House Engrossed Senate Bill

DOR; income tax forms; conformity

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SENATE BILL 1180

AN ACT

AMENDING SECTION 43-107, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 3, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-329; RELATING TO INCOME TAX RETURNS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 43-107, Arizona Revised Statutes, is amended to read:

43-107. Nonconformity in application of internal revenue code; abatement of penalties and interest; form and instruction preparation; definitions

A. Notwithstanding sections 42-1123 and 42-1125, ~~no~~ interest or penalty may NOT be assessed on a nonconformity deficiency if all of the following are true for a taxable year:

1. The taxpayer filed a return and paid the taxes due, relying on the department's published forms and instructions.

2. Conformity does not occur.

3. The department supplements ~~its~~ THE published forms and instructions related to nonconformity and requires the taxpayer to file an amended return.

4. ~~By the extended due date of the next taxable year's return~~ ON OR BEFORE THE EXTENDED RETURN DUE DATE FOR THE SECOND YEAR FOLLOWING THE CLOSE OF THAT TAXABLE YEAR, the taxpayer amends ~~its~~ THE TAXPAYER'S return to report the nonconformity deficiency and pays the additional tax in the manner prescribed by the department.

B. IF NONCONFORMITY OCCURS FOR A TAXABLE YEAR, THE DEPARTMENT SHALL SUPPLEMENT THE PUBLISHED FORMS AND INSTRUCTIONS RELATING TO NONCONFORMITY AS FOLLOWS:

1. FOR NONCONFORMITY AS PRESCRIBED BY SUBSECTION D, PARAGRAPH 2, SUBDIVISION (a) OF THIS SECTION ENACTED ON OR BEFORE FEBRUARY 15 OF THE YEAR FOLLOWING THE CLOSE OF THAT TAXABLE YEAR, THE SUPPLEMENTAL FORMS AND INSTRUCTIONS SHALL BE PUBLISHED AS QUICKLY AS PRACTICABLE.

2. FOR NONCONFORMITY AS PRESCRIBED BY SUBSECTION D, PARAGRAPH 2, SUBDIVISION (a) OF THIS SECTION ENACTED FROM AND AFTER FEBRUARY 15 OF THE YEAR FOLLOWING THE CLOSE OF THAT TAXABLE YEAR, THE SUPPLEMENTAL FORMS AND INSTRUCTIONS SHALL BE PUBLISHED ON OR BEFORE JANUARY 1 OF THE SECOND YEAR FOLLOWING THE CLOSE OF THAT TAXABLE YEAR.

3. FOR NONCONFORMITY AS PRESCRIBED BY SUBSECTION D, PARAGRAPH 2, SUBDIVISION (b) OF THIS SECTION, THE SUPPLEMENTAL FORMS AND INSTRUCTIONS SHALL BE PUBLISHED ON OR BEFORE JULY 15 OF THE SECOND YEAR FOLLOWING THE CLOSE OF THAT TAXABLE YEAR.

~~B.~~ C. Notwithstanding section 42-1123, the department shall not pay interest on refunds resulting from an amended return related to nonconformity unless the refund is paid more than sixty days after the due date set forth in subsection A, paragraph 4 of this section or filing date, whichever is later.

~~C.~~ D. For the purposes of this section:

1. "Conformity" means an amendment to section 43-105 that results in adoption of the definition of the internal revenue code for the taxable year.

2. "Nonconformity" means either:

(a) Conformity plus another amendment to this title that does not conform to specific provisions of the internal revenue code as defined in section 43-105 for the taxable year.

(b) No amendment to section 43-105 for the taxable year.

Sec. 2. Title 43, chapter 3, article 2, Arizona Revised Statutes, is amended by adding section 43-329, to read:

43-329. Returns; form and instruction preparation; conformity assumption; definitions

A. PURSUANT TO SECTION 43-102, FOR THE PURPOSES OF PRESCRIBING THE FORMS AND INSTRUCTIONS REQUIRED FOR A TAXPAYER TO FILE A RETURN PURSUANT TO THIS TITLE, THE DEPARTMENT SHALL ASSUME THAT THE LEGISLATURE WILL ENACT AN AMENDMENT TO SECTION 43-105 THAT RESULTS IN CONFORMITY TO THE PROVISIONS OF THE INTERNAL REVENUE CODE, BUT ONLY TO THE EXTENT THOSE PROVISIONS AFFECT FEDERAL ADJUSTED GROSS INCOME OR FEDERAL TAXABLE INCOME AND IMPLEMENT SECTION 43-1042. IF THE LEGISLATURE ENACTS NONCONFORMITY, THE DEPARTMENT SHALL SUPPLEMENT THE PUBLISHED FORMS AND INSTRUCTIONS RELATED TO THE NONCONFORMITY PURSUANT TO SECTION 43-107.

B. FOR THE PURPOSES OF THIS SECTION, "CONFORMITY" AND "NONCONFORMITY" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 43-107.

Sec. 3. Legislative intent

It is the intent of the legislature to establish a consistent conformity cycle that:

1. Provides taxpayers and tax professionals with timely and reliable tax forms and instructions.

2. Allows the legislature sufficient opportunity to review and determine whether federal tax law changes should be adopted for Arizona income tax purposes.

3. Reduces administrative burdens on the department of revenue.

4. Minimizes midyear revisions to income tax forms, filing requirements, software programming and taxpayer guidance.

5. Preserves the legislature's authority to adopt, reject or modify federal income tax law changes while providing certainty regarding the taxable year to which such changes apply.