

ARIZONA TAX NEWS

JANUARY, 1997

January Issue Highlights:

**Corporate Tax Common Errors
Approved Software Vendors for
1996 Forms
February Tax Calendar**

Information About Arizona Tax Forms And Instructions

GTP 96-2

(This procedure supersedes and replaces GTR 91-5)

This tax procedure provides information and guidance regarding taxpayer use of Arizona Department of Revenue forms and other documents.

TAX FORMS AND INSTRUCTIONS.

1. **General.** Arizona tax laws require taxpayers and others to file tax returns and other information statements with the department and to timely pay all taxes due the state. To this end, the Department of Revenue annually develops and publishes forms, instructions, certificates, applications, and other documents for taxpayers to use in preparing and filing tax returns and other information statements.

2. **Substitute Forms.** Generally, use of the department's prescribed forms is required. However, as to any of the department's forms, there are some exceptions as set forth in this section:

a. **Reproductions.** The department will accept, for filing purposes, reproductions of official tax forms. However, the department may reject, as unacceptable, any reproduction which does not meet the following requirements for reproductions of official department forms:

- Locally-produced or computer-generated reproductions of tax forms must be exact facsimiles of the Department of Revenue forms. Advance approval of locally-produced or computer-generated forms must be received in accordance with procedures set forth herein. If a substitute form is used without approval and is returned as unacceptable, the taxpayer will be regarded as having failed to file

a return, and penalties and interest will apply to the tax due with that return.

- Official forms printed on colored paper can be reproduced on white paper.
- Reproductions must be of the same size as the official forms.
- Even if the official forms are not printed in black ink, the reproductions may be in black ink.
- Reproductions on both sides of the paper are preferred, and all copies must have a high standard of legibility.
- To ensure high quality and legibility for the department's microfilmed copies, reproduced or computer-generated forms should be printed on a minimum of 20 lb. white bond paper and document thickness should not exceed .5mm.

b. Income Taxes. The department will accept, for filing purposes, reproductions or computer-generated facsimiles of official corporate, individual and other income tax return forms, provided they meet the above general requirements for substitute forms. Advance approval is required.

c. Transaction Privilege and Use Taxes. The department discourages use of the taxpayer's own version of the department's Form TPT-1, due to law and return changes. However, the department will accept a taxpayer's computer-generated reproduction or facsimile of Form TPT-1, provided the return is an exact facsimile of the department's most current return form. Advance approval is required in accordance with the procedures set forth herein. All requirements must be met.

While responsibility for recording the correct jurisdictional and business classifications rests with the taxpayer, the department strives to simplify this task for the average taxpayer by preprinting this information based on the taxpayer's historical reporting patterns. The department-generated return is computer preprinted with particular reporting information such as the taxpayer's county and business classes. Additionally, the correct tax rate for the state, county and city (when applicable) is also preprinted on the return. For these reasons, the department discourages use of the taxpayer's own version of Form TPT-1.

The laws dealing with transaction privilege tax are subject to change on a monthly basis, as counties and cities have the ability to impose new taxes and change rates. The department responds to these changes by adjusting its computer programs for all taxpayers or by modifying the return itself. Because a taxpayer may not be aware of these changes, the department notifies

taxpayers via the message box on the computer-preprinted return and through insert material included with the computer-preprinted return.

If the taxpayer uses its own computer-generated return and does not correctly follow the law or tax rates as indicated on the department's computer-preprinted return for that reporting period, the taxpayer is subject to any additional tax, as well as penalties and interest. Under such circumstances, the department would find there is no reasonable cause for the penalty to be abated.

Taxpayers should not use a previous month's version of Form TPT-1 because the tax rates, classifications, or underlying law may have changed. Penalties and interest will apply to additional tax due when an incorrect amount of tax due is computed by a taxpayer's use of incorrect rates or an incorrect Form TPT-1.

3. Effect. Tax forms and instructions state the information which must be provided to the department and the manner in which information must be provided. Every person filing a return or other statement of information with the department shall carefully prepare the return or other statement of information, setting forth fully, clearly, and accurately the information required to be included. Returns and statements of information which have not been so prepared may not meet the requirements of law.

Nothing contained in tax forms and instructions supersedes, alters or otherwise affects provisions of the Arizona tax law, administrative rules, court decisions, or any other law. Instructions that are contrary to the mandate of existing statute do not control over the statute. Statutory tax liability is not extinguished by errors or lack of clarity in the department's forms or instructions, or by failure of the forms or instructions to address treatment required by law. If the tax forms or instructions contain an error, the department will attempt to communicate the correction to those affected, in an appropriate and expedient manner.

Additionally, under Taxpayer's Bill of Rights, no interest or penalty shall be charged on tax found to be due if the deficiency is directly related to a statement in the department's tax return form or instructions and the statement is relied on by the taxpayer, causing the taxpayer to misapply the applicable tax law. The department will apply this law to all tax reporting forms and instructions created and required to be used after September 21, 1991.

4. Availability.

a. Companies developing their own forms are required to have the approval of the Community Activities and Publications Section prior to use of such forms. Tax practitioners and persons using a software program should verify

that the software company has obtained approval of their forms from the department before using the software company's version. Alternatively, the person should request approval directly from the department.

When requesting approval of a computer-generated form, send your request and a printout of the form to:

Community Activities and Publications
Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007

If you are using a particular computer software program to create your form, that information may be useful to the department.

b. From time to time the department may issue a tax ruling or information notice allowing for substitute or variant filing within specified parameters. For more information on allowable substitute forms or variant forms filing and for specific requests to file substitute or reproduction forms, please contact the Community Activities and Publications Section at the address above.

c. The public may obtain current tax forms and instructions from the department's Forms Distribution Unit. You may call 602-542-4260 or, toll free in Arizona, 1-800-634-6494, or fax your request to 602-542-3756. Requests for forms may also be sent to:

Forms Distribution Unit
License and Registration
Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007

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 which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the 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.

Due Date		For Period Ending
17	President's Day - All State offices closed	
18	Income Tax Returns:	10/31/96
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
	Form 99T: Exempt Organization Business Income Tax Return	
18	Form 120: Corporation with Automatic Extension	4/30/96
18	Form 120S: S Corporation	11/30/96
18	Form 99: Exempt Organization Annual Information Return	9/30/96
18	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	10/31/97
	Second Installment	8/31/97
	Third Installment	5/31/97
	Fourth Installment	2/28/97
20	Form TPT-1: Transaction Privilege Tax: January, Monthly Filers	1/31/97
20	Bingo: Financial Reports	1/31/97
20	Luxury Tax: Various Forms	1/31/97
28	Form A-1R: Withholding Tax Return	12/31/96
28	Form 1099 Series	12/31/96

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters exceeds \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters does not exceed \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

*****REMINDER***FOR MONTHLY TPT FILERS**

To avoid a delinquency, postmark your TPT return no later than the 25th of the month or deliver to DOR no later than February 27, 1997.

Common Filing Errors Noted

The department regularly experiences common errors made on tax returns that could easily be avoided. Recently the department took the opportunity to review some of the more common errors in the corporate tax area. Some of these errors can cause delays in processing while others result in delinquent notices or billings for penalty and interest.

Form 120 -

Wrong year end or over-lapping year ends entered on the return:

When the wrong year end is entered on the return, the second return filed for that period is automatically rejected as a duplicate. It must then be manually reviewed to see if the problem is a keying error or an error caused by the taxpayer. In the case of a taxpayer error, telephone or written contact is necessary to determine the correct date. If we contact the taxpayer by phone, we ask them to send (by mail or fax) back up documentation to verify the correct date and permission to change the date on the return.

Amount on Line 1 of Form 120 does not match the amount from Line 30 of the federal Form 1120:

These amount MUST match. Differing numbers will delay processing of the return and possibly require additional information from the taxpayer.

Software Vendors Who Have Met Approval

Tax practitioners who are considering the use of a software package to prepare Arizona tax forms should verify with the Department of Revenue that the software has been approved for use. All tax forms must be approved by the department prior to usage. Each specific form must have approval. The following is a list of those software vendors which have received the Department of Revenue's approval for the 1996 income tax forms up to the print date of this issue. This list will be updated monthly through tax season.

DRAKE SOFTWARE

140, 140A, 140ES, 140PY, 140PY Sch. A(PY), 140PY Sch. A(PYN), 140NR, 140NR Sch. A(NR), 140PTC, 140X, 120, 120S, 120S Sch. K-1(NR), 165, 165 Sch. K-1, 165 Sch. K-1 (NR), 201, 204, 221

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140, 140A, 140ES, 140NR, 140NR Sch. A(NR), 140PY, 140PY Sch. A(PY),
140Py Sch. A(PYN), 140PTC, 140X, 204, 221, 301, 309

ORRTAX SOFTWARE, INC.

140, 140ES, 140NR, 140NR Sch. A(NR), 140PTC, 140PY, 140PY Sch. A(PY),
221, 301

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature; taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from the Taxpayer Support Division, 1600 W. Monroe, Phoenix, AZ 85007, or call (602) 542-2076.