

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

# SENATE BILL 1447

## AN ACT

REPEALING SECTION 43-1087, ARIZONA REVISED STATUTES; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 12, SECTION 1, CHAPTER 264, SECTION 1, CHAPTER 316, SECTION 2 AND CHAPTER 317, SECTION 10; REPEALING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 292, SECTION 1; AMENDING SECTION 43-1021, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 316, SECTION 3 AND CHAPTER 317, SECTION 11; REPEALING SECTION 43-1021, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 292, SECTION 2; AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 317, SECTION 13; REPEALING SECTION 43-1121, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 292, SECTION 4; 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. Delayed repeal

3 Section ~~43-1087~~, Arizona Revised Statutes, is repealed from and after  
4 December 31, 2006.

5 Sec. 2. Section 43-222, Arizona Revised Statutes, as amended by Laws  
6 2005, chapter 12, section 1, chapter 264, section 1, chapter 316, section 2  
7 and chapter 317, section 10, is amended effective from and after December 31,  
8 2006, to read:

9 ~~43-222~~. Income tax credit review schedule

10 Each year the joint legislative income tax credit review committee  
11 shall review the following income tax credits:

12 1. In 2005, ~~sections 43-1087~~, SECTION 43-1088 ~~and 43-1175~~.

13 2. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,  
14 43-1090, 43-1176 and 43-1181.

15 3. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,  
16 43-1166, 43-1167 and 43-1169.

17 4. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and  
18 43-1178.

19 5. In 2009, sections 43-1076, 43-1081.01, 43-1083, 43-1084, 43-1162  
20 and 43-1170.01.

21 6. In 2010, sections 43-1075, ~~and 43-1163~~.

22 ~~7. In 2010, sections~~ 43-1079.01, ~~and 43-1090.01~~, 43-1163, 43-1167.01,  
23 43-1175 AND 43-1182.

24 ~~8-~~ 7. In 2011, section 43-1074.02.

25 Sec. 3. Delayed repeal

26 Section ~~43-222~~, Arizona Revised Statutes, as amended by Laws 2005,  
27 chapter 292, section 1, is repealed from and after December 31, 2006.

28 Sec. 4. Section 43-1021, Arizona Revised Statutes, as amended by Laws  
29 2005, chapter 316, section 3 and chapter 317, section 11, is amended  
30 effective from and after December 31, 2006, to read:

31 ~~43-1021~~. Additions to Arizona gross income

32 In computing Arizona adjusted gross income, the following amounts shall  
33 be added to Arizona gross income:

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

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

40 3. The amount of interest income received on obligations of any state,  
41 territory or possession of the United States, or any political subdivision  
42 thereof, located outside the state of Arizona, reduced, for tax years  
43 beginning from and after December 31, 1996, by the amount of any interest on  
44 indebtedness and other related expenses that were incurred or continued to

1 purchase or carry those obligations and that are not otherwise deducted or  
2 subtracted in arriving at Arizona gross income.

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

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

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

16 7. The amount by which the adjusted basis of property described in  
17 this paragraph and computed pursuant to the internal revenue code exceeds the  
18 adjusted basis of such property computed pursuant to this title and the  
19 income tax act of 1954, as amended. This paragraph shall apply to all  
20 property which is held for the production of income and which is sold or  
21 otherwise disposed of during the taxable year, except depreciable property  
22 used in a trade or business.

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

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

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

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

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

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

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

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

7           16. The amount by which the depreciation or amortization computed under  
8 the internal revenue code with respect to property for which a credit was  
9 taken under section 43-1080 exceeds the amount of depreciation or  
10 amortization computed pursuant to the internal revenue code on the Arizona  
11 adjusted basis of the property.

12           17. The amount by which the adjusted basis computed under the internal  
13 revenue code with respect to property for which a credit was claimed under  
14 section 43-1080 and which is sold or otherwise disposed of during the taxable  
15 year exceeds the adjusted basis of the property computed under section  
16 43-1080.

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

22           19. The amount by which the adjusted basis computed under the internal  
23 revenue code with respect to property for which a credit was claimed under  
24 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise  
25 disposed of during the taxable year exceeds the adjusted basis of the  
26 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as  
27 applicable.

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

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

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

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

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

1       ~~25.~~ 24. Any amount deducted for conveying ownership or development  
2 rights of property to an agricultural preservation district under section  
3 48-5702 for which a credit is claimed under section 43-1081.02.

4       ~~26.~~ 25. The amount of any depreciation allowance allowed pursuant to  
5 section 167(a) of the internal revenue code to the extent not previously  
6 added.

7       ~~27.~~ 26. With respect to property for which an expense deduction was  
8 taken pursuant to section 179 of the internal revenue code, the amount in  
9 excess of twenty-five thousand dollars.

10       ~~28.~~ 27. The amount of any deductions that are claimed in computing  
11 federal adjusted gross income representing expenses for which a credit is  
12 claimed under section 43-1075.

13       28. THE AMOUNT BY WHICH THE DEPRECIATION OR AMORTIZATION COMPUTED UNDER  
14 THE INTERNAL REVENUE CODE WITH RESPECT TO PROPERTY FOR WHICH A CREDIT WAS  
15 TAKEN UNDER SECTION 43-1090.01 EXCEEDS THE AMOUNT OF DEPRECIATION OR  
16 AMORTIZATION COMPUTED PURSUANT TO THE INTERNAL REVENUE CODE ON THE ARIZONA  
17 ADJUSTED BASIS OF THE PROPERTY.

18       29. THE AMOUNT BY WHICH THE ADJUSTED BASIS COMPUTED UNDER THE INTERNAL  
19 REVENUE CODE WITH RESPECT TO PROPERTY FOR WHICH A CREDIT WAS CLAIMED UNDER  
20 SECTION 43-1090.01 AND WHICH IS SOLD OR OTHERWISE DISPOSED OF DURING THE  
21 TAXABLE YEAR EXCEEDS THE ADJUSTED BASIS OF THE PROPERTY COMPUTED UNDER  
22 SECTION 43-1090.01.

23       Sec. 5. Delayed repeal

24       Section ~~43-1021~~, Arizona Revised Statutes, as amended by Laws 2005,  
25 chapter 292, section 2, is repealed from and after December 31, 2006.

26       Sec. 6. Section 43-1022, Arizona Revised Statutes, is amended  
27 effective from and after December 31, 2006, to read:

28       ~~43-1022.~~ Subtractions from Arizona gross income

29       In computing Arizona adjusted gross income, the following amounts shall  
30 be subtracted from Arizona gross income:

31       1. The amount of exemptions allowed by section 43-1023.

32       2. Benefits, annuities and pensions in an amount totaling not more  
33 than two thousand five hundred dollars received from one or more of the  
34 following:

35       (a) The United States government service retirement and disability  
36 fund, retired or retainer pay of the uniformed services of the United States,  
37 the United States foreign service retirement and disability system and any  
38 other retirement system or plan established by federal law.

39       (b) The Arizona state retirement system, the corrections officer  
40 retirement plan, the public safety personnel retirement system, the elected  
41 officials' retirement plan, an optional retirement program established by the  
42 Arizona board of regents under section 15-1628, an optional retirement  
43 program established by a community college district board under section  
44 15-1451 or a retirement plan established for employees of a county, city or  
45 town in this state.

1           3. A beneficiary's share of the fiduciary adjustment to the extent  
2 that the amount determined by section 43-1333 decreases the beneficiary's  
3 Arizona gross income.

4           4. The amount of any distributions from an individual retirement  
5 account as provided for in section 408 of the internal revenue code or from a  
6 qualified retirement plan of a self-employed individual as provided for in  
7 section 401 of the internal revenue code to the extent that total adjustments  
8 made pursuant to this paragraph in all tax years do not exceed the total of  
9 all contributions made by the taxpayer to such plans prior to December 31,  
10 1975, which were included in computing Arizona taxable income.

11           5. The amount of income on an installment receivable which is  
12 recognized pursuant to the internal revenue code and which has already been  
13 recognized on the death of the taxpayer for purposes of this title for tax  
14 years ending before January 1, 1990.

15           6. Interest income received on obligations of the United States, less  
16 any interest on indebtedness, or other related expenses, and deducted in  
17 arriving at Arizona gross income, which were incurred or continued to  
18 purchase or carry such obligations.

19           7. The amount of any income tax refunds which were received from  
20 states other than Arizona and which were included as income in computing  
21 federal adjusted gross income.

22           8. Annuity income included in federal adjusted gross income pursuant  
23 to section 72 of the internal revenue code if the first payment with respect  
24 to such annuity was received prior to December 31, 1978.

25           9. The excess of a partner's share of income required to be included  
26 under section 702(a)(8) of the internal revenue code over the income required  
27 to be included under chapter 14, article 2 of this title.

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

31           11. The amount by which the adjusted basis of property described in  
32 this paragraph and computed pursuant to this title and the income tax act of  
33 1954, as amended, exceeds the adjusted basis of such property computed  
34 pursuant to the internal revenue code. This paragraph shall apply to all  
35 property which is held for the production of income and which is sold or  
36 otherwise disposed of during the taxable year other than depreciable property  
37 used in a trade or business.

38           12. The amount allowed by section 43-1024 for amortization, by a  
39 qualified defense contractor certified by the department of commerce under  
40 section 41-1508, of a capital investment for private commercial activities.

41           13. The amount of gain included in federal adjusted gross income on the  
42 sale or other disposition of a capital investment that a qualified defense  
43 contractor has elected to amortize pursuant to section 43-1024.

1           14. The amount allowed by section 43-1025 for contributions during the  
2 taxable year of agricultural crops to charitable organizations.

3           15. The portion of any wages or salaries paid or incurred by the  
4 taxpayer for the taxable year that is equal to the amount of the federal work  
5 opportunity credit, the empowerment zone employment credit, the credit for  
6 employer paid social security taxes on employee cash tips and the Indian  
7 employment credit that the taxpayer received under sections 45A, 45B, 51(a)  
8 and 1396 of the internal revenue code.

9           16. The amount of prizes or winnings less than five thousand dollars in  
10 a single taxable year from any of the state lotteries established and  
11 operated pursuant to title 5, chapter 5, article 1, except that all such  
12 winnings before March 22, 1983, including periodic distributions from such  
13 winnings made after March 22, 1983, may be subtracted.

14           17. The amount of exploration expenses that is determined pursuant to  
15 section 617 of the internal revenue code, that has been deferred in a taxable  
16 year ending before January 1, 1990 and for which a subtraction has not  
17 previously been made. The subtraction shall be made on a ratable basis as  
18 the units of produced ores or minerals discovered or explored as a result of  
19 this exploration are sold.

20           18. The amount included in federal adjusted gross income pursuant to  
21 section 86 of the internal revenue code, relating to taxation of social  
22 security and railroad retirement benefits.

23           19. To the extent not already excluded from Arizona gross income under  
24 section 112 of the internal revenue code, compensation received for active  
25 service as a member of the armed forces of the United States for any month  
26 during any part of which the member served in a combat zone as determined  
27 under section 112 of the internal revenue code or in an area given the same  
28 treatment as a combat zone for purposes of section 112 of the internal  
29 revenue code.

30           20. The amount of unreimbursed medical and hospital costs, adoption  
31 counseling, legal and agency fees and other nonrecurring costs of adoption  
32 not to exceed three thousand dollars. In the case of a husband and wife who  
33 file separate returns, the subtraction may be taken by either taxpayer or may  
34 be divided between them, but the total subtractions allowed both husband and  
35 wife shall not exceed three thousand dollars. The subtraction under this  
36 paragraph may be taken for the costs that are described in this paragraph and  
37 that are incurred in prior years, but the subtraction may be taken only in  
38 the year during which the final adoption order is granted.

39           21. The amount authorized by section 43-1027 for the taxable year  
40 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

41           22. With respect to a medical savings account established pursuant to  
42 section 43-1028:

1 (a) An eligible individual may subtract:

2 (i) The amount of contributions made by the individual's employer  
3 during the taxable year to the individual's medical savings account pursuant  
4 to section 43-1028 to the extent that the employer contributions are included  
5 in the individual's federal adjusted gross income.

6 (ii) The amount deposited by the individual in the account during the  
7 taxable year to the extent that the individual's contributions are included  
8 in the individual's federal adjusted gross income.

9 (b) The individual's employer may subtract the amount of contributions  
10 made by the employer to a medical savings account established on the  
11 individual's behalf to the extent that the contributions are not deductible  
12 under the internal revenue code.

13 23. The amount by which a net operating loss carryover or capital loss  
14 carryover allowable pursuant to section 43-1029, subsection F exceeds the net  
15 operating loss carryover or capital loss carryover allowable pursuant to  
16 section 1341(b)(5) of the internal revenue code.

17 24. Any amount of qualified educational expenses that is distributed  
18 from a qualified state tuition program determined pursuant to section 529 of  
19 the internal revenue code and that is included in income in computing federal  
20 adjusted gross income.

21 25. Any item of income resulting from an installment sale that has been  
22 properly subjected to income tax in another state in a previous taxable year  
23 and that is included in Arizona gross income in the current taxable year.

24 26. The amount authorized by section 43-1030 relating to holocaust  
25 survivors.

26 27. The amount authorized by section 43-1031 for constructing an energy  
27 efficient residence.

28 28. An amount equal to the depreciation allowable pursuant to section  
29 167(a) of the internal revenue code for the taxable year computed as if the  
30 election described in section 168(k)(2)(C)(iii) of the internal revenue code  
31 had been made for each applicable class of property in the year the property  
32 was placed in service.

33 29. With respect to property that is sold or otherwise disposed of  
34 during the taxable year by a taxpayer that complied with section 43-1021,  
35 paragraph ~~26~~ 25 with respect to that property, the amount of depreciation  
36 that has been allowed pursuant to section 167(a) of the internal revenue code  
37 to the extent that the amount has not already reduced Arizona taxable income  
38 in the current or prior taxable years.

39 30. With respect to property for which an adjustment was made under  
40 section 43-1021, paragraph ~~27~~ 26, an amount equal to one-fifth of the amount  
41 of the adjustment pursuant to section 43-1021, paragraph ~~27~~ 26 in the year in  
42 which the amount was adjusted under section 43-1021, paragraph ~~27~~ 26 and in  
43 each of the following four years.

1           Sec. 7. Section 43-1121, Arizona Revised Statutes, as amended by Laws  
2 2005, chapter 317, section 13, is amended effective from and after December  
3 31, 2006, to read:

4           43-1121. Additions to Arizona gross income: corporations

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

7           1. The amounts computed pursuant to section 43-1021, paragraphs 3  
8 through 9, 12, ~~26 and 27~~ 25 AND 26.

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

12           3. Taxes which are based on income paid to states, local governments  
13 or foreign governments and which were deducted in computing federal taxable  
14 income.

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

20           5. Commissions, rentals and other amounts paid or accrued to a  
21 domestic international sales corporation controlled by the payor corporation  
22 if the domestic international sales corporation is not required to report its  
23 taxable income to this state because its income is not derived from or  
24 attributable to sources within this state. If the domestic international  
25 sales corporation is subject to article 4 of this chapter, the department  
26 shall prescribe by rule the method of determining the portion of the  
27 commissions, rentals and other amounts which are paid or accrued to the  
28 controlled domestic international sales corporation and which shall be  
29 deducted by the payor. "Control" for purposes of this paragraph means direct  
30 or indirect ownership or control of fifty per cent or more of the voting  
31 stock of the domestic international sales corporation by the payor  
32 corporation.

33           6. Federal income tax refunds received during the taxable year to the  
34 extent they were deducted in arriving at Arizona taxable income in a previous  
35 year.

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

38           8. The amount of exploration expenses determined pursuant to section  
39 617 of the internal revenue code to the extent that they exceed seventy-five  
40 thousand dollars and to the extent that the election is made to defer those  
41 expenses not in excess of seventy-five thousand dollars.

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

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

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

7           12. The amount paid as taxes on property in this state by a qualified  
8 defense contractor with respect to which a credit is claimed under section  
9 43-1166.

10          13. The loss of an insurance company that is exempt under section  
11 43-1201 to the extent that it is included in computing Arizona gross income  
12 on a consolidated return pursuant to section 43-947.

13          14. The amount by which the depreciation or amortization computed under  
14 the internal revenue code with respect to property for which a credit was  
15 taken under section 43-1169 exceeds the amount of depreciation or  
16 amortization computed pursuant to the internal revenue code on the Arizona  
17 adjusted basis of the property.

18          15. The amount by which the adjusted basis computed under the internal  
19 revenue code with respect to property for which a credit was claimed under  
20 section 43-1169 and which is sold or otherwise disposed of during the taxable  
21 year exceeds the adjusted basis of the property computed under section  
22 43-1169.

23          16. The amount by which the depreciation or amortization computed under  
24 the internal revenue code with respect to property for which a credit was  
25 taken under either section 43-1170 or 43-1170.01 exceeds the amount of  
26 depreciation or amortization computed pursuant to the internal revenue code  
27 on the Arizona adjusted basis of the property.

28          17. The amount by which the adjusted basis computed under the internal  
29 revenue code with respect to property for which a credit was claimed under  
30 either section 43-1170 or 43-1170.01 and which is sold or otherwise disposed  
31 of during the taxable year exceeds the adjusted basis of the property  
32 computed under section 43-1170 or 43-1170.01, as applicable.

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

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

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

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

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

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

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

9           25. The amount of any deductions that are claimed in computing federal  
10 taxable income representing expenses for which a credit is claimed under  
11 section 43-1163.

12           26. ANY AMOUNT DEDUCTED IN COMPUTING ARIZONA TAXABLE INCOME AS EXPENSES  
13 FOR INSTALLING WATER CONSERVATION SYSTEM PLUMBING STUB OUTS IN THIS STATE  
14 WITH RESPECT TO WHICH A CREDIT IS CLAIMED PURSUANT TO SECTION 43-1182.

15           Sec. 8. Delayed repeal

16           Section 43-1121, Arizona Revised Statutes, as amended by Laws 2005,  
17 chapter 292, section 4, is repealed from and after December 31, 2006.

18           Sec. 9. Applicability

19           The repeal of section 43-1087, Arizona Revised Statutes, does not  
20 affect a tax credit carry forward that accrued under this section prior to  
21 the repeal.

22           Sec. 10. Requirements for enactment; two-thirds vote

23           Pursuant to article IX, section 22, Constitution of Arizona, this act  
24 is effective only on the affirmative vote of at least two-thirds of the  
25 members of each house of the legislature and is effective immediately on the  
26 signature of the governor or, if the governor vetoes this act, on the  
27 subsequent affirmative vote of at least three-fourths of the members of each  
28 house of the legislature.