

Subtract the amounts in columns (a) through (d) of line 35 from the amounts in columns (a) through (d) of line 34. Enter the difference in the corresponding column. If the difference in any column is zero or less than zero, enter "0".

### Line 37 - Refundable Tax Credits

Enter the total amount of refundable tax credits to which the taxpayer is entitled because of events that occurred during the months shown in the column headings above line 17. Calculate this amount using the instructions for Arizona Form 99T, line 12; or Arizona Form 120, line 22; or Arizona Form 120A, line 14; or Arizona Form 120S, line 18.

### Line 38 - Claim of Right Adjustment (Arizona Forms 120 and 120A):

A taxpayer that computes its tax liability under the claim of right provisions should base its estimated tax liability on the net tax liability computed under the claim of right provisions. Enter the Claim of Right adjustment.

### Line 39 - Net Liability

Subtract the sum of the amounts in columns (a) through (d) of lines 37 and line 38 from the amount in columns (a) through (d) of line 36. Enter the difference the corresponding column. If the difference in any column is zero or less than zero, enter "0".

### Line 40 - Enter Result

Multiply columns (a) through (d) of line 39 by 90%. Enter the result in each column.

### Line 41 - Cumulative Installments

Do not enter an amount in column (a). Before completing line 41 columns (b) through (d), complete lines 42 through 48 in each of the preceding columns.

### Line 42 - Adjusted Seasonal Installments

Subtract the amounts in columns (a) through (d) of line 41 from the amount in columns (a) through (d) of line 40. Enter the difference in the corresponding column. If the difference in any column is zero or less than zero, enter "0".

## Part 3 - Required Installments

**NOTE for Part 3, lines 43 through 48:** Complete all lines in each column before completing the next column.

### Line 43

- If Part 1 or Part 2 is completed, enter the amount in columns (a) through (d) of line 16 or line 42.
- If Part 1 and Part 2 are completed, enter the lesser of columns (a) through (d) of line 16, or columns (a) through (d), of line 42.

### Line 44

Enter 25% of line 6e in each column.

**NOTE:** *"Large corporations" see the instructions for line 8 to determine the amount to enter in columns (a) through (d).*



**Line 45**

Do not enter an amount in column (a). For columns (b) through (d), enter the amounts from line 47, columns (a) through (c).

**Line 46**

Add the amounts in columns (a) through (d) of line 44 and the amounts in columns (a) through (d) of line 45. Enter the totals in the corresponding column.

**Line 47**

If the amounts in columns (a) through (d) of line 46 are greater than the amounts in columns (a) through (d) of line 43, subtract the amounts in columns (a) through (d) of line 43 from the amounts in columns (a) through (d) of line 46. Enter the difference in the corresponding column. Otherwise, enter "0".

**Line 48 - Required Installments**

Enter the lesser of the amounts in columns (a) through (d) of line 43 or the amounts in columns (a) through (d) of line 46 in each column and in columns (a) through (d) of Part B, line 8.