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House Engrossed

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

HOUSE BILL 2374

AN ACT

AMENDING SECTIONS 34-452, 42-14155, 43-222, 43-1021 AND 43-1083, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1083.01; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1182; RELATING TO SOLAR ENERGY EQUIPMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 34-452, Arizona Revised Statutes, is amended to
3 read:
4 34-452. Solar design standards for state buildings; energy life
5 cycle costing
6 A. Capital projects as defined in section 41-790 including buildings
7 THAT ARE designed and constructed by the department of administration, school
8 districts, community college districts and universities and containing over
9 six thousand square feet shall include a written evaluation of the following
10 solar energy features:
11 1. Proper site orientation.
12 2. Utilization of active and passive solar energy systems for space
13 heating.
14 3. Utilization of solar water heating.
15 4. Utilization of solar daylighting devices as defined in section
16 44-1761.
17 B. Energy life cycle costing shall be used to evaluate all solar
18 energy and energy conservation design, equipment and materials that are
19 considered for constructing new state buildings and in the scheduled
20 remodeling of existing state buildings. Solar energy and energy conservation
21 design, equipment and materials shall be used if the simple payback is eight
22 years or less. If the useful life of a product is less than eight years, the
23 simple payback ~~shall be~~ IS equal to or less than the useful life of the
24 product.
25 C. ENERGY LIFE CYCLE COSTING SHALL BE USED TO EVALUATE ALL SOLAR WATER
26 HEATING AND WATER COOLING FACILITIES.
27 D. ALL SOLAR PHOTOVOLTAIC PROJECTS THAT ARE DESIGNED TO PROVIDE
28 ELECTRICITY TO SUPPLANT TRADITIONAL POWER SOURCES ARE EXEMPT FROM THE SIMPLE
29 PAYBACK REQUIREMENTS OF THIS SECTION.
30 ~~E.~~ E. The department of commerce energy office shall:
31 1. For each of the eight fiscal years after completion of the ~~project~~
32 PROJECTS, determine energy and cost avoidance for solar energy and energy
33 conservation design, equipment and materials installed in state buildings,
34 using monitoring verification standards that are accepted by the United
35 States department of energy. Energy and cost avoidance amounts shall be
36 based on preinstallation or preconstruction baseline energy usage versus
37 energy usage after solar and other energy and resource efficient design,
38 materials or equipment are incorporated into the state building.
39 2. ~~Prior to~~ BEFORE calculating the energy and cost avoidance amounts,
40 present its methodology for doing so to the joint legislative budget
41 committee for review.
42 3. Report the amount determined in paragraph 1 of this subsection to
43 the governor's office of strategic planning and budgeting and the joint
44 legislative budget committee.
45 ~~D.~~ F. The legislature shall appropriate from the fund or funds from
46 which the maintenance and operation budget is derived the amount of the

1 annual cost avoidance for each of the first eight fiscal years after
2 completion of the ~~project~~ PROJECTS as follows:

3 1. Until the amount of the cumulative annual cost avoidance is equal
4 to the simple payback, no money shall be appropriated.

5 2. When the amount of the cumulative annual cost avoidance is greater
6 than the simple payback, the appropriation is as follows:

7 (a) Forty per cent to the budget unit that operates the building to be
8 used in the next fiscal year either to procure energy related equipment,
9 supplies, disposal costs and capital improvements approved by the chief
10 administrative officer of the agency or agencies and consistent with state
11 and federal law or for purposes of any of the budget unit's programs as
12 prescribed by law.

13 (b) Twenty per cent to the department of commerce for use by the
14 energy office for verification and monitoring of energy conservation
15 measures, project identification and implementation technical assistance.

16 ~~E- G.~~ G. The amounts prescribed by subsection ~~D- F~~ of this section are
17 intended to supplement and not supplant any appropriation for energy
18 conservation projects. These amounts shall be identified by A footnote or
19 other designation in the budget process as resulting from energy saving
20 projects.

21 Sec. 2. Section 42-14155, Arizona Revised Statutes, is amended to
22 read:

23 42-14155. Valuation of renewable energy equipment; definition

24 A. Through December 31, 2011, the department shall determine the
25 valuation of taxable renewable energy equipment in the manner prescribed by
26 this section.

27 B. The value of renewable energy equipment is twenty per cent of the
28 depreciated cost of the equipment.

29 C. For the purposes of this section, "renewable energy equipment"
30 means electric generation facilities, electric transmission, electric
31 distribution, gas distribution or combination gas and electric transmission
32 and distribution and transmission and distribution cooperative property that
33 is located in this state, that is used or useful for the generation, storage,
34 transmission or distribution of electric power, energy or fuel derived from
35 solar, wind or other nonpetroleum renewable sources. ~~not intended for~~
36 ~~self-consumption, including~~ RENEWABLE ENERGY EQUIPMENT INCLUDES DEVICES THAT
37 USE SOLAR THERMAL WATER HEATING SYSTEMS AND materials and supplies and
38 construction work in progress, but ~~excluding~~ EXCLUDES licensed vehicles and
39 property valued under sections 42-14154 and 42-14156.

40 Sec. 3. Section 43-222, Arizona Revised Statutes, is amended to read:

41 43-222. Income tax credit review schedule

42 Each year the joint legislative income tax credit review committee
43 shall review the following income tax credits:

44 1. In 2004, sections 43-1081.01, 43-1083, 43-1084 and 43-1170.01.

45 2. In 2005, sections 43-1087, 43-1088 and 43-1175.

1 3. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
2 43-1090, 43-1176 and 43-1181.

3 4. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
4 43-1166, 43-1167 and 43-1169.

5 5. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
6 43-1178.

7 6. In 2009, sections 43-1076 and 43-1162.

8 7. **IN 2010, SECTIONS 43-1083.01 AND 43-1182.**

9 Sec. 4. Section 43-1021, Arizona Revised Statutes, is amended to read:
10 **43-1021. Additions to Arizona gross income**

11 In computing Arizona adjusted gross income, the following amounts shall
12 be added to Arizona gross income:

13 1. A beneficiary's share of the fiduciary adjustment to the extent
14 that the amount determined by section 43-1333 increases the beneficiary's
15 Arizona gross income.

16 2. An amount equal to the "ordinary income portion" of a lump sum
17 distribution that was excluded from federal adjusted gross income pursuant to
18 section 402(d) of the internal revenue code.

19 3. The amount of interest income received on obligations of any state,
20 territory or possession of the United States, or any political subdivision
21 thereof, located outside the state of Arizona, reduced, for tax years
22 beginning from and after December 31, 1996, by the amount of any interest on
23 indebtedness and other related expenses that were incurred or continued to
24 purchase or carry those obligations and that are not otherwise deducted or
25 subtracted in arriving at Arizona gross income.

26 4. Annuity income received during the taxable year to the extent that
27 the sum of the proceeds received from such annuity in all taxable years prior
28 to and including the current taxable year exceeds the total consideration and
29 premiums paid by the taxpayer. This paragraph applies only to those
30 annuities with respect to which the first payment was received prior to
31 December 31, 1978.

32 5. The excess of a partner's share of partnership taxable income
33 required to be included under chapter 14, article 2 of this title over the
34 income required to be reported under section 702(a)(8) of the internal
35 revenue code.

36 6. The excess of a partner's share of partnership losses determined
37 pursuant to section 702(a)(8) of the internal revenue code over the losses
38 allowable under chapter 14, article 2 of this title.

39 7. The amount by which the adjusted basis of property described in
40 this paragraph and computed pursuant to the internal revenue code exceeds the
41 adjusted basis of such property computed pursuant to this title and the
42 income tax act of 1954, as amended. This paragraph shall apply to all
43 property which is held for the production of income and which is sold or
44 otherwise disposed of during the taxable year, except depreciable property
45 used in a trade or business.

1 8. The amount of depreciation or amortization of costs of any capital
2 investment that is deducted pursuant to section 167 or 179 of the internal
3 revenue code by a qualified defense contractor with respect to which an
4 election is made to amortize pursuant to section 43-1024.

5 9. The amount of gain from the sale or other disposition of a capital
6 investment which a qualified defense contractor has elected to amortize
7 pursuant to section 43-1024.

8 10. Amounts withdrawn from the Arizona state retirement system, the
9 corrections officer retirement plan, the public safety personnel retirement
10 system, the elected officials' retirement plan or a county or city retirement
11 plan by an employee upon termination of employment before retirement to the
12 extent they were deducted in arriving at Arizona taxable income in any year.

13 11. That portion of the net operating loss included in federal adjusted
14 gross income which has already been taken as a net operating loss for Arizona
15 purposes or which is separately taken as a subtraction under the special net
16 operating loss transition rule.

17 12. Any nonitemized amount deducted pursuant to section 170 of the
18 internal revenue code representing contributions to an educational
19 institution which denies admission, enrollment or board and room
20 accommodations on the basis of race, color or ethnic background except those
21 institutions primarily established for the education of American Indians.

22 13. The amount paid as taxes on property in this state with respect to
23 which a credit is claimed under section 43-1078.

24 14. Amounts withdrawn from a medical savings account by the individual
25 during the taxable year computed pursuant to section 220(f) of the internal
26 revenue code and not included in federal adjusted gross income.

27 15. Any amount of agricultural water conservation expenses that were
28 deducted pursuant to the internal revenue code for which a credit is claimed
29 under section 43-1084.

30 16. The amount by which the depreciation or amortization computed under
31 the internal revenue code with respect to property for which a credit was
32 taken under section 43-1080 exceeds the amount of depreciation or
33 amortization computed pursuant to the internal revenue code on the Arizona
34 adjusted basis of the property.

35 17. The amount by which the adjusted basis computed under the internal
36 revenue code with respect to property for which a credit was claimed under
37 section 43-1080 and which is sold or otherwise disposed of during the taxable
38 year exceeds the adjusted basis of the property computed under section
39 43-1080.

40 18. The amount by which the depreciation or amortization computed under
41 the internal revenue code with respect to property for which a credit was
42 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
43 depreciation or amortization computed pursuant to the internal revenue code
44 on the Arizona adjusted basis of the property.

45 19. The amount by which the adjusted basis computed under the internal
46 revenue code with respect to property for which a credit was claimed under

1 either section 43-1081 or 43-1081.01 and which is sold or otherwise disposed
2 of during the taxable year exceeds the adjusted basis of the property
3 computed under section 43-1081 or 43-1081.01, as applicable.

4 20. The deduction referred to in section 1341(a)(4) of the internal
5 revenue code for restoration of a substantial amount held under a claim of
6 right.

7 21. The amount by which a net operating loss carryover or capital loss
8 carryover allowable pursuant to section 1341(b)(5) of the internal revenue
9 code exceeds the net operating loss carryover or capital loss carryover
10 allowable pursuant to section 43-1029, subsection F.

11 22. Any amount deducted pursuant to section 170 of the internal revenue
12 code representing contributions to a school tuition organization or a public
13 school for which a credit is claimed under section 43-1089 or 43-1089.01.

14 23. Any amount deducted in computing Arizona gross income as expenses
15 for installing solar stub outs or electric vehicle recharge outlets in this
16 state with respect to which a credit is claimed pursuant to section 43-1090.

17 24. Any wage expenses deducted pursuant to the internal revenue code
18 for which a credit is claimed under section 43-1087 and representing net
19 increases in qualified employment positions for employment of temporary
20 assistance for needy families recipients.

21 25. Any amount deducted for conveying ownership or development rights
22 of property to an agricultural preservation district under section 48-5702
23 for which a credit is claimed under section 43-1081.02.

24 26. The amount of any depreciation allowance allowed pursuant to
25 section 167(a) of the internal revenue code to the extent not previously
26 added.

27 27. With respect to property for which an expense deduction was taken
28 pursuant to section 179 of the internal revenue code, the amount in excess of
29 twenty-five thousand dollars.

30 28. ANY AMOUNT DEDUCTED IN COMPUTING ARIZONA TAXABLE INCOME AS
31 DEPRECIATION FOR A SOLAR ENERGY DEVICE WITH RESPECT TO WHICH A CREDIT IS
32 CLAIMED PURSUANT TO SECTION 43-1083.01.

33 Sec. 5. Section 43-1083, Arizona Revised Statutes, is amended to read:

34 43-1083. Credit for solar energy devices

35 A. A credit is allowed against the taxes imposed by this title for
36 each resident who is not a dependent of another taxpayer for installing a
37 solar energy device, as defined in section 42-5001, during the taxable year
38 in the taxpayer's residence located in this state. EXCEPT FOR A RESIDENTIAL
39 PHOTOVOLTAIC POWER SYSTEM, the credit is equal to twenty-five per cent of the
40 cost of the device. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, THE
41 CREDIT FOR A RESIDENTIAL PHOTOVOLTAIC POWER SYSTEM IS EQUAL TO FIFTEEN PER
42 CENT OF THE COST OF THE DEVICE.

43 B. EXCEPT FOR A RESIDENTIAL PHOTOVOLTAIC POWER SYSTEM, the maximum
44 credit in a taxable year may not exceed one thousand dollars. EXCEPT AS
45 PROVIDED IN SUBSECTION D OF THIS SECTION, THE MAXIMUM CREDIT IN A TAXABLE
46 YEAR FOR A RESIDENTIAL PHOTOVOLTAIC POWER SYSTEM MAY NOT EXCEED THREE

1 THOUSAND DOLLARS. The person who provides the solar energy device shall
2 furnish the taxpayer with an accounting of the cost to the taxpayer.

3 ~~C. A THE taxpayer may claim the credit under this section only once~~
4 ~~in a tax year and~~ may not ~~cumulate over different tax years~~ ACCUMULATE TOTAL
5 tax credits under this section exceeding, in the aggregate, ~~one~~ FIVE thousand
6 dollars ~~for~~ WITH RESPECT TO the same residence.

7 D. THE LIMITS UNDER THIS SECTION THAT RELATE TO RESIDENTIAL
8 PHOTOVOLTAIC POWER SYSTEMS ONLY APPLY FOR TAXABLE YEARS BEGINNING FROM AND
9 AFTER DECEMBER 31, 2004 THROUGH DECEMBER 31, 2009.

10 ~~E.~~ E. If the allowable tax credit exceeds the taxes otherwise due
11 under this title on the claimant's income, or if there are no taxes due under
12 this title, the amount of the claim not used to offset taxes under this title
13 may be carried forward for not more than five consecutive taxable years as a
14 credit against subsequent years' income tax liability.

15 ~~F.~~ F. A husband and wife who file separate returns for a taxable year
16 in which they could have filed a joint return may each claim only one-half of
17 the tax credit that would have been allowed for a joint return.

18 ~~G.~~ G. The credit allowed under this section is in lieu of any
19 allowance for state tax purposes for exhaustion, ~~AND~~ wear and tear of the
20 solar energy device under section 167 of the internal revenue code.

21 ~~H.~~ H. To qualify for the credit under this section the solar energy
22 device and its installation shall meet the requirements of title 44, chapter
23 11, article 11.

24 ~~I.~~ I. A solar hot water heater plumbing stub out that was installed
25 by the builder of a house or dwelling unit before title was conveyed to the
26 taxpayer does not qualify for a credit under this section, but the taxpayer
27 may claim a credit for the device under section 43-1090 or 43-1176 under the
28 circumstances, conditions and limitations prescribed by section 43-1090,
29 subsection C or 43-1176, subsection C, as applicable.

30 Sec. 6. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
31 amended by adding section 43-1083.01, to read:

32 43-1083.01. Credit for commercial solar energy devices

33 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004
34 THROUGH DECEMBER 31, 2009, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY
35 THIS TITLE FOR INSTALLING ONE OR MORE SOLAR ENERGY DEVICES, AS DEFINED IN
36 SECTION 42-5001, DURING THE TAXABLE YEAR FOR COMMERCIAL OR INDUSTRIAL
37 PURPOSES IN THE TAXPAYER'S TRADE OR BUSINESS LOCATED IN THIS STATE.

38 B. EXCEPT FOR A PHOTOVOLTAIC POWER SYSTEM, THE AMOUNT OF THE CREDIT IS
39 EQUAL TO TWENTY-FIVE PER CENT OF THE COST OF THE DEVICE OR FIVE THOUSAND
40 DOLLARS, WHICHEVER IS LESS. THE AMOUNT OF THE CREDIT FOR A PHOTOVOLTAIC
41 POWER SYSTEM IS EQUAL TO FIFTEEN PER CENT OF THE COST OF THE DEVICE OR TEN
42 THOUSAND DOLLARS, WHICHEVER IS LESS.

43 C. THE PERSON WHO PROVIDES OR INSTALLS THE SOLAR ENERGY DEVICE SHALL
44 FURNISH THE TAXPAYER WITH AN ACCOUNTING OF THE COST TO THE TAXPAYER.

1 D. THE TAXPAYER MAY NOT ACCUMULATE TOTAL TAX CREDITS UNDER THIS
2 SECTION EXCEEDING, IN THE AGGREGATE, TWENTY-FIVE THOUSAND DOLLARS WITH
3 RESPECT TO THE SAME BUILDING.

4 E. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
5 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
6 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
7 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
8 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

9 F. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
10 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL
11 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
12 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
13 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
14 ALLOWED A SOLE OWNER.

15 G. THE CREDIT ALLOWED UNDER THIS SECTION IS IN LIEU OF ANY ALLOWANCE
16 FOR STATE TAX PURPOSES FOR EXHAUSTION AND WEAR AND TEAR OF THE SOLAR ENERGY
17 DEVICE UNDER SECTION 167 OF THE INTERNAL REVENUE CODE.

18 Sec. 7. Section 43-1121, Arizona Revised Statutes, is amended to read:
19 43-1121. Additions to Arizona gross income; corporations

20 In computing Arizona taxable income for a corporation, the following
21 amounts shall be added to Arizona gross income:

22 1. The amounts computed pursuant to section 43-1021, paragraphs 3
23 through 9, 12, 26 and 27.

24 2. The amount of dividend income received from corporations and
25 allowed as a deduction pursuant to sections 243, 244 and 245 of the internal
26 revenue code.

27 3. Taxes which are based on income paid to states, local governments
28 or foreign governments and which were deducted in computing federal taxable
29 income.

30 4. Expenses and interest relating to tax-exempt income on indebtedness
31 incurred or continued to purchase or carry obligations the interest on which
32 is wholly exempt from the tax imposed by this title. Financial institutions,
33 as defined in section 6-101, shall be governed by section 43-961,
34 paragraph 2.

35 5. Commissions, rentals and other amounts paid or accrued to a
36 domestic international sales corporation controlled by the payor corporation
37 if the domestic international sales corporation is not required to report its
38 taxable income to this state because its income is not derived from or
39 attributable to sources within this state. If the domestic international
40 sales corporation is subject to article 4 of this chapter, the department
41 shall prescribe by rule the method of determining the portion of the
42 commissions, rentals and other amounts which are paid or accrued to the
43 controlled domestic international sales corporation and which shall be
44 deducted by the payor. "Control" for purposes of this paragraph means direct
45 or indirect ownership or control of fifty per cent or more of the voting

1 stock of the domestic international sales corporation by the payor
2 corporation.

3 6. Federal income tax refunds received during the taxable year to the
4 extent they were deducted in arriving at Arizona taxable income in a previous
5 year.

6 7. The amount of net operating loss taken pursuant to section 172 of
7 the internal revenue code.

8 8. The amount of exploration expenses determined pursuant to section
9 617 of the internal revenue code to the extent that they exceed seventy-five
10 thousand dollars and to the extent that the election is made to defer those
11 expenses not in excess of seventy-five thousand dollars.

12 9. Amortization of costs incurred to install pollution control devices
13 and deducted pursuant to the internal revenue code or the amount of deduction
14 for depreciation taken pursuant to the internal revenue code on pollution
15 control devices for which an election is made pursuant to section 43-1129.

16 10. The amount of depreciation or amortization of costs of child care
17 facilities deducted pursuant to section 167 or 188 of the internal revenue
18 code for which an election is made to amortize pursuant to section 43-1130.

19 11. Arizona state income tax refunds received, to the extent the amount
20 of the refunds is not already included in Arizona gross income, if a tax
21 benefit was derived by deduction of this amount in a prior year.

22 12. The amount paid as taxes on property in this state by a qualified
23 defense contractor with respect to which a credit is claimed under section
24 43-1166.

25 13. The loss of an insurance company that is exempt under section
26 43-1201 to the extent that it is included in computing Arizona gross income
27 on a consolidated return pursuant to section 43-947.

28 14. The amount by which the depreciation or amortization computed under
29 the internal revenue code with respect to property for which a credit was
30 taken under section 43-1169 exceeds the amount of depreciation or
31 amortization computed pursuant to the internal revenue code on the Arizona
32 adjusted basis of the property.

33 15. The amount by which the adjusted basis computed under the internal
34 revenue code with respect to property for which a credit was claimed under
35 section 43-1169 and which is sold or otherwise disposed of during the taxable
36 year exceeds the adjusted basis of the property computed under section
37 43-1169.

38 16. The amount by which the depreciation or amortization computed under
39 the internal revenue code with respect to property for which a credit was
40 taken under either section 43-1170 or 43-1170.01 exceeds the amount of
41 depreciation or amortization computed pursuant to the internal revenue code
42 on the Arizona adjusted basis of the property.

43 17. The amount by which the adjusted basis computed under the internal
44 revenue code with respect to property for which a credit was claimed under
45 either section 43-1170 or 43-1170.01 and which is sold or otherwise disposed

1 of during the taxable year exceeds the adjusted basis of the property
2 computed under section 43-1170 or 43-1170.01, as applicable.

3 18. The deduction referred to in section 1341(a)(4) of the internal
4 revenue code for restoration of a substantial amount held under a claim of
5 right.

6 19. The amount by which a capital loss carryover allowable pursuant to
7 section 1341(b)(5) of the internal revenue code exceeds the capital loss
8 carryover allowable pursuant to section 43-1130.01, subsection F.

9 20. Any amount deducted in computing Arizona taxable income as expenses
10 for installing solar stub outs or electric vehicle recharge outlets in this
11 state with respect to which a credit is claimed pursuant to section 43-1176.

12 21. Any wage expenses deducted pursuant to the internal revenue code
13 for which a credit is claimed under section 43-1175 and representing net
14 increases in qualified employment positions for employment of temporary
15 assistance for needy families recipients.

16 22. Any amount of expenses that were deducted pursuant to the internal
17 revenue code and for which a credit is claimed under section 43-1178.

18 23. Any amount deducted for conveying ownership or development rights
19 of property to an agricultural preservation district under section 48-5702
20 for which a credit is claimed under section 43-1180.

21 24. The amount of any deduction that is claimed in computing Arizona
22 gross income and that represents a donation of a school site for which a
23 credit is claimed under section 43-1181.

24 25. ANY AMOUNT DEDUCTED IN COMPUTING ARIZONA TAXABLE INCOME AS
25 DEPRECIATION FOR A SOLAR ENERGY DEVICE WITH RESPECT TO WHICH A CREDIT IS
26 CLAIMED PURSUANT TO SECTION 43-1182.

27 Sec. 8. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
28 amended by adding section 43-1182, to read:

29 43-1182. Credit for commercial solar energy devices

30 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004
31 THROUGH DECEMBER 31, 2009, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY
32 THIS TITLE FOR INSTALLING ONE OR MORE SOLAR ENERGY DEVICES, AS DEFINED IN
33 SECTION 42-5001, DURING THE TAXABLE YEAR FOR COMMERCIAL OR INDUSTRIAL
34 PURPOSES IN THE TAXPAYER'S TRADE OR BUSINESS LOCATED IN THIS STATE.

35 B. EXCEPT FOR A PHOTOVOLTAIC POWER SYSTEM, THE AMOUNT OF THE CREDIT IS
36 EQUAL TO TWENTY-FIVE PER CENT OF THE COST OF THE DEVICE OR FIVE THOUSAND
37 DOLLARS, WHICHEVER IS LESS. THE AMOUNT OF THE CREDIT FOR A PHOTOVOLTAIC
38 POWER SYSTEM IS EQUAL TO FIFTEEN PER CENT OF THE COST OF THE DEVICE OR TEN
39 THOUSAND DOLLARS, WHICHEVER IS LESS.

40 C. THE PERSON WHO PROVIDES OR INSTALLS THE SOLAR ENERGY DEVICE SHALL
41 FURNISH THE TAXPAYER WITH AN ACCOUNTING OF THE COST TO THE TAXPAYER.

42 D. THE TAXPAYER MAY NOT ACCUMULATE TOTAL TAX CREDITS UNDER THIS
43 SECTION EXCEEDING, IN THE AGGREGATE, TWENTY-FIVE THOUSAND DOLLARS WITH
44 RESPECT TO THE SAME BUILDING.

45 E. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
46 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS

1 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
2 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
3 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

4 F. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
5 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
6 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
7 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
8 ALLOWED A SOLE OWNER.

9 G. THE CREDIT ALLOWED UNDER THIS SECTION IS IN LIEU OF ANY ALLOWANCE
10 FOR STATE TAX PURPOSES FOR EXHAUSTION AND WEAR AND TEAR OF THE SOLAR ENERGY
11 DEVICE UNDER SECTION 167 OF THE INTERNAL REVENUE CODE.

12 Sec. 9. Purpose

13 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
14 enacts sections 43-1083.01 and 43-1182, Arizona Revised Statutes, as added by
15 this act, to encourage taxpayers to install solar energy devices in their
16 businesses that are located in this state.

17 Sec. 10. Retroactivity

18 A. Sections 42-14155, 43-222, 43-1021, 43-1083 and 43-1121, Arizona
19 Revised Statutes, as amended by this act, apply retroactively to tax years
20 beginning from and after December 31, 2004.

21 B. Sections 43-1083.01 and 43-1182, Arizona Revised Statutes, as added
22 by this act, apply retroactively to tax years beginning from and after
23 December 31, 2004.