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REFERENCE TITLE: tax credits; family income; pollution

State of Arizona
House of Representatives
Forty-seventh Legislature
First Regular Session
2005

HB 2059

Introduced by
Representative Huffman

AN ACT

AMENDING SECTIONS 43-1073, 43-1081 AND 43-1170, ARIZONA REVISED STATUTES;
RELATING TO INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1073, Arizona Revised Statutes, is amended to
3 read:

4 43-1073. Family income tax credit

5 A. Subject to the conditions prescribed by this section, a credit is
6 allowed against the taxes imposed by this chapter for a taxable year for
7 taxpayers whose FEDERAL ADJUSTED GROSS INCOME IS FIFTY THOUSAND DOLLARS OR
8 LESS AND WHOSE Arizona adjusted gross income, plus the amount subtracted for
9 exemptions under section 43-1023, is:

10 1. Twenty thousand dollars or less in the case of a married couple
11 filing a joint return with no more than one dependent or a single person who
12 is a head of a household with no more than one dependent.

13 2. Twenty-three thousand six hundred dollars or less in the case of a
14 married couple filing a joint return with two dependents.

15 3. Twenty-seven thousand three hundred dollars or less in the case of
16 a married couple filing a joint return with three dependents.

17 4. Thirty-one thousand dollars or less in the case of a married couple
18 filing a joint return with four or more dependents.

19 5. Twenty thousand one hundred thirty-five dollars or less in the case
20 of a single person who is a head of a household with two dependents.

21 6. Twenty-three thousand eight hundred dollars or less in the case of
22 a single person who is a head of a household with three dependents.

23 7. Twenty-five thousand two hundred dollars or less in the case of a
24 single person who is a head of a household with four dependents.

25 8. Twenty-six thousand five hundred seventy-five dollars or less in
26 the case of a single person who is a head of a household with five or more
27 dependents.

28 9. Ten thousand dollars or less in the case of a single person or a
29 married person filing separately.

30 B. The amount of the credit is equal to forty dollars for each person
31 who is a resident of this state and for whom a personal or dependent
32 exemption is allowed with respect to the taxpayer pursuant to section 43-1043
33 and SECTION 43-1023, subsection B, paragraph 1, but not to exceed:

34 1. Two hundred forty dollars in the case of a married couple filing a
35 joint return or a single person who is a head of a household.

36 2. One hundred twenty dollars in the case of a single person or a
37 married couple filing separately.

38 3. For any taxpayer, the amount of taxes due under this chapter for
39 the taxable year.

40 Sec. 2. Section 43-1081, Arizona Revised Statutes, is amended to read:

41 43-1081. Credit for pollution control equipment

42 A. A credit is allowed against the taxes imposed by this title for
43 expenses that the taxpayer incurred during the taxable year to purchase real
44 or personal property that is used in the taxpayer's trade or business in this
45 state to control or prevent pollution. The amount of the credit is equal to
46 ten per cent of the purchase price.

1 B. Property that qualifies for the credit under this section includes
2 that portion of a structure, building, installation, excavation, machine,
3 equipment or device and any attachment or addition to or reconstruction,
4 replacement or improvement of that property that is directly used,
5 constructed, or installed in this state for the purpose of meeting or
6 exceeding rules or regulations adopted by the United States environmental
7 protection agency, the department of environmental quality or a political
8 subdivision of this state to prevent, monitor, control or reduce air, water
9 or land pollution **THAT RESULTS FROM THE TAXPAYER'S DIRECT OPERATING**
10 **ACTIVITIES IN CONDUCTING A TRADE OR BUSINESS IN THIS STATE.**

11 C. The credit allowed pursuant to this section does not apply to:

12 1. The purchase of any personal property that is attached to a motor
13 vehicle.

14 2. **ANY PROPERTY THAT HAS A SUBSTANTIAL USE FOR A PURPOSE OTHER THAN**
15 **THE PURPOSES DESCRIBED IN SUBSECTION B.**

16 3. **ANY PORTION OF POLLUTION CONTROL PROPERTY THAT IS INCLUDED AS A**
17 **STANDARD AND INTEGRAL PART OF ANOTHER PROPERTY.**

18 ~~C.~~ D. Amounts that qualify for a credit under this section must be
19 includible in the taxpayer's adjusted basis for the property. The adjusted
20 basis of any property with respect to which the taxpayer has claimed a credit
21 shall be reduced by the amount of credit claimed with respect to that
22 asset. This credit does not affect the deductibility for depreciation or
23 amortization of the remaining adjusted basis of the asset.

24 ~~D.~~ E. Co-owners of a business, including partners in a partnership
25 and shareholders of an S corporation, as defined in section 1361 of the
26 internal revenue code, may each claim only the pro rata share of the credit
27 allowed under this section based on the ownership interest. The total of the
28 credits allowed all such owners may not exceed the amount that would have
29 been allowed a sole owner.

30 ~~E.~~ F. If the allowable tax credit exceeds the taxes otherwise due
31 under this title on the claimant's income, or if there are no taxes due under
32 this title, the taxpayer may carry the amount of the claim not used to offset
33 the taxes under this title forward for not more than five taxable years'
34 income tax liability.

35 ~~F. For 1995 and 1996, the maximum credit that a taxpayer may claim~~
36 ~~under this section is seven hundred fifty thousand dollars in a taxable~~
37 ~~year. For all years after 1996,~~

38 G. The maximum credit that a taxpayer may claim under this section is
39 five hundred thousand dollars in a taxable year.

40 Sec. 3. Section 43-1170, Arizona Revised Statutes, is amended to read:
41 **43-1170. Credit for pollution control equipment**

42 A. A credit is allowed against the taxes imposed by this title for
43 expenses that the taxpayer incurred during the taxable year to purchase real
44 or personal property that is used in the taxpayer's trade or business in this
45 state to control or prevent pollution. The amount of the credit is equal to
46 ten per cent of the purchase price.

1 B. Property that qualifies for the credit under this section includes
2 that portion of a structure, building, installation, excavation, machine,
3 equipment or device and any attachment or addition to or reconstruction,
4 replacement or improvement of that property that is directly used,
5 constructed or installed in this state for the purpose of meeting or
6 exceeding rules or regulations adopted by the United States environmental
7 protection agency, the department of environmental quality or a political
8 subdivision of this state to prevent, monitor, control or reduce air, water
9 or land pollution **THAT RESULTS FROM THE TAXPAYER'S DIRECT OPERATING**
10 **ACTIVITIES IN CONDUCTING A TRADE OR BUSINESS IN THIS STATE.**

11 C. The credit allowed pursuant to this section does not apply to:

12 1. The purchase of any personal property that is attached to a motor
13 vehicle.

14 2. **ANY PROPERTY THAT HAS A SUBSTANTIAL USE FOR A PURPOSE OTHER THAN**
15 **THE PURPOSES DESCRIBED IN SUBSECTION B.**

16 3. **ANY PORTION OF POLLUTION CONTROL PROPERTY THAT IS INCLUDED AS A**
17 **STANDARD AND INTEGRAL PART OF ANOTHER PROPERTY.**

18 ~~E.~~ D. Amounts that qualify for a credit under this section must be
19 includible in the taxpayer's adjusted basis for the property. The adjusted
20 basis of any property with respect to which the taxpayer has claimed a credit
21 shall be reduced by the amount of credit claimed with respect to that
22 asset. This credit does not affect the deductibility for depreciation or
23 amortization of the remaining adjusted basis of the asset.

24 ~~D.~~ E. Co-owners of a business, including corporate partners in a
25 partnership, may each claim only the pro rata share of the credit allowed
26 under this section based on the ownership interest. The total of the credits
27 allowed all such owners may not exceed the amount that would have been
28 allowed a sole owner.

29 ~~E.~~ F. If the allowable tax credit exceeds the taxes otherwise due
30 under this title on the claimant's income, or if there are no taxes due under
31 this title, the taxpayer may carry the amount of the claim not used to offset
32 the taxes under this title forward for not more than five taxable years'
33 income tax liability.

34 ~~F. A taxpayer who claims a credit for pollution control equipment~~
35 ~~under this section may not claim a credit under section 43-1164 for the same~~
36 ~~equipment.~~

37 ~~G. For 1995 and 1996, the maximum credit that a taxpayer may claim~~
38 ~~under this section is seven hundred fifty thousand dollars in a taxable~~
39 ~~year. For all years after 1996,~~ The maximum credit that a taxpayer may
40 claim under this section is five hundred thousand dollars in a taxable year.

41 Sec. 4. Effective date

42 This act is effective and applies to taxable years beginning from and
43 after December 31, 2005.