Arizona Tax Reporting Module

Overview

The Arizona Tax Reporting Module will create a report for your records and a CSV file to upload to the Arizona Department of Revenue (AZDOR). AZDOR has no published specifications for the file, so the module is capable of creating several variants of the CSV format to accommodate the lack of clarity from AZDOR. The Arizona Tax Reporting module must be purchased separately.

Related Documents

The Arizona Sales Tax on Rent document explains how to collect Arizona taxes from owner and property ledgers and optionally charge tenants to reimburse the tax paid.

The Arizona Business License Excel Spreadsheet document explains how to use a helper report to get started on creating the business license spreadsheet used by the Arizona Department of Revenue.

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Summary of the Tax Reporting Process

This module creates a report to confirm the accuracy of your reporting and it creates a CSV file for AZDOR to report taxable income. The reporting is separate from the posting of transactions that collect tax from owners or charge tenants to reimburse taxes paid.

The reporting can be customized to reflect how you collect your taxes in the software. The time period, accounts subject to the tax, accounts used to collect the tax, and even the file output format can be modified. Each unit that is subject to tax reporting must be set up with the region, location, and license code assigned by AZDOR. To date, there have been no written specifications for tax reporting made available by AZDOR, so this function has been developed based on input from several Arizona customers.

Important Note About Using Excel to Edit Files

If you edit the CSV file intended for reporting to AZDOR with Excel you will need to reformat the region code, business code, deduction code, and amount columns. Excel does not retain the original formatting when it reads a CSV file and so leading zeros and other numeric formatting may be lost.

The Tax Collection Process

The steps to collect the taxes from the owner and property ledgers are flexible. The reporting module simply requires that all tax related transactions be posted to the general ledger of the owner or property that is associated with the unit and that the unit be set up with the region code, location code, and license code assigned by AZDOR.

- You can use the recommended method described in the Arizona Sales Tax on Rent document. This uses Recurring Transfers to move money from the owner and property ledgers into a management group ledger.
- You could post individual journal entries to move the money from the owner ledgers to a tax management group ledger.
- You can use a Rate Table to charge the tenants and have them pay the tax directly to a management group.

One Time Setup for Tax Reporting

- Create an account list to identify all accounts that are reportable as taxable income. Note that if you are using the recommended method of collecting taxes described in the Related Documents section, you will already have this account list created. If you have not created an account list, go to <<Setup, Account Lists>> and create one and add all accounts that are subject to tax reporting. This account list will be referred to in a later step as the "State Taxable Account List".

- Create an account list to identify all accounts that are associated with the taxes paid. These are the accounts that are used to transfer money out of the owner or property ledger for the tax. If you are using the recommended method of collecting taxes described in the Related Documents section, this account list will contain each of the accounts used as the Debit Account in the recurring transfer records. This account list will be referred to in a later step as the "State Collected Account List".

- Navigate to <<Setup, Database Settings>>. The screen is shown on the following page.
- Activate the Tax Module. You will need to get an activation code from the Help Desk. If you do not activate the tax module, the application will allow you to experiment with a limited number of units.
- Select the account list that identifies the taxable income accounts in the "State Taxable Accounts" field. This is the account list that was set up in a previous step and described as the "State Taxable Account List".
- Select the account list that identifies the accounts used to collect taxes from owner and property ledgers in the "State Collected Accounts" field. This is the account list that was set up in a previous step and described as the "State Collected Account List".
- The system can force positive identification of units that have no state tax information entered. To activate this feature, enter a value in the "State Ignore Region Code". We recommend using the value "None". If this is field is left empty, only units with tax information entered will be considered subject to tax reporting. If this field is filled, all units that are not subject to tax reporting must have their region code set to match this field value.

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- If you do not follow the recommended method for collecting taxes and instead charge tenants for the tax, mark the checkbox "Tax Collected by Tenant Charge". This will calculate the collected taxes from the income generated by tenant reimbursements instead of the tax paid from the owner and property ledgers. Only select this option if all tenants are charged for taxes.
- Most property managers collect taxes from the owner in the month following the rent collection. If this is how you collect taxes, mark the checkbox "Tax Collected in Month Following Taxable Amount Posting".
- AZDOR has not been consistent in describing how they want taxes reported. Some customers have been advised to report taxes collected as part of the gross income and to report the collected taxes as a deduction. This is the default reporting method. If you only want to report taxable amounts, check this checkbox.

Unit Setup for Tax Reporting

Go to <<Profiles, Unit>>, State Taxes tab. Each unit that is subject to tax reporting must have the License, Location and Region codes entered. The Notes field is for any other information you choose to enter. Note that if you chose to specify an "Ignore Region Code" of "None" in the setup, all units that are not subject to tax reporting must have their Region Code set to "None". None of these codes are case sensitive.

Monthly Tax Reporting

Taxes are calculated and records generated for all active units set up to report taxes. In addition, all inactive units that have been set up to report taxes will generate a record if there is any taxable amount or tax collected during the reporting period.

After the taxes have been collected, go to <<Mailings, Arizona Taxes>>. The information will load for the taxable period specified in the setup. The information displayed is the Unit ID, Unit Name, Taxable Amount (based on the "State Taxable Account List"), and Tax Collected (based on the "State Collected Account List").

The month will display at the top of the screen in the Date Range field.
The actual dates will display below.
Display Filter will default to No Filter, meaning all units are displayed. That can be changed using the drop-down arrow to any of the following values:

- No Taxable Amount – only units with no taxable amount will display
- No Collected Amount – only units with no collected amount will display
- Missing License – only units with no license code in the profile will display

- Missing Amounts – only units with no amounts will display
- Suspect Amounts – only units with no taxable amount but a tax collected amount, or with a taxable amount but no tax collected will display.

Clicking on a line item will display the License code information and buttons that will allow you to view GL History, Edit Unit, Reload Unit, and show detail on the Taxable amount or on the Collected amount.

The <Taxable Detail> button shows the date range the tax was calculated for. The <Collected Detail> shows the date the tax was collected.

Click the <Find Unit> button bring up the unit Find List. Clicking on a unit will move the highlight bar to that unit.

Click Print Report to view or print the report. The report is grouped by region. It will run for the selected display filter.

Click Generate Tax File to create the CSV file for submission to AZDOR. There are currently two formats generated based on the setup. The format shown below combines the taxable amount and the collected taxes in the Gross column and reports the collected taxes as a deduction.

The file output combines all units with the same license, location and region code into the same line. Note that if you edit this file in Excel, the fields will lose the formatting required by AZDOR. The file can be safely edited using Notepad.

Click on Generate Excel File to create an Excel file that can be used to cross reference the output with Promas Unit IDs. This output format can be useful to determine the source of amounts in the output file. Keep in mind that in order to submit Excel files that have been edited, the formatting of columns will have to be modified to meet AZDOR standards including restoring leading zeros to several columns. Contact AZDOR for current requirements.