

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

SENATE BILL 1456

AN ACT

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 TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1085; 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; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1183; RELATING TO INDIVIDUAL AND CORPORATE 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 43-222, Arizona Revised Statutes, as amended by
3 Laws 2005, chapter 12, section 1, chapter 264, section 1, chapter 316,
4 section 2 and chapter 317, section 10, is amended to read:

5 43-222. Income tax credit review schedule

6 Each year the joint legislative income tax credit review committee
7 shall review the following income tax credits:

8 1. In 2005, sections 43-1087, 43-1088 and 43-1175.

9 2. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
10 43-1090, 43-1176 and 43-1181.

11 3. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
12 43-1166, 43-1167 and 43-1169.

13 4. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
14 43-1178.

15 5. In 2009, sections 43-1076, 43-1081.01, 43-1083, 43-1084, 43-1162
16 and 43-1170.01.

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

18 ~~7. In 2010, sections~~ 43-1079.01, ~~and 43-1090.01,~~ 43-1163, 43-1167.01
19 AND 43-1182.

20 ~~8. 7.~~ In 2011, ~~section~~ SECTIONS 43-1074.02, 43-1085 AND 43-1183.

21 Sec. 2. Repeal

22 Section 43-222, Arizona Revised Statutes, as amended by Laws 2005,
23 chapter 292, section 1, is repealed.

24 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
25 amended by adding section 43-1085, to read:

26 43-1085. Credit for charitable organizations supporting
27 overseas military service personnel; definition

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006, A
29 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE AMOUNT OF
30 VOLUNTARY CASH DONATIONS MADE BY THE TAXPAYER DURING THE TAXABLE YEAR TO A
31 QUALIFYING CHARITABLE ORGANIZATION, BUT NOT EXCEEDING:

32 1. TWO HUNDRED FIFTY DOLLARS IN ANY TAXABLE YEAR FOR A SINGLE
33 INDIVIDUAL OR A HEAD OF HOUSEHOLD.

34 2. FIVE HUNDRED DOLLARS IN ANY TAXABLE YEAR FOR A MARRIED COUPLE
35 FILING A JOINT RETURN.

36 B. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN
37 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF
38 THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED FOR A JOINT RETURN.

39 C. IN ANY CASE THE AMOUNT OF THE CREDIT SHALL NOT EXCEED THE AMOUNT OF
40 THE TAX OTHERWISE DUE FROM THE TAXPAYER UNDER THIS TITLE FOR THE TAXABLE
41 YEAR, AFTER SUBTRACTING ALL OTHER APPLICABLE CREDITS. NO PORTION OF THE
42 CREDIT MAY BE REFUNDED OR CARRIED FORWARD TO SUBSEQUENT TAXABLE YEARS.

1 D. FOR THE PURPOSES OF THIS SECTION, "QUALIFYING CHARITABLE
2 ORGANIZATION" MEANS A CHARITABLE ORGANIZATION THAT IS EXEMPT FROM FEDERAL
3 INCOME TAXATION UNDER SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE THAT HAS
4 A PRIMARY PURPOSE AND SPENDS A MAJORITY OF EXPENSES TO SEND GIFT PACKAGES TO
5 ACTIVE MEMBERS OF THE ARMED FORCES OF THE UNITED STATES WHO ARE SERVING IN A
6 FOREIGN COUNTRY.

7 Sec. 4. Section 43-1121, Arizona Revised Statutes, as amended by Laws
8 2005, chapter 317, section 13, is amended to read:

9 43-1121. Additions to Arizona gross income; corporations

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

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

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

17 3. Taxes which are based on income paid to states, local governments
18 or foreign governments and which were deducted in computing federal taxable
19 income.

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

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

38 6. Federal income tax refunds received during the taxable year to the
39 extent they were deducted in arriving at Arizona taxable income in a previous
40 year.

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

43 8. The amount of exploration expenses determined pursuant to section
44 617 of the internal revenue code to the extent that they exceed seventy-five

1 thousand dollars and to the extent that the election is made to defer those
2 expenses not in excess of seventy-five thousand dollars.

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

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

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

13 12. The amount paid as taxes on property in this state by a qualified
14 defense contractor with respect to which a credit is claimed under section
15 43-1166.

16 13. The loss of an insurance company that is exempt under section
17 43-1201 to the extent that it is included in computing Arizona gross income
18 on a consolidated return pursuant to section 43-947.

19 14. The amount by which the depreciation or amortization computed under
20 the internal revenue code with respect to property for which a credit was
21 taken under section 43-1169 exceeds the amount of depreciation or
22 amortization computed pursuant to the internal revenue code on the Arizona
23 adjusted basis of the property.

24 15. The amount by which the adjusted basis computed under the internal
25 revenue code with respect to property for which a credit was claimed under
26 section 43-1169 and which is sold or otherwise disposed of during the taxable
27 year exceeds the adjusted basis of the property computed under section
28 43-1169.

29 16. The amount by which the depreciation or amortization computed under
30 the internal revenue code with respect to property for which a credit was
31 taken under either section 43-1170 or 43-1170.01 exceeds the amount of
32 depreciation or amortization computed pursuant to the internal revenue code
33 on the Arizona adjusted basis of the property.

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

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

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

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

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

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

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

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

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

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

22 27. THE AMOUNT OF ANY DEDUCTION THAT IS CLAIMED IN COMPUTING ARIZONA
23 GROSS INCOME AND THAT REPRESENTS A CONTRIBUTION TO A CHARITABLE ORGANIZATION
24 FOR WHICH A CREDIT IS CLAIMED UNDER SECTION 43-1183.

25 Sec. 5. Repeal

26 Section 43-1121, Arizona Revised Statutes, as amended by Laws 2005,
27 chapter 292, section 4, is repealed.

28 Sec. 6. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
29 amended by adding section 43-1183, to read:

30 43-1183. Credit for charitable organizations supporting active
31 members of the armed forces of the United States
32 serving in a foreign country; definition

33 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006, A
34 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE AMOUNT OF
35 VOLUNTARY CASH DONATIONS MADE BY THE TAXPAYER DURING THE TAXABLE YEAR TO A
36 QUALIFYING CHARITABLE ORGANIZATION, BUT NOT EXCEEDING ONE THOUSAND DOLLARS.

37 B. TO QUALIFY FOR THE CREDIT THE CONTRIBUTION MUST BE MADE TO A
38 QUALIFIED CHARITABLE ORGANIZATION APPROVED BY THE UNITED STATES DEPARTMENT OF
39 DEFENSE TO SEND PACKAGES TO ACTIVE MEMBERS OF THE UNITED STATES ARMED FORCES
40 SERVING IN A FOREIGN COUNTRY.

41 C. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
42 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
43 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
44 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
45 ALLOWED A SOLE OWNER.

1 D. IN ANY CASE THE AMOUNT OF THE CREDIT SHALL NOT EXCEED THE AMOUNT OF
2 THE TAX OTHERWISE DUE FROM THE TAXPAYER UNDER THIS TITLE FOR THE TAXABLE
3 YEAR, AFTER SUBTRACTING ALL OTHER APPLICABLE CREDITS. NO PORTION OF THE
4 CREDIT MAY BE REFUNDED OR CARRIED FORWARD TO SUBSEQUENT TAXABLE YEARS.

5 E. FOR THE PURPOSES OF THIS SECTION, "QUALIFYING CHARITABLE
6 ORGANIZATION" MEANS A CHARITABLE ORGANIZATION THAT IS EXEMPT FROM FEDERAL
7 INCOME TAXATION UNDER SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE THAT HAS
8 A PRIMARY PURPOSE AND SPENDS A MAJORITY OF EXPENSES TO SEND GIFT PACKAGES TO
9 ACTIVE MEMBERS OF THE ARMED FORCES OF THE UNITED STATES WHO ARE SERVING IN A
10 FOREIGN COUNTRY.

11 Sec. 7. Purpose

12 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
13 enacts sections 43-1085 and 43-1183, Arizona Revised Statutes, as added by
14 this act, to encourage taxpayers to support active members of the armed
15 forces of the United States who are serving in a foreign country by donating
16 to charitable organizations that send gift packages to active members of the
17 armed forces of the United States serving in a foreign country.