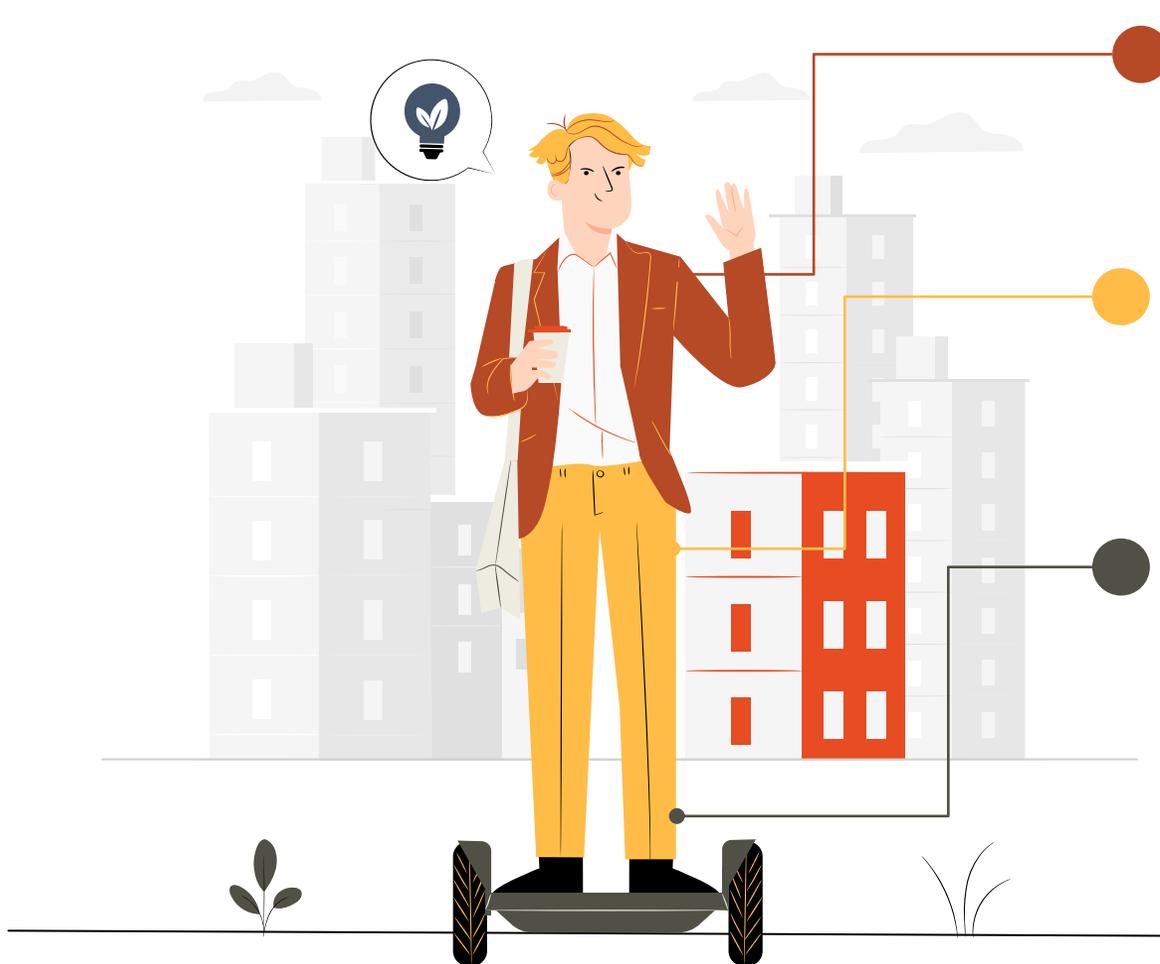




TAXATION IN ARIZONA

Taxation for C-Corporations (1/3)



C corporations are separate legal entities from their owners/shareholders, and they are subject to corporate income tax on their profits in Arizona. The corporate income tax rate is **4.9%** for income tax earned in Arizona.

C corporations in Arizona typically file their income tax returns using **Form 120 Arizona Corporation Income Tax Return**. This form is used to report the corporation's income, deductions, credits, and tax liability.

The due date for filing the said tax return (Form 120) is generally the **15th day of the fourth month** following the close of the corporation's tax year. If the due date falls on a weekend or holiday, the deadline may be extended to the next business day.

Taxation for C-Corporations (2/3)

A request for an extension of time to file an Arizona corporate income tax return must be **submitted by the original due date of the return.**

The department may grant an extension request for a maximum of **seven (7) months**. The extension request can be made by filing a **federal extension request**, or by filing an Arizona extension request, **Form 120/165EXT**.

The Arizona extension and the Federal extension provide an extension of time to file, **but they do not give extension to pay tax:**

- At least 90% of the tax liability shall be paid (including the USD 50 minimum tax) by the original due date of your return.
- The department imposes the extension underpayment penalty on any late or underpaid extension request.



Taxation for C-Corporations (3/3)



For the year 2022**, C corporations with an estimated tax liability of **USD 1000 or more** are required to make quarterly estimated tax payments. These payments are typically due on the **15th day of the fourth, sixth, ninth, and twelfth months** of the corporation's taxable year.

Corporation making estimated tax payment for income tax liability of **USD 1000** or more must make Arizona estimated income tax payment using electronic fund transfer ('EFT').

Corporations making payments through check should file Form **120/165ES** whereas corporations making payments through EFT is not required to file form 120/165ES unless the corporation requires for extension.

****** *The estimated tax liability may vary from year to year.*

Taxation for other than C-corporations (1/2)



S corporations are not subject to a **separate state-level income tax**. Instead, the income of an S corporation "passes through" to its shareholders, who report their share of the S corporation's income on their individual income tax returns.

The income, deductions, and credits of the S-corporation flow through to the shareholders, and the shareholders report their share of the income on their individual tax returns at the rate of **2.98%**.

Each shareholder of an S corporation and partner of LLP and LLC in Arizona receives a **Schedule K-1 of Form 120S or Form 165** from the corporation, which shows their share of the income, deductions & credits. Shareholders & Partners include this information on their individual income tax returns when filing their state taxes.

Shareholders / Partners report their share of the S-corporation's income on **Form 140 Arizona Individual Income Tax Return** and partners report their share of income on **Form 165 Arizona Partnership Income Tax Return**.

All S Corporation returns are due on or before the 15th day of the third month following the close of the tax year

Other than C-corporations (2/2)

A request for an extension of time to file an Arizona corporate income tax return must be submitted by the original due date of the return. The department may grant an extension request for a maximum of **six months**. The extension request can be made by filing a federal extension request, or by filing an Arizona extension request, **Form 120/165EXT**.

An Arizona extension cannot be granted for more than **six months** beyond the original due date of the return. Arizona will grant an automatic six-month extension to individuals filing **Forms 140, 140A, 140EZ, 140NR, 140PY, 140PTC, or 140ET**. The Arizona extension and the Federal extension provide an extension of time to file, but they do not give extension to pay tax:

- The taxpayer must pay 90% of the tax liability (including the USD 50 minimum tax) by the original due date of your return.
- The department imposes the extension underpayment penalty on any late or underpaid extension request.

S corporations expecting an Arizona income tax liability for the taxable year of USD 1,000 or more must make Arizona estimated income tax payments. All S corporations 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**. S Corporations with a tax liability of **USD 1000 or more** for the taxable year must pay their tax liability by Electronic Funds Transfer.

The estimated tax liability may vary from year to year.



Penalty and Interest

Late Filing Penalty

If the Form is filed after the due date, a late filing penalty may be imposed. The late filing penalty is generally **4.5%** of the tax due per month or part of a month that the return is late, up to a maximum of **25%** of the tax due.

Late Payment Penalty

If the tax owed on the Arizona Form 120 is not paid by the due date, a late payment penalty may be imposed. The late payment penalty is typically **0.5%** of the unpaid tax amount per day, up to a maximum of **10%** of the tax due.

Interest Rate

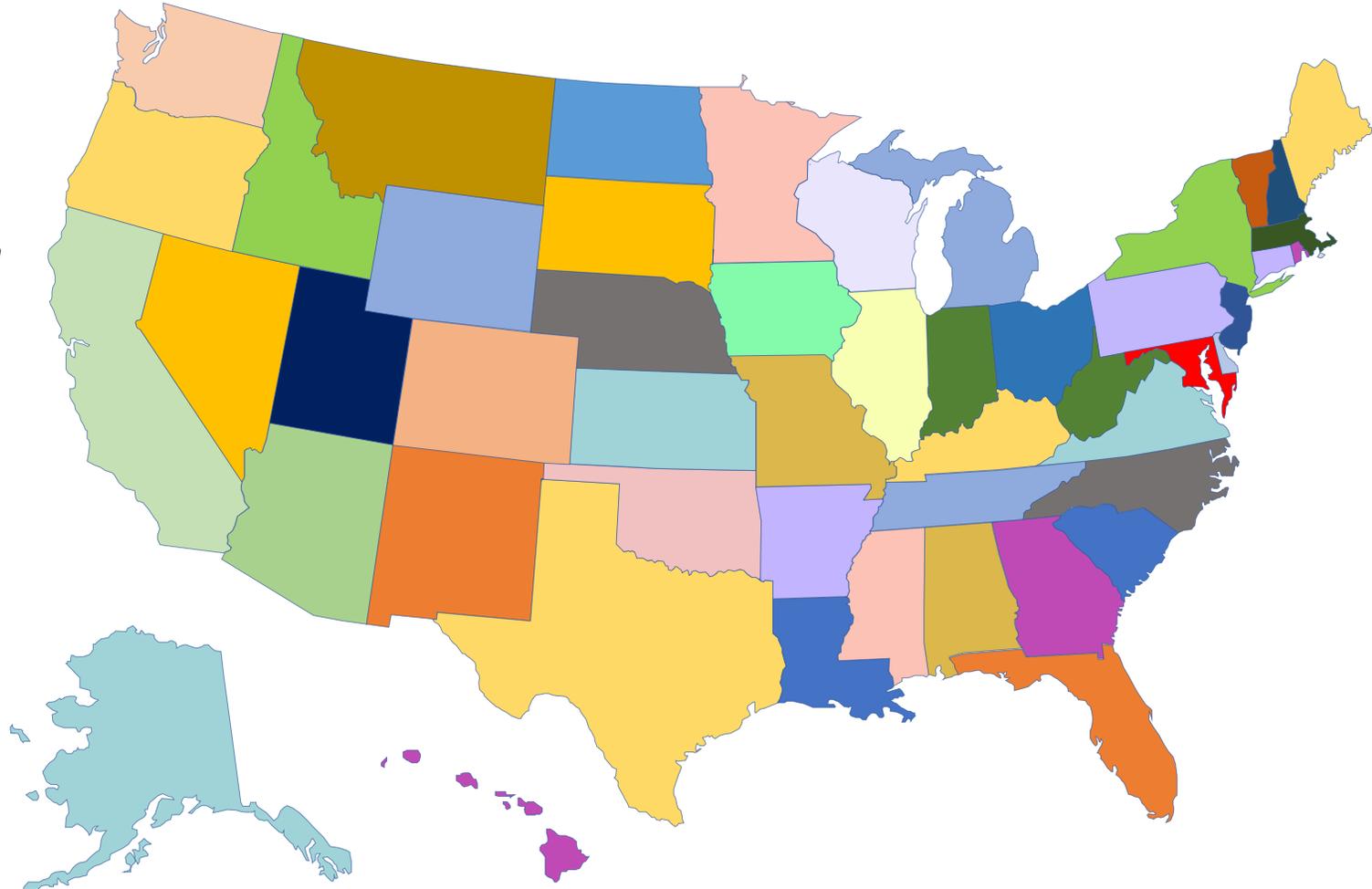
The interest rate charged on unpaid taxes is set by the Arizona Department of Revenue (ADOR) and is generally based on the federal underpayment rate.



Upcoming Series

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- | | | |
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| 2. New Jersey | 19. Kentucky | 36. Ohio |
| 3. California | 20. Louisiana | 37. Oklahoma |
| 4. Alabama | 21. Maine | 38. Oregon |
| 5. Alaska | 22. Maryland | 39. Pennsylvania |
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