



MULTISTATE INCOME/FRANCHISE TAX

Arizona updates Internal Revenue Code conformity date

Tax Alert

Overview

On April 14, 2021, Arizona Governor Doug Ducey signed Senate Bill 1752 (“S.B. 1752”) which advances Arizona’s conformity date to the Internal Revenue Code (“IRC”) from January 1, 2020 to March 11, 2021.¹ With this bill, Arizona generally conforms to the changes to the IRC made by federal legislation including the Families First Coronavirus Response Act (P.L. 116-127), the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act (P.L. 116-136), the Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142), the Consolidated Appropriations Act (P.L. 116-260), and the American Rescue Plan Act of 2021 (P.L. 117-2).

Conformity to IRC incorporates retroactive application of federal legislation enacted in 2020 and early 2021

For tax years beginning on and after December 31, 2020, S.B. 1752 updates the Arizona Income Tax Code definition of IRC to mean the IRC “as amended and in effect on March 11, 2021.”² Additionally, the bill specifies that this conformity date update includes adoption of provisions which were effective during 2020 and the adoption of provisions with retroactive effective dates.

This retroactivity also applies for tax years beginning prior to December 31, 2020. S.B. 1752 updates the definition of IRC to include the changes made by federal legislation during 2020 including the Families First Coronavirus Response Act, the CARES Act, the Paycheck Protection Program Flexibility Act of 2020, the Consolidated Appropriations Act and the America Rescue Plan Act of 2021, which are retroactive effective to the specified tax years.

The Arizona Department of Revenue provided some administrative guidance regarding filing the 2020 Arizona income tax returns, available [here](#).

Considerations

For tax years 2018 through 2020, Arizona taxpayers should consider the impact of S.B. 1752's retroactive application of the federal legislation enacted during 2020 and prior to March 11, 2021 such as the CARES Act provisions including but not limited to NOL utilization and interest expense limitation under IRC section 163(j). Taxpayers who believe they may be impacted by S.B. 1752 should consult with their Arizona tax advisors for further assistance.

Get in touch

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Footnotes

¹ A.R.S. § 43-105, as amended by S.B. 1752, Laws 2021; A copy of S.B. 1752 is available [here](#).

² *Id.*

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