

## 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.

## What is a Claim of Right?

Generally, a claim of right is when:

- A taxpayer received income during a prior tax year, and reported that income on the tax return filed for that prior tax year; *and*
- Then has to repay that income in a future tax year.

**Example:** A corporation received sales commissions during 2021. In 2024, the corporation received a letter from the payer stating there was a mistake and the commission it received during 2021 was more than the corporation should have received. The corporation must now pay the overpaid amount back.

For information regarding which types of income qualifies or does not qualify for a claim or right, see federal *Publication 525* at [www.irs.gov](http://www.irs.gov).

## How does the Claim of Right work?

For federal income tax purposes, you may take a deduction for the repayment of an amount included in income under a claim of right, *or* claim a credit. When the amount repaid was \$3,000 or less, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may be able to claim a credit against your tax for the year in which you repaid it.

For Arizona income tax purposes, the Arizona claim of right provisions only apply in cases where the **total** amount repaid during the year was more than \$3,000. In this case, you cannot take a deduction, but must claim a "credit."

When you figure whether the amount you repaid was more or less than \$3,000, you must consider the **total** amount being repaid during the year. Each instance of repayment is not considered separately. The total repayment amount may include income from just one prior tax year or multiple prior tax years.

## Who Must Complete an Arizona Claim of Right Form?

If you figure your 2024 income tax under Arizona's claim of right provisions, complete an *Arizona Claim of Right - Corporate* form and include it with your 2024 income tax return. You **must** complete and include a separate form for each prior tax year for which you figured a tax reduction (decrease).

For more information on Arizona's Claim of Right provisions and examples of how to compute the decrease in tax for a prior taxable year (or years), see the department's procedure, CTP 16-1, *Procedure for Corporations That Restore Substantial Amounts Held Under a Claim of Right*.

## Completing the Form

### How to Complete an Arizona Claim of Right Form

- If the total amount repaid during 2024 was from income that was reported in only **one prior tax year**, you must complete Parts 1, 2, and 3.
- If the total amount repaid during 2024 was from income that was reported in **more than one prior tax year**:
  - For the earliest tax year, complete Parts 1, 2, and 3.
  - For all other years, only complete Parts 2 and 3.

**For example**, if the total amount repaid was from income reported in tax years 2021, 2022, and 2023, complete Parts 1, 2, and 3 for tax year 2021. *Be sure to enter the total income that was repaid for all prior tax years when completing Part 1, line 1, for taxable year 2021.*

  - For tax years 2021 and 2022, only complete Parts 2 and 3.

### Part 1 - General Information

#### Line 1

Enter the **total** amount of **all income** that you **repaid** during the 2024 tax year that was included in income under a claim of right.

**CAUTION:** *If the amount on line 1 is \$3,000 or less, STOP. You do not qualify to figure a credit for amounts paid back under a claim of right.*

#### Line 2

Check "Yes" if the total amount repaid in 2024 was from income that was reported in **more** than one prior tax year.

If you checked "Yes," you **must** complete and include with your 2024 tax return a separate Claim of Right form for **each** prior taxable year. See the instructions under **How to Complete an Arizona Claim of Right Form** for more than one tax year.

#### Line 3

List each prior taxable year end that included income that was repaid in 2024 and included in income under claim of right.

**Line 4**

If you took a deduction on your federal return instead of claiming a credit, check the box, "Yes."

You cannot take both a deduction and claim a credit on your Arizona return for the amounts repaid and included in income under a claim of right. Because the deduction is included in the computation of your federal taxable income, you must add back the amount of the income entered on line 1 as an "Other Addition to Income" on your income tax return. Enter this amount on:

- Form 120, Schedule A, line A8; or
- Form 120A, Schedule A, line A8; or
- Form 120X, Schedule D, line D8.

**Part 2 - Decrease in Prior Year's Tax****Line 5**

Enter the prior taxable year end for which you are completing this form. If you are completing more than one form for the current tax year, complete Part 2 for each separate tax year.

**Line 6**

Enter the amount of tax from the Arizona return filed for the tax year listed on line 5.

**Line 7**

For the tax year listed on line 5, refigure your tax for the tax year listed on line 5 without including the income that you repaid in 2024.

**Line 8**

Subtract line 7 from line 6 and enter the difference.

This is your claim of right credit for the current tax year. Enter the amount shown on line 8 on your income tax return.

- Form 120, line 24, box 24b; or
- Form 120A, line 16, box 16b; or
- Form 120X, line 23, box 23b.

If you are completing more than one Claim of Right form, add all amounts on line 8 and enter the total on your tax return.

**Part 3 - Explanation**

Complete Part 3 explaining your claim of right. Show how you figured the amounts in Part 2. If more space is needed, continue on page 2 of the form or provide your own schedule.

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**How do I file a Claim of Right form?**


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Complete and include the *Arizona Claim of Right - Corporate* form with your tax return when filed.

If you fail to complete and include this form with your tax return, your claim may be denied. Keep a copy for your record.

If you are completing more than one Claim of Right form, include all forms with your tax return.