

# Arizona Income Taxation Update

Edward K. Zollars

Phoenix, Arizona



# 2011 Congressional Action

- 4 Major Laws, Plus Some Minor Ones
- Major Issues of Nonconformity
  - Section 179
  - Basis on Inherited Assets
  - Extenders

Arizona Legislature

# STATUTES



# 2010 Conformity Bill

- Unemployment Compensation
- §108(i) Cancellation of Indebtedness
- Net Operating Loss Rules
- Qualified Motor Vehicle
- Earthquake Relief

# Nonresident Standard Deduction

- SB1005, 49th Legislature, Sixth Special Session, 02/08/10
- Begins in 2010 Calendar Year
- Prorate in Same Manner as Itemized Deductions (based on % of Arizona income)

# School Tuition Organizations

- HB2663 and HB2664, Chapters 292 and 293, 5/10/10
- Oversight provisions
- Charter schools not qualified schools
- Indexed for inflation based on Metropolitan Phoenix Consumer Price Index
- STO Certification, Reporting, Operational, Audit and Review Requirements

# Renewable Energy/R&D Credit

- SB1254, Chapter 312, 5/11/10, 05/11/10
- Credit for energy from qualified generator,
  - 2011 through 2020
  - Solar light/heat, Wind, Biomass
  - Capacity Rules
  - Arizona Site
- Levels of credit
- Also made research credit partially refundable

# Liquid Fuels Using Solar Energy

- New Credit
- Sunlight, Carbon Dioxide, and Water to produce infrastructure-compatible liquid hydrocarbon fuels
- 2011-2020 – 40% credit qualified research
- 2016-26 – credit based on fuel generated
- 20% credit (up to \$200,000) on conversion of fuel stations

# Commercial/Industrial Solar Energy Credits

- Extended through 2018
- Had been scheduled to expire in 2012
- Affected sections ARS §§43-1085 and 43-1164

# April 15 STO Contribution

- SB1274, Chapter 188, 4/27/10, 04/27/10
- Begins for 2010 returns
- Paid through April 15 can be thrown back
- Problem with drafting

# EFT Penalty

- HB2012, Chapter 12, 49th Legislature, Seventh Special Session, 3/18/10
- 5% Penalty on Failure to Deposit via EFT
- Other Provisions
  - Extend Statute on Collection of Tax Via Levy of Salaries or Wages Extended to Ten from Six Years
  - June “Extra” Payment for Corporate Entities with More than \$100,000 of Liability
  - Payroll Service Company Registration

Arizona Department of Revenue

# CORRESPONDENCE



# Nonconformity Guidance

- Arizona Notice Regarding Nonconformity, 6/24/10
  - Instructions for Short Forms for Unemployment Filers
  - Can Elect Sales Tax in Lieu of Income Tax if Used New Car Sales Tax Deduction Plus Income Tax on Federal
  - §108(i) Adjustment Applies to S Corporation Shareholders
  - Only §172(b)(1)(H) Carrybacks Affected
  - What If Carryback Calculation

# Payroll Percentages

- Arizona Department of Revenue Release of Withholdings, 4/9/10
- Revised Form A-4

# Paper Filings Refunds

- Arizona Department of Revenue Press Release, 3/15/10
- Encourage Efilings

Arizona Department of Revenue

# RULINGS



# Arizona Military Exclusion

- Individual Income Tax Ruling 10-1, 6/20/10
- Military Includes
  - United States Army
  - United States Navy
  - United States Air Force
  - United States Coast Guard
- Does Not Include
  - Public Health Service
  - National Oceanic and Atmospheric Administration

# Extension Penalties

- CTR 09-1, 09-2, ITR 09-1, 09-2, 2/8/10
- Withdrew Old Rulings
- Implement New Law

Courts

# ARIZONA CASES

# Arizona Debt Cancellation

- AmTrust Bank v. Fossett, Court of Appeals, Division 1, 1 CA-CV 08-0840, 12/15/09
- Not Tax Case
- Effect of Form 1099-C Issuance on Liability for Debt

# Preschool Supplies

- ADOR Hearing Officer Case No. 200900213-I, 2/17/10
- Did not meet qualification

# Class Action - Stearns

- Stearns v. Arizona Department of Revenue, Arizona Superior Court, Maricopa County, No. TX 2009-000393, 3/9/10
- Request for all illegally collected taxes not specific enough