

Income/Franchise:

Arizona: Combined Reporting of Parent and Affiliates Deemed Necessary to Accurately Reflect Income

Case No. 201800182-C, Ariz. Dept. of Rev. Hearing Office (5/5/20). The chief hearing officer for the Arizona Department of Revenue Hearing Office concluded that services provided by a parent company constituted operational components of the core business embodied in the products and services provided by its unitary affiliates and thus state law requires Arizona combined reporting of overall net income by the parent and the affiliates to clearly reflect the taxable income earned by those subsidiaries with Arizona income factors. Accordingly, the chief hearing officer held that the parent company must be included within the Arizona combined corporate income tax returns filed for the calendar years at issue. Under the provided facts, the parent company designed and developed programs for implementation by its affiliates and directed the affiliates' day-to-day operations. Please contact us with any questions.

URL: <https://azdor.gov/legal-research/decisions/201800182-c>

— Scott Schiefelbein (Portland)
Managing Director
Deloitte Tax LLP
sschiefelbein@deloitte.com

Cindy James (Phoenix)
Senior Manager
Deloitte Tax LLP
cyjames@deloitte.com

Jimmy Westling (Phoenix)
Manager
Deloitte Tax LLP
jawestling@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.