

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HOUSE BILL 2784

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 20-224.06 AND 20-224.07; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1511.01; AMENDING SECTIONS 42-2001, 42-13054, 42-15001, 42-15006 AND 43-401, ARIZONA REVISED STATUTES; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2007, CHAPTER 7, SECTION 1; AMENDING SECTIONS 43-1021, 43-1022 AND 43-1074.01, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1086; AMENDING SECTIONS 43-1088, 43-1089, 43-1089.01, 43-1111 AND 43-1168, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1177; AMENDING SECTION 43-1183, ARIZONA REVISED STATUTES; RELATING TO TAXATION; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 20, chapter 2, article 1, Arizona Revised Statutes,
3 is amended by adding sections 20-224.06 and 20-224.07, to read:

4 20-224.06. Premium tax credit for employment at employment
5 centers; definitions

6 A. A LIFE INSURER OR PROPERTY AND CASUALTY INSURER THAT INCURS PREMIUM
7 TAX LIABILITY PURSUANT TO THIS TITLE MAY CLAIM A CREDIT AGAINST THAT TAX
8 LIABILITY AND ANY RETALIATORY TAXES INCURRED BY THE INSURER PURSUANT TO
9 SECTION 20-230 FOR GROSS WAGES PAID BY THE INSURER AND ITS AFFILIATES TO
10 EMPLOYEES WHO ARE EMPLOYED AT AN EMPLOYMENT CENTER IN THIS STATE. THE AMOUNT
11 OF THE CREDIT IS EQUAL TO FIFTEEN PER CENT OF THE GROSS WAGES PAID IN THE
12 CURRENT YEAR BY THE INSURER AND ITS AFFILIATES TO EMPLOYEES WHO ARE EMPLOYED
13 AT AN EMPLOYMENT CENTER IN THIS STATE, BUT SHALL NOT EXCEED THE LESSER OF:

14 1. FOUR HUNDRED TWENTY-FIVE THOUSAND DOLLARS.

15 2. SIXTY-FIVE PER CENT OF THE INSURER'S PREMIUM TAX AND RETALIATORY
16 TAX LIABILITY IN THE CURRENT YEAR.

17 B. TO QUALIFY FOR THE CREDIT PURSUANT TO THIS SECTION:

18 1. THE INSURER MUST:

19 (a) OPERATE AT LEAST ONE EMPLOYMENT CENTER IN THIS STATE THAT
20 QUALIFIES FOR THE PURPOSES OF THIS SECTION.

21 (b) OWN OR LEASE MORE THAN FIFTY THOUSAND SQUARE FEET OF OFFICE SPACE
22 AT AN EMPLOYMENT CENTER LOCATED IN THIS STATE.

23 2. THE INSURER MUST MAINTAIN A WORKFORCE OF AT LEAST ONE HUNDRED FIFTY
24 FULL-TIME EMPLOYEES AT AN EMPLOYMENT CENTER IN THIS STATE.

25 3. ALL OF THE GROSS WAGES WITH RESPECT TO WHICH A CREDIT IS CLAIMED
26 MUST BE PAID TO EMPLOYEES WHO RESIDE IN THIS STATE AND WHO ARE EMPLOYED BY
27 THE INSURER OR ITS AFFILIATES AT THE EMPLOYMENT CENTER IN THIS STATE. ALL
28 GROSS WAGES PAID BY THE INSURER AND ITS AFFILIATES TO EMPLOYEES EMPLOYED AT
29 EMPLOYMENT CENTERS IN THIS STATE ARE ELIGIBLE TO BE USED FOR THE PURPOSES OF
30 CALCULATING THE CREDIT.

31 4. THE INSURER OR ITS AFFILIATES MUST:

32 (a) PROVIDE ADMINISTRATIVE OR OTHER SUPPORT SERVICES FOR THE INSURER
33 OR ITS AFFILIATES IN EACH STATE IN WHICH THE INSURER IS LICENSED OR IN WHICH
34 AN AFFILIATE IS QUALIFIED TO DO BUSINESS OR IN THREE OR MORE OF THESE STATES,
35 WHICHEVER IS LESS.

36 (b) SPEND AT LEAST FIVE MILLION DOLLARS ANNUALLY FOR ADMINISTRATIVE
37 AND OPERATING EXPENSES IN THIS STATE.

38 5. THE INSURER MUST APPLY TO THE DIRECTOR ON FORMS PRESCRIBED BY THE
39 DEPARTMENT NO LATER THAN SEPTEMBER 15 OF THE YEAR IN WHICH THE INSURER
40 INTENDS TO CLAIM THE CREDIT. A FAILURE TO TIMELY SUBMIT A CORRECT AND
41 COMPLETE APPLICATION IN THE MANNER PRESCRIBED BY THE DEPARTMENT CONSTITUTES A
42 WAIVER OF THE CREDIT. THE INSURER MUST INCLUDE WITH THE APPLICATION EVIDENCE
43 OF MEETING OR CERTIFICATION THAT IT MEETS THE REQUIREMENTS PRESCRIBED IN THIS
44 SECTION TO QUALIFY FOR THE CREDIT.

- 1 C. AN INSURER THAT CLAIMS A TAX CREDIT UNDER SECTION 20-224.03 OR
2 20-224.04 IS NOT ELIGIBLE TO CLAIM A CREDIT UNDER THIS SECTION.
- 3 D. ANY INFORMATION SUBMITTED BY AN INSURER TO THE DEPARTMENT UNDER
4 THIS SECTION IS CONFIDENTIAL, IS EXEMPT FROM TITLE 39, CHAPTER 1, ARTICLE 2
5 AND IS NOT SUBJECT TO DISCLOSURE EXCEPT TO THE EXTENT THE INSURER THAT
6 PROVIDED THE INFORMATION CONSENTS TO THE DISCLOSURE.
- 7 E. AN INSURER THAT CLAIMS A CREDIT UNDER THIS SECTION AGAINST ITS
8 PREMIUM TAX LIABILITY IS NOT REQUIRED TO PAY ANY ADDITIONAL RETALIATORY TAX
9 THAT IS IMPOSED PURSUANT TO SECTION 20-230 AS A RESULT OF CLAIMING THAT TAX
10 CREDIT.
- 11 F. THE DEPARTMENT MAY ADOPT RULES NECESSARY FOR THE ADMINISTRATION OF
12 THIS SECTION.
- 13 G. FOR THE PURPOSES OF THIS SECTION:
- 14 1. "AFFILIATE" INCLUDES ANY COMPANY OR BUSINESS ENTITY THAT, DIRECTLY
15 OR INDIRECTLY, THROUGH ONE OR MORE INTERMEDIARIES CONTROLS, IS CONTROLLED BY
16 OR IS UNDER COMMON CONTROL WITH AN INSURANCE COMPANY OR AN INSURANCE HOLDING
17 COMPANY.
- 18 2. "EMPLOYMENT CENTER" INCLUDES AN ADDRESS OR ADJACENT ADDRESSES IN
19 WHICH THE INSURER OR ITS AFFILIATES CONDUCT BUSINESS.
- 20 3. "GROSS WAGES" MEANS GROSS COMPENSATION THAT IS PAID TO EMPLOYEES IN
21 THIS STATE BY AN INSURER AND ITS AFFILIATES AS REPORTED IN THE CURRENT YEAR
22 FOR STATE INCOME TAX PURPOSES. GROSS WAGES DO NOT INCLUDE AMOUNTS PAID AS
23 COMMISSIONS TO PERSONS FOR SELLING, SOLICITING OR NEGOTIATING INSURANCE OR TO
24 INDEPENDENT CONTRACTORS OF THE INSURER OR ITS AFFILIATES BUT DO INCLUDE
25 BONUSES THAT ARE PAID TO EMPLOYEES OF THE INSURER OR ITS AFFILIATES.
- 26 4. "INSURER" MEANS A LIFE INSURER OR PROPERTY AND CASUALTY INSURER
27 THAT IS SUBJECT TO PREMIUM TAX LIABILITY PURSUANT TO THIS TITLE.
- 28 20-224.07. Premium tax credit for contributions to school
29 tuition organization
- 30 A. THROUGH JUNE 30, 2011, A CREDIT IS ALLOWED AGAINST THE PREMIUM TAX
31 LIABILITY INCURRED BY AN INSURER PURSUANT TO SECTION 20-224, 20-837, 20-1010,
32 20-1060 OR 20-1097.07 FOR THE AMOUNT OF VOLUNTARY CASH CONTRIBUTIONS MADE BY
33 THE INSURER DURING THE TAX YEAR TO A SCHOOL TUITION ORGANIZATION.
- 34 B. THE AMOUNT OF THE CREDIT IS THE TOTAL AMOUNT OF THE INSURER'S
35 CONTRIBUTIONS FOR THE TAX YEAR UNDER SUBSECTION A OF THIS SECTION THAT IS
36 PREAPPROVED BY THE DEPARTMENT OF REVENUE PURSUANT TO SECTION 43-1183,
37 SUBSECTION D.
- 38 C. THE PROCEDURES, CONDITIONS, LIMITATIONS, DEFINITIONS AND OTHER
39 REQUIREMENTS PRESCRIBED BY SECTION 43-1183 APPLY TO:
- 40 1. INSURERS THAT CLAIM A CREDIT UNDER THIS SECTION.
- 41 2. CLAIMS FOR CREDIT UNDER THIS SECTION.
- 42 3. SCHOOL TUITION ORGANIZATIONS THAT RECEIVE CONTRIBUTIONS FROM
43 INSURERS FOR THE PURPOSES OF THIS SECTION.
- 44 4. SCHOOLS THAT QUALIFY TO RECEIVE SCHOLARSHIP MONIES CONTRIBUTED BY
45 INSURERS FOR THE PURPOSES OF THIS SECTION.

1 5. STUDENTS WHO RECEIVE SCHOLARSHIPS FROM MONIES CONTRIBUTED BY
2 INSURERS FOR THE PURPOSES OF THIS SECTION.

3 D. IF THE ALLOWABLE AMOUNT OF A CREDIT UNDER THIS SECTION EXCEEDS THE
4 INSURER'S STATE PREMIUM TAX LIABILITY, THE AMOUNT OF THE CLAIM NOT USED TO
5 OFFSET THE PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD AS A CREDIT AGAINST
6 THE INSURER'S SUBSEQUENT YEARS' PREMIUM TAX LIABILITY FOR A PERIOD NOT TO
7 EXCEED FIVE TAXABLE YEARS.

8 E. A CREDIT IS NOT ALLOWED IF THE INSURER DESIGNATES THE CONTRIBUTION
9 FOR THE DIRECT BENEFIT OF ANY SPECIFIC STUDENT.

10 F. THE DEPARTMENT OF INSURANCE, WITH THE COOPERATION OF THE DEPARTMENT
11 OF REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
12 NECESSARY FOR THE ADMINISTRATION OF THIS SECTION.

13 Sec. 2. Title 41, chapter 10, article 1, Arizona Revised Statutes, is
14 amended by adding section 41-1511.01, to read:

15 41-1511.01. Combined heat and power production incentives;
16 definitions

17 A. THE DEPARTMENT OF COMMERCE SHALL ESTABLISH A PROCEDURE FOR
18 IDENTIFYING COMBINED HEAT AND POWER EQUIPMENT OR SYSTEMS THAT QUALIFY FOR THE
19 PURPOSES OF THE ENERGY PRODUCTION TAX CREDITS UNDER SECTIONS 43-1086 AND
20 43-1177.

21 B. TO QUALIFY FOR THE TAX CREDITS, AN INDIVIDUAL, BUSINESS OR AN
22 ENTITY THAT IS EXEMPT FROM TAX PURSUANT TO TITLE 43, CHAPTER 12, MUST APPLY
23 TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, FOR CERTIFICATION
24 OF THE EQUIPMENT OR SYSTEM. THE DEPARTMENT SHALL RECEIVE APPLICATIONS
25 BEGINNING FROM AND AFTER NOVEMBER 1, 2007 THROUGH DECEMBER 31, 2011. THE
26 APPLICATION MUST INCLUDE:

27 1. THE NAME, ADDRESS, TELEPHONE NUMBER AND TAXPAYER IDENTIFICATION
28 NUMBER OF THE APPLICANT.

29 2. THE NAME, ADDRESS AND TELEPHONE NUMBER OF A CONTACT PERSON FOR THE
30 APPLICANT.

31 3. THE DATE THAT THE COMBINED HEAT AND POWER EQUIPMENT OR SYSTEM IS
32 EXPECTED TO BEGIN OPERATION.

33 4. THE SITE WHERE THE EQUIPMENT OR SYSTEM IS LOCATED.

34 5. THE TYPE OF EQUIPMENT OR SYSTEM AS DESCRIBED IN THIS SECTION.

35 6. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT MAY REQUIRE.

36 C. BEGINNING JANUARY 1, 2008, AN INDIVIDUAL, BUSINESS OR AN ENTITY
37 THAT IS EXEMPT FROM TAX PURSUANT TO TITLE 43, CHAPTER 12, THAT PRODUCES OR
38 USES ELECTRICAL OR MECHANICAL ENERGY IN THIS STATE FROM EQUIPMENT THAT HAS
39 BEEN CERTIFIED UNDER SUBSECTION B OF THIS SECTION, MAY FILE A CLAIM FOR A
40 CREDIT UNDER SECTION 43-1086 OR 43-1177 BASED ON THE ENERGY PRODUCED BY THE
41 EQUIPMENT DURING THE CALENDAR YEAR. THE CLAIM SHALL BE ON A FORM PRESCRIBED
42 BY THE DEPARTMENT AND SHALL INCLUDE:

43 1. A CERTIFICATION OF THE DATE THE EQUIPMENT WAS PURCHASED AND THE
44 DATE THE EQUIPMENT WAS FIRST USED BY THE TAXPAYER TO PRODUCE POWER IN THIS
45 STATE.

1 2. FOR COMBINED HEAT AND POWER EQUIPMENT INSTALLED AND OPERATED FOR
2 THE SOLE BENEFIT OF THE APPLICANT OR FOR THE PURPOSE OF SELLING EXCESS
3 ELECTRICITY TO A UTILITY, THE APPLICANT MUST SUBMIT ALL OF THE FOLLOWING:

4 (a) TOTAL KILOWATT HOURS OF ELECTRICITY PRODUCED OR TOTAL HORSEPOWER
5 HOURS OF POWER DURING THE TAXABLE YEAR PRODUCED BY THE TAXPAYER FROM
6 QUALIFIED ENERGY SOURCES.

7 (b) EQUIPMENT CERTIFICATION OR THERMAL ENERGY OUTPUT DATA.

8 (c) AN AFFIDAVIT CONFIRMING THAT THE COMBINED HEAT AND POWER EQUIPMENT
9 OR SYSTEM COMPLIES WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL ENVIRONMENTAL
10 LAWS, RULES AND REGULATIONS.

11 (d) ANY ADDITIONAL INFORMATION OR DOCUMENTATION THE DEPARTMENT MAY
12 REQUIRE.

13 3. FOR COMBINED HEAT AND POWER EQUIPMENT THAT IS BUILT FOR THE PURPOSE
14 OF SELLING EXCESS ELECTRICITY PRODUCED TO A UTILITY COMPANY, THE APPLICANT
15 MUST SUBMIT ALL OF THE FOLLOWING:

16 (a) EVIDENCE OF A CONTRACT ENTERED INTO BETWEEN THE APPLICANT AND A
17 UTILITY COMPANY.

18 (b) EVIDENCE THAT THE EQUIPMENT OR SYSTEM MEETS AN INSTITUTE OF
19 ELECTRICAL AND ELECTRONIC ENGINEERS INTERCONNECTION STANDARD AS MODIFIED BY
20 THE UTILITY COMPANY'S INTERCONNECT STANDARDS, RULES, REGULATIONS AND
21 APPLICABLE TARIFF PROVISIONS.

22 4. AN ENTITY THAT IS EXEMPT FROM TAX PURSUANT TO TITLE 43, CHAPTER 12
23 SHALL DESIGNATE THE RECIPIENT OF THE CREDIT. ONLY THE TAXPAYER THAT
24 FINANCED, INSTALLED OR DEVELOPED THE QUALIFIED ENERGY RESOURCES FOR THE TAX
25 EXEMPT ENTITY MAY BE DESIGNATED AS THE RECIPIENT OF THE CREDIT.

26 D. THE DEPARTMENT SHALL REVIEW EACH CLAIM FOR CREDIT UNDER SUBSECTION
27 C OF THIS SECTION AND EITHER CERTIFY THE EQUIPMENT OR SYSTEM AS QUALIFYING
28 FOR PURPOSES OF THE ENERGY PRODUCTION TAX CREDITS WITH THE AMOUNT OF CREDIT
29 THAT IS AUTHORIZED, OR PROVIDE REASONS FOR ITS DENIAL, WITHIN SIXTY DAYS
30 AFTER RECEIVING A COMPLETE APPLICATION. THE DEPARTMENT SHALL SEND COPIES OF
31 THE CERTIFICATIONS TO THE DEPARTMENT OF REVENUE. THE CERTIFICATION SHALL
32 INCLUDE:

33 1. A UNIQUE IDENTIFYING NUMBER FOR EACH CERTIFIED INSTALLATION.

34 2. THE AMOUNT OF THE CREDIT AUTHORIZED.

35 3. THE CALENDAR YEAR FOR WHICH THE CREDIT IS AUTHORIZED.

36 4. THE NAME AND ADDRESS OF THE TAXPAYER THAT WILL BE ALLOWED TO CLAIM
37 THE CREDIT.

38 E. SUBJECT TO SUBSECTION F OF THIS SECTION, THE AMOUNT OF THE CREDIT
39 IS EQUAL TO THE TOTAL KILOWATT HOURS OF ELECTRICITY PRODUCED BY THE TAXPAYER
40 DURING THE CALENDAR YEAR FROM QUALIFIED ENERGY SOURCES MULTIPLIED BY ONE AND
41 ONE-HALF CENTS, OR THE TOTAL HORSEPOWER HOURS OF POWER PRODUCED BY THE
42 TAXPAYER DURING THE CALENDAR YEAR FROM QUALIFIED ENERGY SOURCES MULTIPLIED BY
43 ONE AND ONE-TENTH CENTS, BUT THE CREDIT SHALL NOT EXCEED ONE HUNDRED THOUSAND
44 DOLLARS ANNUALLY FOR A SINGLE INSTALLATION.

1 F. THE DEPARTMENT SHALL NOT ALLOW TAX CREDITS UNDER SECTIONS 43-1086
2 AND 43-1177 THAT EXCEED A TOTAL OF ONE MILLION DOLLARS IN ANY CALENDAR YEAR.
3 THIS LIMIT SHALL BE APPLIED AS FOLLOWS:

4 1. IF QUALIFYING CLAIMS IN A CALENDAR YEAR EXCEED ONE MILLION DOLLARS,
5 THE DEPARTMENT SHALL AUTHORIZE THE CREDITS IN THE ORDER OF THE DATE THAT THE
6 CLAIMS ARE RECEIVED. IF A CLAIM IS RECEIVED THAT, IF APPROVED, WOULD EXCEED
7 THE ONE MILLION DOLLAR LIMIT, THE DEPARTMENT SHALL GRANT ONLY THE REMAINING
8 CREDIT AMOUNT UNDER THE LIMIT. AFTER REACHING THE ONE MILLION DOLLAR LIMIT,
9 THE DEPARTMENT SHALL DENY ANY SUBSEQUENT CLAIMS IT RECEIVES FOR THAT CALENDAR
10 YEAR.

11 2. IF QUALIFYING CLAIMS IN A CALENDAR YEAR DO NOT EXCEED ONE MILLION
12 DOLLARS, THE UNUSED AMOUNT UNDER THE LIMIT SHALL BE CARRIED FORWARD TO THE
13 FOLLOWING CALENDAR YEAR, AND THE DEPARTMENT MAY AUTHORIZE CREDITS IN THE
14 ADDITIONAL AMOUNT THAT IS CARRIED FORWARD FROM THE PREVIOUS YEAR.

15 G. INFORMATION THAT IS SUBMITTED TO THE DEPARTMENT UNDER THIS SECTION
16 IS CONFIDENTIAL AND IS NOT SUBJECT TO DISCLOSURE UNDER TITLE 39 FOR EIGHTEEN
17 MONTHS AFTER THE DATE OF THE APPLICATION, EXCEPT THAT THE TAXPAYER
18 IDENTIFICATION NUMBER SHALL BE REDACTED FROM ANY RELEASED APPLICATION.

19 H. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE SHALL
20 COLLABORATE IN ADOPTING RULES THAT ARE NECESSARY TO ACCOMPLISH THE INTENT AND
21 PURPOSES OF THIS SECTION.

22 I. FOR THE PURPOSES OF THIS SECTION:

23 1. "COMBINED HEAT AND POWER" MEANS THE SIMULTANEOUS OR SEQUENTIAL
24 GENERATION OF ELECTRICAL OR MECHANICAL ENERGY AND USEFUL THERMAL ENERGY USING
25 THE SAME UNIT OF FUEL, WITH A TOTAL FUEL EFFICIENCY OF SEVENTY PER CENT OR
26 GREATER. THE EQUIPMENT MUST DEMONSTRATE, OR BE CERTIFIED TO BE CAPABLE OF,
27 AT LEAST SEVENTY PER CENT TOTAL FUEL EFFICIENCY CAPABILITY.

28 2. "TOTAL FUEL EFFICIENCY" MEANS THE SUM OF MECHANICAL AND THERMAL
29 ENERGY OUTPUTS DIVIDED BY THE ENERGY INPUT MULTIPLIED BY ONE HUNDRED PER
30 CENT.

31 Sec. 3. Section 42-2001, Arizona Revised Statutes, is amended to read:

32 42-2001. Definitions

33 In this article, unless the context otherwise requires:

34 1. "Affidavits" includes forms received to report nontaxable estates.

35 2. "Confidential information":

36 (a) Includes the following information whether it concerns individual
37 taxpayers or is aggregate information for specifically identified taxpayers:

38 (i) Returns and reports filed with the department for income tax,
39 withholding tax, transaction privilege tax, luxury tax, use tax, rental
40 occupancy tax, property tax, estate tax and severance tax.

41 (ii) Affidavits, reports or other information filed relating to
42 taxable and nontaxable estates.

43 (iii) Applications for transaction privilege licenses, luxury tax
44 licenses, use tax licenses and withholding licenses.

1 (iv) Information discovered concerning taxes and receipts by the
2 department, whether or not by compulsory process.

3 (v) Return information obtained from the United States internal
4 revenue service and United States bureau of alcohol, tobacco and firearms.

5 (vi) Information supplied at the special request of the department by
6 a taxpayer which the taxpayer requests to be held in confidence.

7 (vii) Guidelines, standards or procedures that are established by the
8 department for, or other information relating to, selecting returns or
9 taxpayers for examination or settling or compromising any tax liability.

10 (viii) A taxpayer's identity, the nature, source or amount of the
11 taxpayer's income, payments, receipts, deductions, exemptions, credits,
12 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,
13 overassessments or tax payments, whether the taxpayer's return was, is being
14 or will be examined or subject to investigation, collection or processing or
15 any other data received by, recorded by, prepared by, furnished to or
16 collected by the department with respect to a return or with respect to the
17 termination, or possible existence, of liability of any person for any tax,
18 penalty or interest imposed pursuant to this title or title 43.

19 (ix) **INFORMATION SUPPLIED BY AN EMPLOYEE TO AN EMPLOYER REGARDING THE**
20 **EMPLOYEE'S ELECTION TO HAVE THE EMPLOYEE'S WITHHOLDING TAX REDUCED FOR THE**
21 **PURPOSES OF CONTRIBUTIONS TO QUALIFIED SCHOOL TUITION ORGANIZATIONS OR PUBLIC**
22 **SCHOOLS PURSUANT TO SECTION 43-401, SUBSECTION H.**

23 (b) Does not include information which is otherwise a public record.

24 3. "Report" includes a notice of insurance payments, a request for a
25 release of a bank account and an inventory of a safe deposit box.

26 4. "Return" includes any form prescribed by the department and any
27 supporting schedules, attachments and lists.

28 5. "Tax administration" includes assessment, collection,
29 investigation, litigation, statistical gathering functions, enforcement,
30 policy making functions or management of those functions of the tax revenue
31 laws of this state.

32 6. "Taxpayer", with respect to a joint return, means either party.

33 Sec. 4. Section 42-13054, Arizona Revised Statutes, is amended to
34 read:

35 42-13054. Taxable value of personal property; depreciated
36 values of personal property in class one and class
37 two (P)

38 A. The taxable value of personal property that is valued by the county
39 assessor is the result of acquisition cost less any appropriate depreciation
40 as prescribed by tables adopted by the department. The taxable value shall
41 not exceed the market value.

42 B. Except as provided in subsection C of this section and
43 notwithstanding any other statute, the assessor shall adjust the depreciation
44 schedules prescribed by the department as follows to determine the valuation
45 of **PERSONAL PROPERTY:**

1 1. FOR personal property that is initially classified during or after
2 tax year 1994 THROUGH TAX YEAR 2007 as class one, paragraph 8, 9, 10 or 13
3 pursuant to section 42-12001 and personal property that is initially
4 classified during or after tax year 1995 THROUGH TAX YEAR 2007 as class two
5 (P) pursuant to section 42-12002:

6 ~~1.~~ (a) For the first tax year of assessment, the assessor shall use
7 thirty-five per cent of the scheduled depreciated value.

8 ~~2.~~ (b) For the second tax year of assessment, the assessor shall use
9 fifty-one per cent of the scheduled depreciated value.

10 ~~3.~~ (c) For the third tax year of assessment, the assessor shall use
11 sixty-seven per cent of the scheduled depreciated value.

12 ~~4.~~ (d) For the fourth tax year of assessment, the assessor shall use
13 eighty-three per cent of the scheduled depreciated value.

14 ~~5.~~ (e) For the fifth and subsequent tax years of assessment, the
15 assessor shall use the scheduled depreciated value as prescribed in the
16 department's guidelines.

17 2. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
18 TAX YEAR 2008 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION
19 42-12001 AND AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

20 (a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
21 THIRTY PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

22 (b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
23 FORTY-SIX PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

24 (c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
25 SIXTY-TWO PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

26 (d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
27 SEVENTY-EIGHT PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

28 (e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
29 NINETY-FOUR PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

30 (f) FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR
31 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S
32 GUIDELINES.

33 C. The additional depreciation prescribed in subsection B of this
34 section:

35 1. Does not apply to any property valued by the department.

36 2. Shall not reduce the valuation below the minimum value prescribed
37 by the department for property in use.

38 Sec. 5. Section 42-15001, Arizona Revised Statutes, is amended to
39 read:

40 42-15001. Assessed valuation of class one property

41 The assessed valuation of class one property described in section
42 42-12001 is the following percentage of its full cash value or limited
43 valuation, as applicable:

44 1. Twenty-five per cent through December 31, 2005.

1 2. Twenty-four and one-half per cent beginning from and after December
2 31, 2005 through December 31, 2006.

3 3. Twenty-four per cent beginning from and after December 31, 2006
4 through December 31, 2007.

5 4. Twenty-three ~~and one-half~~ per cent beginning from and after
6 December 31, 2007 through December 31, 2008.

7 5. ~~Twenty-three~~ TWENTY-TWO per cent beginning from and after December
8 31, 2008 through December 31, 2009.

9 6. ~~Twenty-two and one-half~~ TWENTY-ONE per cent beginning from and
10 after December 31, 2009 through December 31, 2010.

11 7. ~~Twenty-two~~ TWENTY per cent beginning from and after December 31,
12 2010 ~~through December 31, 2011.~~

13 ~~8. Twenty-one and one-half per cent beginning from and after December~~
14 ~~31, 2011 through December 31, 2012.~~

15 ~~9. Twenty-one per cent beginning from and after December 31, 2012~~
16 ~~through December 31, 2013.~~

17 ~~10. Twenty and one-half per cent beginning from and after December 31,~~
18 ~~2013 through December 31, 2014.~~

19 ~~11. Twenty per cent beginning from and after December 31, 2014.~~

20 Sec. 6. Section 42-15006, Arizona Revised Statutes, is amended to
21 read:

22 42-15006. Assessed valuation of class six property

23 The assessed valuation of class six property described in
24 section 42-12006 is based on the following percentages to the full cash value
25 or limited valuation of class six property, as applicable:

26 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6
27 and 7, five per cent.

28 2. Property described in section 42-12006, paragraph 4:

29 (a) For primary property tax purposes, five per cent.

30 (b) Except as provided in subdivision (c), for secondary property tax
31 purposes:

32 (i) Twenty-five per cent through December 31, 2006.

33 (ii) Twenty-four per cent beginning from and after December 31, 2006
34 through December 31, 2007.

35 (iii) Twenty-three ~~and one-half~~ per cent beginning from and after
36 December 31, 2007 through December 31, 2008.

37 (iv) ~~Twenty-three~~ TWENTY-TWO per cent beginning from and after
38 December 31, 2008 through December 31, 2009.

39 (v) ~~Twenty-two and one-half~~ TWENTY-ONE per cent beginning from and
40 after December 31, 2009 through December 31, 2010.

41 (vi) ~~Twenty-two~~ TWENTY per cent beginning from and after December 31,
42 2010 ~~through December 31, 2011.~~

43 ~~(vii) Twenty-one and one-half per cent beginning from and after~~
44 ~~December 31, 2011 through December 31, 2012.~~

1 ~~(viii) Twenty one per cent beginning from and after December 31, 2012~~
2 ~~through December 31, 2013.~~

3 ~~(ix) Twenty and one half per cent beginning from and after~~
4 ~~December 31, 2013 through December 31, 2014.~~

5 ~~(x) Twenty per cent beginning from and after December 31, 2014.~~

6 (c) If subdivision (b) is finally adjudicated to be invalid, for
7 secondary property tax purposes, five per cent.

8 Sec. 7. Section 43-401, Arizona Revised Statutes, is amended to read:

9 43-401. Withholding tax; rates; election by employee;
10 violation; classification

11 A. Except as provided by subsection B of this section, every employer
12 at the time of the payment of wages, salary, bonus or other emolument to any
13 employee whose compensation is for services performed within this state shall
14 deduct and retain from the compensation an amount equal to a percentage,
15 determined pursuant to subsection C of this section, of the total amount of
16 the federal income tax deducted and withheld by an employer from the total
17 value of such wages, bonus or other emolument of an employee under the
18 provisions of the United States internal revenue code computed without
19 deductions for any amount withheld.

20 B. An employer may voluntarily elect to not withhold tax during
21 December by notifying:

22 1. The department on a form prescribed by the department.

23 2. The employer's employees in writing in a manner prescribed by the
24 department.

25 C. The percentage deducted and retained under subsection A of this
26 section shall be:

27 1. If the employee's annual compensation is less than fifteen thousand
28 dollars, ten per cent, nineteen per cent, twenty-three per cent, twenty-five
29 per cent, thirty-one per cent or thirty-seven per cent, at the employee's
30 election pursuant to subsection F of this section.

31 2. If the employee's annual compensation is fifteen thousand dollars
32 or more, nineteen per cent, twenty-three per cent, twenty-five per cent,
33 thirty-one per cent or thirty-seven per cent, at the employee's election
34 pursuant to subsection F of this section.

35 3. Zero per cent at the election of an employee who had no state
36 income tax liability in the prior taxable year and expects to have no state
37 income tax liability for the current taxable year.

38 D. If the amount collected and payable by the employer to the
39 department in each of the preceding four calendar quarters did not exceed an
40 average of one thousand five hundred dollars, the amount collected shall be
41 paid to the department on or before April 30, July 31, October 31 and January
42 31 for the preceding calendar quarter. If such amount exceeded one thousand
43 five hundred dollars in each of the preceding four calendar quarters, the
44 employer shall pay to the department the amount the employer deducts and
45 retains pursuant to this section at the same time as the employer is required

1 to make deposits of federal tax pursuant to section 6302 of the internal
2 revenue code. On or before April 30, July 31, October 31 and January 31 each
3 year the employer shall reconcile the amounts payable during the preceding
4 calendar quarter in a manner prescribed by the department, except that if the
5 full amount collected and payable is paid timely to the department under this
6 subsection, the employer may reconcile the amounts on or before May 10,
7 August 10, November 10 and February 10 each year. The department by rule may
8 allow and determine which employers qualify for annual payments of
9 withholding taxes, with an annual report by the employer pursuant to section
10 43-412, subsection B, if the qualifying employer has established sufficient
11 payment history to indicate that the employer is current and in good standing
12 pursuant to standards established by rule. For any business which has not
13 had a withholding certificate for the four preceding consecutive quarters,
14 the quarterly average shall be computed in a manner prescribed by the
15 department.

16 E. If an employer fails to make a timely monthly payment because prior
17 to that reporting period it reported on a quarterly basis instead of on a
18 monthly basis, the department shall notify the employer that it is out of
19 compliance with this section. Notwithstanding section 42-1125, the
20 department shall not assess a penalty against an employer for failing to make
21 a timely monthly payment if the employer had filed and remitted all taxes due
22 on a quarterly basis and brings all filings and payments into current
23 compliance within thirty days after being notified by the department.

24 F. Each employee shall elect the amount authorized by subsection C of
25 this section to be withheld for application toward the employee's state
26 income tax liability. The election provided under this subsection shall be
27 exercised by each employee, in writing on a form prescribed by the
28 department. The election shall be made within five days of employment. Each
29 employer shall notify the employees of the election made available under this
30 subsection and shall have election forms available at all times. Each form
31 shall be completed in triplicate, with one copy each for the department, the
32 employer and the employee. The employer shall file a copy of each completed
33 form with the department. Any employee failing to complete an election form
34 as prescribed shall be deemed to have elected the smallest applicable
35 withholding percentage.

36 G. Before ~~October 1, 2005 and before~~ July 1 ~~OF~~ each year ~~thereafter~~,
37 each employer who chooses to not withhold tax pursuant to subsection B of
38 this section shall notify each employee that:

39 1. State income taxes will not be withheld from compensation in
40 December.

41 2. The employee may elect to change the rate of withholding tax
42 prescribed by this section to compensate for the resulting change in annual
43 withholdings from the employee's compensation.

44 H. ~~AT AN EMPLOYEE'S WRITTEN REQUEST, THE EMPLOYER MAY AGREE TO REDUCE~~
45 ~~THE AMOUNT WITHHELD UNDER THIS SECTION BY THE AMOUNT OF CREDIT THAT THE~~

1 EMPLOYEE REPRESENTS TO THE EMPLOYER THAT THE EMPLOYEE WILL QUALIFY FOR AND BE
2 ENTITLED TO UNDER SECTION 43-1089 OR 43-1089.01, OR BOTH. THE EMPLOYEE'S
3 REQUEST MUST INCLUDE THE NAME AND ADDRESS OF THE QUALIFIED SCHOOL TUITION
4 ORGANIZATION OR PUBLIC SCHOOL. WITHIN THIRTY DAYS AFTER AGREEING TO THE
5 EMPLOYEE'S REQUEST, THE EMPLOYER SHALL REDUCE THE WITHHOLDING AMOUNT BY THE
6 AMOUNT OF THE CREDIT, BUT NOT BELOW ZERO, PRORATED FOR THE NUMBER OF PAY
7 PERIODS REMAINING IN THE EMPLOYEE'S TAXABLE YEAR AFTER THE EMPLOYEE MAKES THE
8 REQUEST. IF AN EMPLOYER AGREES TO REDUCE THE WITHHOLDING AMOUNT PURSUANT TO
9 THIS SUBSECTION AND PAY THE AMOUNT OF THE REDUCED WITHHOLDING TO THE
10 EMPLOYEE'S DESIGNATED QUALIFIED SCHOOL TUITION ORGANIZATION OR PUBLIC SCHOOL:

11 1. WITHIN FIFTEEN DAYS AFTER THE END OF EACH QUARTER, THE EMPLOYER
12 MUST PAY THE ENTIRE AMOUNT OF THE REDUCTION IN WITHHOLDING TAX FOR THAT
13 QUARTER TO THE DESIGNATED SCHOOL TUITION ORGANIZATION OR PUBLIC SCHOOL.
14 THESE PAYMENTS ARE CONSIDERED TO BE ON THE EMPLOYEE'S BEHALF, AND NOT THE
15 EMPLOYER'S, FOR THE PURPOSES OF QUALIFYING FOR THE INCOME TAX CREDITS UNDER
16 SECTIONS 43-1089 AND 43-1089.01.

17 2. THE EMPLOYEE IS RESPONSIBLE AND ACCOUNTABLE FOR THE ACCURACY AND
18 THE AMOUNT OF REDUCTION IN WITHHOLDING TAX AND THE PAYMENTS TO THE SCHOOL
19 TUITION ORGANIZATION OR PUBLIC SCHOOL.

20 3. THE EMPLOYER IS RESPONSIBLE AND ACCOUNTABLE TO THE SCHOOL TUITION
21 ORGANIZATION OR PUBLIC SCHOOL, TO THE EMPLOYEE AND TO THE DEPARTMENT FOR
22 ACTUALLY MAKING THE REQUIRED PAYMENTS.

23 4. WITHIN THIRTY DAYS AFTER THE END OF EACH CALENDAR YEAR, OR WITHIN
24 FIFTEEN DAYS AFTER THE TERMINATION OF EMPLOYMENT, THE EMPLOYER MUST FURNISH
25 TO EACH ELECTING EMPLOYEE AND TO THE DEPARTMENT A STATEMENT OF THE AMOUNT
26 WITHHELD AND PAID ON BEHALF OF THE EMPLOYEE DURING THAT YEAR.

27 I. AN EMPLOYER THAT FRAUDULENTLY APPROPRIATES, OR THAT CONCEALS WITH A
28 FRAUDULENT INTENT TO APPROPRIATE, TO ANY OTHER USE OR PURPOSE ANY PART OF
29 REDUCED WITHHOLDING TAXES UNDER SUBSECTION H OF THIS SECTION IS GUILTY OF A
30 CLASS 1 MISDEMEANOR.

31 Sec. 8. Section 43-222, Arizona Revised Statutes, as amended by Laws
32 2007, chapter 7, section 1, is amended to read:

33 43-222. Income tax credit review schedule

34 Each year the joint legislative income tax credit review committee
35 shall review the following income tax credits:

36 1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
37 43-1166, 43-1167 and 43-1169.

38 2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
39 43-1178.

40 3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and
41 43-1170.01.

42 4. In 2010, sections 43-1075, 43-1079.01, 43-1087, 43-1088,
43 43-1090.01, 43-1163, 43-1167.01, 43-1175 and 43-1182.

44 5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1086, 43-1164,
45 43-1177 and 43-1183.

1 6. In 2012, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
2 43-1090, 43-1176 and 43-1181.

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

5 In computing Arizona adjusted gross income, the following amounts shall
6 be added to Arizona gross income:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 19. The amount by which the adjusted basis computed under the internal
42 revenue code with respect to property for which a credit was claimed under
43 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise
44 disposed of during the taxable year exceeds the adjusted basis of the

1 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
2 applicable.

3 20. 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 21. The amount by which a net operating loss carryover or capital loss
7 carryover allowable pursuant to section 1341(b)(5) of the internal revenue
8 code exceeds the net operating loss carryover or capital loss carryover
9 allowable pursuant to section 43-1029, subsection F.

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

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

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

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

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

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

29 28. The amount of any deductions that are claimed in computing federal
30 adjusted gross income representing expenses for which a credit is claimed
31 under section 43-1075.

32 29. The amount by which the depreciation or amortization computed under
33 the internal revenue code with respect to property for which a credit was
34 taken under section 43-1090.01 exceeds the amount of depreciation or
35 amortization computed pursuant to the internal revenue code on the Arizona
36 adjusted basis of the property.

37 30. The amount by which the adjusted basis computed under the internal
38 revenue code with respect to property for which a credit was claimed under
39 section 43-1090.01 and which is sold or otherwise disposed of during the
40 taxable year exceeds the adjusted basis of the property computed under
41 section 43-1090.01.

42 31. THE AMOUNT OF A NONQUALIFIED WITHDRAWAL, AS DEFINED IN SECTION
43 15-1871, FROM A COLLEGE SAVINGS PLAN ESTABLISHED PURSUANT TO SECTION 529 OF
44 THE INTERNAL REVENUE CODE THAT IS MADE TO A DISTRIBUTEE TO THE EXTENT THE
45 AMOUNT IS NOT INCLUDED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME, EXCEPT

1 THAT THE AMOUNT ADDED UNDER THIS PARAGRAPH SHALL NOT EXCEED THE DIFFERENCE IN
2 THE AMOUNT SUBTRACTED UNDER SECTION 43-1022 AND THE AMOUNT ADDED IN THE
3 PRECEDING TAXABLE YEAR.

4 Sec. 10. Section 43-1022, Arizona Revised Statutes, is amended to
5 read:

6 43-1022. Subtractions from Arizona gross income

7 In computing Arizona adjusted gross income, the following amounts shall
8 be subtracted from Arizona gross income:

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

10 2. Benefits, annuities and pensions RECEIVED DURING THE TAXABLE YEAR
11 in an amount totaling not more than two thousand five hundred dollars
12 ~~received~~ THROUGH DECEMBER 31, 2007 AND THREE THOUSAND FIVE HUNDRED DOLLARS
13 BEGINNING FROM AND AFTER DECEMBER 31, 2007 from one or more of the following:

14 (a) The United States government service retirement and disability
15 fund, retired or retainer pay of the uniformed services of the United States,
16 the United States foreign service retirement and disability system and any
17 other retirement system or plan established by federal law.

18 (b) The Arizona state retirement system, the corrections officer
19 retirement plan, the public safety personnel retirement system, the elected
20 officials' retirement plan, an optional retirement program established by the
21 Arizona board of regents under section 15-1628, an optional retirement
22 program established by a community college district board under section
23 15-1451 or a retirement plan established for employees of a county, city or
24 town in this state.

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

28 4. The amount of any distributions from an individual retirement
29 account as provided for in section 408 of the internal revenue code or from a
30 qualified retirement plan of a self-employed individual as provided for in
31 section 401 of the internal revenue code to the extent that total adjustments
32 made pursuant to this paragraph in all tax years do not exceed the total of
33 all contributions made by the taxpayer to such plans prior to December 31,
34 1975, which were included in computing Arizona taxable income.

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

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

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

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

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

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

10 11. The amount by which the adjusted basis of property described in
11 this paragraph and computed pursuant to this title and the income tax act of
12 1954, as amended, exceeds the adjusted basis of such property computed
13 pursuant to the internal revenue code. This paragraph shall apply to all
14 property which is held for the production of income and which is sold or
15 otherwise disposed of during the taxable year other than depreciable property
16 used in a trade or business.

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

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

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

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

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

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

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

1 19. To the extent not already excluded from Arizona gross income under
2 the internal revenue code, compensation received for active service as a
3 member of the reserves, THE national guard or the armed forces of the United
4 States, including compensation for service in a combat zone as determined
5 under section 112 of the internal revenue code.

6 20. The amount of unreimbursed medical and hospital costs, adoption
7 counseling, legal and agency fees and other nonrecurring costs of adoption
8 not to exceed three thousand dollars. In the case of a husband and wife who
9 file separate returns, the subtraction may be taken by either taxpayer or may
10 be divided between them, but the total subtractions allowed both husband and
11 wife shall not exceed three thousand dollars. The subtraction under this
12 paragraph may be taken for the costs that are described in this paragraph and
13 that are incurred in prior years, but the subtraction may be taken only in
14 the year during which the final adoption order is granted.

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

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

19 (a) An eligible individual may subtract:

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

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

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

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

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

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

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

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

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

6 29. With respect to property that is sold or otherwise disposed of
7 during the taxable year by a taxpayer that complied with section 43-1021,
8 paragraph 26 with respect to that property, the amount of depreciation that
9 has been allowed pursuant to section 167(a) of the internal revenue code to
10 the extent that the amount has not already reduced Arizona taxable income in
11 the current or prior taxable years.

12 30. With respect to property for which an adjustment was made under
13 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
14 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
15 the amount was adjusted under section 43-1021, paragraph 27 and in each of
16 the following four years.

17 31. THE AMOUNT CONTRIBUTED DURING THE TAXABLE YEAR TO A COLLEGE SAVINGS
18 PLAN ESTABLISHED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE TO THE
19 EXTENT THAT THE CONTRIBUTIONS WERE NOT DEDUCTED IN COMPUTING FEDERAL ADJUSTED
20 GROSS INCOME. THE AMOUNT SUBTRACTED SHALL NOT EXCEED:

21 (a) TWO THOUSAND FIVE HUNDRED DOLLARS FOR A SINGLE INDIVIDUAL OR A
22 HEAD OF HOUSEHOLD.

23 (b) FIVE THOUSAND DOLLARS FOR A MARRIED COUPLE FILING A JOINT RETURN.
24 IN THE CASE OF A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS, THE SUBTRACTION
25 MAY BE TAKEN BY EITHER TAXPAYER OR MAY BE DIVIDED BETWEEN THEM, BUT THE TOTAL
26 SUBTRACTIONS ALLOWED BOTH HUSBAND AND WIFE SHALL NOT EXCEED FIVE THOUSAND
27 DOLLARS.

28 Sec. 11. Section 43-1074.01, Arizona Revised Statutes, is amended to
29 read:

30 43-1074.01. Credit for increased research activities

31 A. A credit is allowed against the taxes imposed by this title in an
32 amount determined pursuant to section 41 of the internal revenue code, except
33 that:

34 1. The amount of the credit is based on the excess, if any, of the
35 qualified research expenses for the taxable year over the base amount as
36 defined in section 41(c) of the internal revenue code and is computed as
37 follows:

38 (a) If the excess is two million five hundred thousand dollars or
39 less, the credit is equal to ~~twenty~~ TWENTY-TWO per cent of that amount.

40 (b) If the excess is over two million five hundred thousand dollars,
41 the credit is equal to five hundred FIFTY thousand dollars plus ~~eleven~~
42 THIRTEEN per cent of any amount exceeding two million five hundred thousand
43 dollars, except that:

1 (i) For taxable years beginning from and after December 31, 2000
2 through December 31, 2001, the credit shall not exceed one million five
3 hundred thousand dollars.

4 (ii) For taxable years beginning from and after December 31, 2001
5 through December 31, 2002, the credit shall not exceed two million five
6 hundred thousand dollars.

7 2. Qualified research includes only research conducted in this state
8 including research conducted at a university in this state and paid for by
9 the taxpayer.

10 3. If two or more taxpayers, including partners in a partnership and
11 shareholders of an S corporation, as defined in section 1361 of the internal
12 revenue code, share in the eligible expenses, each taxpayer is eligible to
13 receive a proportionate share of the credit.

14 4. The credit under this section applies only to expenses incurred
15 from and after December 31, 2000.

16 5. The termination provisions of section 41 of the internal revenue
17 code do not apply.

18 B. If the allowable credit under this section exceeds the taxes
19 otherwise due under this title on the claimant's income, or if there are no
20 taxes due under this title, the amount of the credit not used to offset taxes
21 may be carried forward to the next fifteen consecutive taxable years. The
22 amount of credit carryforward from taxable years beginning from and after
23 December 31, 2000 through December 31, 2002 that may be used in any taxable
24 year may not exceed the taxpayer's tax liability under this title or five
25 hundred thousand dollars, whichever is less, minus the credit under this
26 section for the current taxable year's qualified research expenses. The
27 amount of credit carryforward from taxable years beginning from and after
28 December 31, 2002 that may be used in any taxable year may not exceed the
29 taxpayer's tax liability under this title minus the credit under this section
30 for the current taxable year's qualified research expenses.

31 Sec. 12. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
32 amended by adding section 43-1086, to read:

33 43-1086. Credit for energy production from qualified energy
34 resources; definition

35 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007
36 THROUGH DECEMBER 31, 2011, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY
37 THIS TITLE FOR A RESIDENT TAXPAYER WHO EITHER:

38 1. PRODUCES AND USES ELECTRICAL OR MECHANICAL ENERGY IN THIS STATE
39 FROM QUALIFIED ENERGY RESOURCES PLACED IN OPERATION AFTER DECEMBER 31, 2007.

40 2. IS DESIGNATED AS THE RECIPIENT OF THE CREDIT UNDER SECTION
41 41-1511.01, SUBSECTION C, PARAGRAPH 4 BY AN ENTITY THAT IS EXEMPT FROM TAX
42 PURSUANT TO TITLE 43, CHAPTER 12 IF THE TAX EXEMPT ENTITY PRODUCES AND USES
43 ELECTRICAL OR MECHANICAL ENERGY IN THIS STATE FROM QUALIFIED ENERGY RESOURCES
44 PLACED IN OPERATION AFTER DECEMBER 31, 2008. ONLY THE TAXPAYER WHO FINANCED,

1 INSTALLED OR DEVELOPED THE QUALIFIED ENERGY RESOURCES FOR THE TAX EXEMPT
2 ENTITY MAY BE DESIGNATED AS THE RECIPIENT OF THE CREDIT.

3 B. TO QUALIFY FOR A CREDIT UNDER THIS SECTION, THE CREDIT MUST BE
4 CERTIFIED BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01,
5 SUBSECTION D. THE AMOUNT OF THE CREDIT IS EQUAL TO THE TOTAL KILOWATT HOURS
6 OF ELECTRICITY PRODUCED BY THE TAXPAYER DURING THE CALENDAR YEAR FROM
7 QUALIFIED ENERGY SOURCES MULTIPLIED BY ONE AND ONE-HALF CENTS, OR THE TOTAL
8 HORSEPOWER HOURS OF POWER PRODUCED BY THE TAXPAYER DURING THE CALENDAR YEAR
9 FROM QUALIFIED ENERGY SOURCES MULTIPLIED BY ONE AND ONE-TENTH CENTS, BUT THE
10 CREDIT SHALL NOT EXCEED ONE HUNDRED THOUSAND DOLLARS ANNUALLY FOR A SINGLE
11 INSTALLATION. THE AMOUNT OF THE CREDIT ALLOWED IS LIMITED TO THE AMOUNT
12 CERTIFIED BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01,
13 SUBSECTION D. THE TOTAL CREDITS ALLOWED UNDER THIS SECTION AND SECTION
14 43-1177 SHALL NOT EXCEED THE AMOUNTS SPECIFIED IN SECTION 41-1511.01,
15 SUBSECTION F.

16 C. THE CREDIT ALLOWED UNDER THIS SECTION IS CLAIMED IN THE TAXABLE
17 YEAR IN WHICH DECEMBER 31 OF THE AUTHORIZED CALENDAR YEAR FALLS. THE
18 AUTHORIZED CALENDAR YEAR IS THE YEAR AUTHORIZED IN THE CERTIFICATION ISSUED
19 BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01, SUBSECTION D.

20 D. IF A TAXPAYER'S ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE
21 UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
22 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE
23 MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
24 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

25 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
26 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL
27 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
28 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
29 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
30 ALLOWED A SOLE OWNER.

31 F. THE DEPARTMENT OF REVENUE AND THE DEPARTMENT OF COMMERCE SHALL
32 COLLABORATE IN ADOPTING RULES THAT ARE NECESSARY TO ACCOMPLISH THE INTENT AND
33 PURPOSES OF THIS SECTION.

34 G. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED ENERGY RESOURCES"
35 MEANS COMBINED HEAT AND POWER AS DEFINED IN SECTION 41-1511.01.

36 Sec. 13. Section 43-1088, Arizona Revised Statutes, is amended to
37 read:

38 43-1088. Credit for contribution to charitable organization
39 that provides assistance to the working poor;
40 definitions

41 A. ~~For taxable years beginning from and after December 31, 1997,~~ A
42 credit is allowed against the taxes imposed by this title for voluntary cash
43 contributions made by the taxpayer during the taxable year to a qualifying
44 charitable organization ~~as determined pursuant to subsection F of this~~
45 ~~section,~~ but not exceeding:

1 1. Two hundred dollars in any taxable year for a single individual or
2 a head of household.

3 ~~2. Three hundred dollars in taxable year 2005 for a married couple~~
4 ~~filing a joint return.~~

5 ~~3.~~ 2. Four hundred dollars in ANY taxable year ~~2006 and any~~
6 ~~subsequent year~~ for a married couple filing a joint return.

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

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

15 D. The credit allowed by this section:

16 1. IS ALLOWED ONLY IF THE TAXPAYER ITEMIZES DEDUCTIONS PURSUANT TO
17 SECTION 43-1042 FOR THE TAXABLE YEAR.

18 2. Is in lieu of a deduction pursuant to section 170 of the internal
19 revenue code and taken for state tax purposes.

20 E. Taxpayers taking a credit authorized by this section shall provide
21 the name of the qualifying charitable organization and the amount of the
22 contribution to the department of revenue on forms provided by the
23 department.

24 ~~F. The credit under this section applies only to contributions to~~
25 ~~qualifying charitable organizations that exceed the total amount deducted~~
26 ~~pursuant to section 170 of the internal revenue code in the taxpayer's~~
27 ~~baseline year. The taxpayer's baseline year is:~~

28 ~~1. The 1996 taxable year if the taxpayer deducted charitable~~
29 ~~contributions pursuant to section 170 of the internal revenue code in the~~
30 ~~1996 taxable year.~~

31 ~~2. If the taxpayer did not deduct charitable contributions pursuant to~~
32 ~~section 170 of the internal revenue code in the 1996 taxable year, the~~
33 ~~taxpayer's baseline year is the first taxable year after 1996 that the~~
34 ~~taxpayer deducted charitable contributions pursuant to section 170 of the~~
35 ~~internal revenue code.~~

36 ~~G.~~ F. A qualifying charitable organization shall provide the
37 department of revenue with a written certification that it meets all criteria
38 to be considered a qualifying charitable organization. The organization
39 shall also notify the department of any changes that may affect the
40 qualifications under this section.

41 G. THE CHARITABLE ORGANIZATION'S WRITTEN CERTIFICATION MUST BE SIGNED
42 BY AN OFFICER OF THE ORGANIZATION UNDER PENALTY OF PERJURY. THE WRITTEN
43 CERTIFICATION MUST INCLUDE THE FOLLOWING:

44 1. VERIFICATION OF THE ORGANIZATION'S STATUS UNDER SECTION 501(c)(3)
45 OF THE INTERNAL REVENUE CODE, OR VERIFICATION THAT THE ORGANIZATION IS A

1 DESIGNATED COMMUNITY ACTION AGENCY THAT RECEIVES COMMUNITY SERVICES BLOCK
2 GRANT PROGRAM MONIES PURSUANT TO 42 UNITED STATES CODE SECTION 9901.

3 2. FINANCIAL DATA INDICATING THE ORGANIZATION'S BUDGET FOR THE
4 ORGANIZATION'S PRIOR OPERATING YEAR AND THE AMOUNT OF THAT BUDGET SPENT ON
5 SERVICES TO RESIDENTS OF THIS STATE WHO RECEIVE TEMPORARY ASSISTANCE FOR
6 NEEDY FAMILIES BENEFITS OR WHO ARE LOW INCOME RESIDENTS OF THIS STATE.

7 3. A STATEMENT THAT THE ORGANIZATION PLANS TO CONTINUE SPENDING AT
8 LEAST FIFTY PER CENT OF ITS BUDGET ON SERVICES TO RESIDENTS OF THIS STATE WHO
9 RECEIVE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BENEFITS OR WHO ARE LOW
10 INCOME RESIDENTS OF THIS STATE.

11 H. THE DEPARTMENT SHALL REVIEW EACH WRITTEN CERTIFICATION AND
12 DETERMINE WHETHER THE ORGANIZATION MEETS ALL THE CRITERIA TO BE CONSIDERED A
13 QUALIFYING CHARITABLE ORGANIZATION AND NOTIFY THE ORGANIZATION OF ITS
14 DETERMINATION. THE DEPARTMENT MAY ALSO PERIODICALLY REQUEST RECERTIFICATION
15 FROM THE ORGANIZATION. The department shall compile and make available to
16 the public a list of the qualifying organizations.

17 ~~H.~~ I. For the purposes of this section:

18 1. "Low income residents" means persons whose household income is less
19 than one hundred fifty per cent of the federal poverty level.

20 2. "Qualifying charitable organization" means a charitable
21 organization that is exempt from federal income taxation under section
22 501(c)(3) of the internal revenue code or is a designated community action
23 agency that receives community services block grant program monies pursuant
24 to 42 United States Code section 9901. The organization must spend at least
25 fifty per cent of its budget on services to residents of this state who
26 receive temporary assistance for needy families benefits or low income
27 residents of this state and their households. Taxpayers choosing to make
28 donations through an umbrella charitable organization that collects donations
29 on behalf of member charities shall designate that the donation be directed
30 to a member charitable organization that would qualify under this section on
31 a stand-alone basis.

32 3. "Services" means cash assistance, medical care, child care, food,
33 clothing, shelter, job placement and job training services or any other
34 assistance that is reasonably necessary to meet immediate basic needs and
35 that is provided and used in this state.

36 Sec. 14. Section 43-1089, Arizona Revised Statutes, is amended to
37 read:

38 43-1089. Credit for contributions to school tuition
39 organization; definitions

40 A. A credit is allowed against the taxes imposed by this title for the
41 amount of voluntary cash contributions ~~made~~ by the taxpayer **OR ON THE**
42 **TAXPAYER'S BEHALF PURSUANT TO SECTION 43-401, SUBSECTION H** during the taxable
43 year to a school tuition organization, but not exceeding:

44 1. Five hundred dollars in any taxable year for a single individual or
45 a head of household.

1 2. Eight hundred twenty-five dollars in taxable year 2005 for a
2 married couple filing a joint return.

3 3. One thousand dollars in taxable year 2006 and any subsequent
4 TAXABLE year for a married couple filing a joint return.

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

8 C. If the allowable tax credit exceeds the taxes otherwise due under
9 this title on the claimant's income, or if there are no taxes due under this
10 title, the taxpayer may carry the amount of the claim not used to offset the
11 taxes under this title forward for not more than five consecutive taxable
12 years' income tax liability.

13 D. The credit allowed by this section is in lieu of any deduction
14 pursuant to section 170 of the internal revenue code and taken for state tax
15 purposes.

16 E. The tax credit is not allowed if the taxpayer designates the
17 taxpayer's contribution to the school tuition organization for the direct
18 benefit of any dependent of the taxpayer.

19 F. A school tuition organization that receives a voluntary cash
20 contribution pursuant to subsection A shall report to the department, in a
21 form prescribed by the department, by February 28 of each year the following
22 information:

23 1. The name, address and contact name of the school tuition
24 organization.

25 2. The total number of contributions received during the previous
26 calendar year.

27 3. The total dollar amount of contributions received during the
28 previous calendar year.

29 4. The total number of children awarded educational scholarships or
30 tuition grants during the previous calendar year.

31 5. The total dollar amount of educational scholarships and tuition
32 grants awarded during the previous calendar year.

33 6. For each school to which educational scholarships or tuition grants
34 were awarded:

35 (a) The name and address of the school.

36 (b) The number of educational scholarships and tuition grants awarded
37 during the previous calendar year.

38 (c) The total dollar amount of educational scholarships and tuition
39 grants awarded during the previous calendar year.

40 G. FOR THE PURPOSES OF THIS SECTION, A CONTRIBUTION, FOR WHICH A
41 CREDIT IS CLAIMED, THAT IS MADE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH
42 MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR MAY BE APPLIED TO EITHER THE
43 CURRENT OR THE PRECEDING TAXABLE YEAR AT THE TAXPAYER'S ELECTION. A CREDIT
44 APPLIED TO THE PRECEDING TAXABLE YEAR IS CONSIDERED TO HAVE BEEN MADE ON THE
45 LAST DAY OF THAT TAXABLE YEAR.

1 ~~G.~~ H. For the purposes of this section:

2 1. "Handicapped student" means a student who has any of the following
3 conditions:

- 4 (a) Hearing impairment.
- 5 (b) Visual impairment.
- 6 (c) Preschool moderate delay.
- 7 (d) Preschool severe delay.
- 8 (e) Preschool speech or language delay.

9 2. "Qualified school" means a nongovernmental primary school or
10 secondary school or a preschool for handicapped students that is located in
11 this state, that does not discriminate on the basis of race, color, handicap,
12 familial status or national origin and that satisfies the requirements
13 prescribed by law for private schools in this state on January 1, 1997.

14 3. "School tuition organization" means a charitable organization in
15 this state that is exempt from federal taxation under section 501(c)(3) of
16 the internal revenue code and that allocates at least ninety per cent of its
17 annual revenue for educational scholarships or tuition grants to children to
18 allow them to attend any qualified school of their parents' choice. In
19 addition, to qualify as a school tuition organization the charitable
20 organization shall provide educational scholarships or tuition grants to
21 students without limiting availability to only students of one school.

22 Sec. 15. Section 43-1089.01, Arizona Revised Statutes, is amended to
23 read:

24 43-1089.01. Tax credit; public school fees and contributions;
25 definitions

26 A. A credit is allowed against the taxes imposed by this title for the
27 amount of any fees or cash contributions ~~made~~ by a taxpayer ~~OR ON THE~~
28 ~~TAXPAYER'S BEHALF PURSUANT TO SECTION 43-401, SUBSECTION H~~ during the taxable
29 year to a public school located in this state for the support of
30 extracurricular activities or character education programs of the public
31 school, but not exceeding:

- 32 1. Two hundred dollars for a single individual or a head of household.
- 33 2. Three hundred dollars in taxable year 2005 for a married couple
34 filing a joint return.
- 35 3. Four hundred dollars in taxable year 2006 and any subsequent
36 ~~TAXABLE~~ year for a married couple filing a joint return.

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

40 C. The credit allowed by this section is in lieu of any deduction
41 pursuant to section 170 of the internal revenue code and taken for state tax
42 purposes.

43 D. If the allowable tax credit exceeds the taxes otherwise due under
44 this title on the claimant's income, or if there are no taxes due under this
45 title, the taxpayer may carry the amount of the claim not used to offset the

1 taxes under this title forward for not more than five consecutive taxable
2 years' income tax liability.

3 E. The site council of the public school that receives contributions
4 that are not designated for a specific purpose shall determine how the
5 contributions are used at the school site. If a charter school does not have
6 a site council, the principal, director or chief administrator of the charter
7 school shall determine how the contributions that are not designated for a
8 specific purpose are used at the school site.

9 F. A public school that receives fees or a cash contribution pursuant
10 to subsection A of this section shall report to the department, in a form
11 prescribed by the department, by February 28 of each year the following
12 information:

13 1. The total number of fee and cash contribution payments received
14 during the previous calendar year.

15 2. The total dollar amount of fees and contributions received during
16 the previous calendar year.

17 3. The total dollar amount of fees and contributions spent by the
18 school during the previous calendar year.

19 G. FOR THE PURPOSES OF THIS SECTION, A CONTRIBUTION, FOR WHICH A
20 CREDIT IS CLAIMED, THAT IS MADE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH
21 MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR MAY BE APPLIED TO EITHER THE
22 CURRENT OR THE PRECEDING TAXABLE YEAR AT THE TAXPAYER'S ELECTION. A CREDIT
23 APPLIED TO THE PRECEDING TAXABLE YEAR IS CONSIDERED TO HAVE BEEN MADE ON THE
24 LAST DAY OF THAT TAXABLE YEAR.

25 ~~G.~~ H. For the purposes of this section:

26 1. "Character education programs" means a program described in section
27 15-719.

28 2. "Extracurricular activities" means school sponsored activities that
29 require enrolled students to pay a fee in order to participate including fees
30 for:

31 (a) Band uniforms.

32 (b) Equipment or uniforms for varsity athletic activities.

33 (c) Scientific laboratory materials.

34 (d) In-state or out-of-state trips that are solely for competitive
35 events. Extracurricular activities do not include any senior trips or events
36 that are recreational, amusement or tourist activities.

37 Sec. 16. Section 43-1111, Arizona Revised Statutes, is amended to
38 read:

39 43-1111. Tax rates for corporations

40 There shall be levied, collected and paid for each taxable year upon
41 the entire Arizona taxable income of every corporation, unless exempt under
42 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
43 taxes in an amount of ~~6.968~~ 6.8 per cent of net income or fifty dollars,
44 whichever is greater.

1 Sec. 17. Section 43-1168, Arizona Revised Statutes, is amended to
2 read:

3 43-1168. Credit for increased research activities

4 A. A credit is allowed against the taxes imposed by this title in an
5 amount determined pursuant to section 41 of the internal revenue code, except
6 that:

7 1. The amount of the credit is computed as follows:

8 (a) Add:

9 (i) The excess, if any, of the qualified research expenses for the
10 taxable year over the base amount as defined in section 41(c) of the internal
11 revenue code.

12 (ii) The basic research payments determined under section 41(e)(1)(A)
13 of the internal revenue code.

14 (b) If the sum computed under subdivision (a) is two million five
15 hundred thousand dollars or less, the credit is equal to ~~twenty~~ TWENTY-TWO
16 per cent of that amount.

17 (c) If the sum computed under subdivision (a) is over two million five
18 hundred thousand dollars, the credit is equal to five hundred FIFTY thousand
19 dollars plus ~~e+leven~~ THIRTEEN per cent of any amount exceeding two million
20 five hundred thousand dollars, except that:

21 (i) For taxable years beginning from and after December 31, 2000
22 through December 31, 2001, the credit shall not exceed one million five
23 hundred thousand dollars.

24 (ii) For taxable years beginning from and after December 31, 2001
25 through December 31, 2002, the credit shall not exceed two million five
26 hundred thousand dollars.

27 2. Qualified research includes only research conducted in this state
28 including research conducted at a university in this state and paid for by
29 the taxpayer.

30 3. If two or more taxpayers, including corporate partners in a
31 partnership, share in the eligible expenses, each taxpayer is eligible to
32 receive a proportionate share of the credit.

33 4. The credit under this section applies only to expenses incurred
34 from and after December 31, 1993.

35 5. The termination provisions of section 41 of the internal revenue
36 code do not apply.

37 B. If the allowable credit under this section exceeds the taxes
38 otherwise due under this title on the claimant's income, or if there are no
39 taxes due under this title, the amount of the credit not used to offset taxes
40 may be carried forward to the next fifteen consecutive taxable years. The
41 amount of credit carryforward from taxable years beginning from and after
42 December 31, 2000 through December 31, 2002 that may be used under this
43 subsection in any taxable year may not exceed the taxpayer's tax liability
44 under this title or five hundred thousand dollars, whichever is less, minus
45 the credit under this section for the current taxable year's qualified

1 research expenses. The amount of credit carryforward from taxable years
2 beginning from and after December 31, 2002 that may be used under this
3 subsection in any taxable year may not exceed the taxpayer's tax liability
4 under this title minus the credit under this section for the current taxable
5 year's qualified research expenses.

6 C. If a taxpayer has qualified research expenses that are carried
7 forward from taxable years beginning before January 1, 2001, the amount of
8 the expenses carried forward shall be converted to a credit carryforward by
9 multiplying the amount of the qualified expenses carried forward by twenty
10 per cent. A credit carryforward determined under this subsection may be
11 carried forward to not more than fifteen years from the year in which the
12 expenses were incurred. The amount of credit carryforward from taxable years
13 beginning before January 1, 2001 that may be used under this subsection in
14 any taxable year may not exceed the taxpayer's tax liability under this title
15 or five hundred thousand dollars, whichever is less, minus the credit under
16 this section for the current taxable year's qualified research expenses. The
17 total amount of credit carryforward from taxable years beginning before
18 January 1, 2003 that may be used in any taxable year under ~~the provisions of~~
19 subsection B and this subsection may not exceed the taxpayer's tax liability
20 under this title or five hundred thousand dollars, whichever is less, minus
21 the credit under this section for the current taxable year's qualified
22 research expenses.

23 Sec. 18. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
24 amended by adding section 43-1177, to read:

25 43-1177. Credit for energy production from qualified energy
26 resources; definition

27 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007
28 THROUGH DECEMBER 31, 2011, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY
29 THIS TITLE FOR A TAXPAYER THAT EITHER:

30 1. PRODUCES AND USES ELECTRICAL OR MECHANICAL ENERGY IN THIS STATE
31 FROM QUALIFIED ENERGY RESOURCES PLACED IN OPERATION AFTER DECEMBER 31, 2007.

32 2. IS DESIGNATED AS THE RECIPIENT OF THE CREDIT UNDER SECTION
33 41-1511.01, SUBSECTION C, PARAGRAPH 4 BY AN ENTITY THAT IS EXEMPT FROM TAX
34 PURSUANT TO TITLE 43, CHAPTER 12 IF THE TAX EXEMPT ENTITY PRODUCES AND USES
35 ELECTRICAL OR MECHANICAL ENERGY IN THIS STATE FROM QUALIFIED ENERGY RESOURCES
36 PLACED IN OPERATION AFTER DECEMBER 31, 2008. ONLY THE TAXPAYER THAT
37 FINANCED, INSTALLED OR DEVELOPED THE QUALIFIED ENERGY RESOURCES FOR THE TAX
38 EXEMPT ENTITY MAY BE DESIGNATED AS THE RECIPIENT OF THE CREDIT.

39 B. TO QUALIFY FOR A CREDIT UNDER THIS SECTION, THE CREDIT MUST BE
40 CERTIFIED BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01,
41 SUBSECTION D. THE AMOUNT OF THE CREDIT IS EQUAL TO THE TOTAL KILOWATT HOURS
42 OF ELECTRICITY PRODUCED BY THE TAXPAYER DURING THE CALENDAR YEAR FROM
43 QUALIFIED ENERGY SOURCES MULTIPLIED BY ONE AND ONE-HALF CENTS, OR THE TOTAL
44 HORSEPOWER HOURS OF POWER PRODUCED BY THE TAXPAYER DURING THE CALENDAR YEAR
45 FROM QUALIFIED ENERGY SOURCES MULTIPLIED BY ONE AND ONE-TENTH CENTS, BUT THE

1 CREDIT SHALL NOT EXCEED ONE HUNDRED THOUSAND DOLLARS ANNUALLY FOR A SINGLE
2 INSTALLATION. THE AMOUNT OF THE CREDIT ALLOWED IS LIMITED TO THE AMOUNT
3 CERTIFIED BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01,
4 SUBSECTION D. THE TOTAL CREDITS ALLOWED UNDER THIS SECTION AND SECTION
5 43-1177 SHALL NOT EXCEED THE AMOUNTS SPECIFIED IN SECTION 41-1511.01,
6 SUBSECTION F.

7 C. THE CREDIT ALLOWED UNDER THIS SECTION IS CLAIMED IN THE TAXABLE
8 YEAR IN WHICH DECEMBER 31 OF THE AUTHORIZED CALENDAR YEAR FALLS. THE
9 AUTHORIZED CALENDAR YEAR IS THE YEAR AUTHORIZED IN THE CERTIFICATION ISSUED
10 BY THE DEPARTMENT OF COMMERCE UNDER SECTION 41-1511.01, SUBSECTION D.

11 D. IF A TAXPAYER'S ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE
12 UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
13 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE
14 MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
15 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

16 E. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
17 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
18 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
19 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
20 ALLOWED A SOLE OWNER.

21 F. THE DEPARTMENT OF REVENUE AND THE DEPARTMENT OF COMMERCE SHALL
22 COLLABORATE IN ADOPTING RULES THAT ARE NECESSARY TO ACCOMPLISH THE INTENT AND
23 PURPOSES OF THIS SECTION.

24 G. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED ENERGY RESOURCES"
25 MEANS COMBINED HEAT AND POWER AS DEFINED IN SECTION 41-1511.01.

26 Sec. 19. Section 43-1183, Arizona Revised Statutes, is amended to
27 read:

28 43-1183. Credit for contributions to school tuition
29 organization; definitions

30 A. Beginning from and after June 30, 2006 through June 30, 2011, a
31 credit is allowed against the taxes imposed by this title for the amount of
32 voluntary cash contributions made by the taxpayer during the taxable year to
33 a school tuition organization.

34 B. The amount of the credit is the total amount of the taxpayer's
35 contributions for the taxable year under subsection A of this section and is
36 preapproved by the department pursuant to subsection D of this section.

37 C. The department:

38 1. Shall not allow tax credits under this section AND SECTION
39 20-224.07 that exceed in the aggregate, ~~a~~ a combined total of ten million
40 dollars in any fiscal year. Beginning in fiscal year 2007-2008, the aggregate
41 DOLLAR amount of the tax credit cap from the previous fiscal year shall be
42 annually increased by twenty per cent.

43 2. Shall preapprove tax credits UNDER THIS SECTION AND SECTION
44 20-224.07 subject to subsection D of this section.

1 3. Shall allow the tax credits UNDER THIS SECTION AND SECTION
2 20-224.07 on a first come, first served basis.

3 D. For the purposes of subsection C, paragraph 2 of this section,
4 before making a contribution to a school tuition organization, the taxpayer
5 ~~shall~~ UNDER THIS TITLE OR TITLE 20 MUST notify the school tuition
6 organization of the total amount of contributions that the taxpayer intends
7 to make to the school tuition organization. Before accepting the
8 contribution, the school tuition organization shall request preapproval from
9 the department for the taxpayer's intended contribution amount. The
10 department shall preapprove or deny the requested amount within twenty days
11 after receiving the request from the school tuition organization. If the
12 department preapproves the request, the school tuition organization shall
13 immediately notify the taxpayer, AND THE DEPARTMENT OF INSURANCE IN THE CASE
14 OF A CREDIT UNDER SECTION 20-224.07, that the requested amount was
15 preapproved by the department OF REVENUE. In order to receive a tax credit
16 under this subsection, the taxpayer shall make the contribution to the school
17 tuition organization within ten days after receiving notice from the school
18 tuition organization that the requested amount was preapproved. If the
19 school tuition organization does not receive the preapproved contribution
20 from the taxpayer within the required ten days, the school tuition
21 organization shall immediately notify the department OF REVENUE, AND THE
22 DEPARTMENT OF INSURANCE IN THE CASE OF A CREDIT UNDER SECTION 20-224.07, and
23 the department OF REVENUE shall no longer include this preapproved
24 contribution amount when calculating the limit prescribed in subsection C,
25 paragraph 1 of this section.

26 E. A school tuition organization that receives contributions under
27 this section OR SECTION 20-224.07 shall allow the department OF REVENUE to
28 verify that the educational scholarships and tuition grants that are issued
29 pursuant to this section are awarded to students who attend a qualified
30 school.

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

36 G. Co-owners of a business, including corporate partners in a
37 partnership, may each claim only the pro rata share of the credit allowed
38 under this section based on the ownership interest. The total of the credits
39 allowed all such owners may not exceed the amount that would have been
40 allowed a sole owner.

41 H. The credit allowed by this section is in lieu of any deduction
42 pursuant to section 170 of the internal revenue code and taken for state tax
43 purposes.

1 I. The tax credit is not allowed if the taxpayer designates the
2 taxpayer's contribution to the school tuition organization for the direct
3 benefit of any specific student.

4 J. A school tuition organization that receives contributions under
5 this section [OR SECTION 20-224.07](#) shall use at least ninety per cent of those
6 contributions to provide educational scholarships or tuition grants only to
7 children whose family income does not exceed one hundred eighty-five per cent
8 of the income limit required to qualify a child for reduced price lunches
9 under the national school lunch and child nutrition acts (42 United States
10 Code sections 1751 through 1785) and who either:

11 1. Attended a governmental primary or secondary school as a full-time
12 student as defined in section 15-901 for at least the first one hundred days
13 of the prior fiscal year and transferred from a governmental primary or
14 secondary school to a qualified school.

15 2. Enroll in a qualified school in a kindergarten program.

16 3. Received an educational scholarship or tuition grant under
17 paragraph 1 or 2 of this subsection if the children continue to attend a
18 qualified school in a subsequent year.

19 K. In 2006, a school tuition organization shall not issue an
20 educational scholarship or a tuition grant in an amount that exceeds four
21 thousand two hundred dollars for students in a kindergarten program or grades
22 one through eight or five thousand five hundred dollars for students in
23 grades nine through twelve. In each year after 2006, the limitation amount
24 for a scholarship or a grant under this subsection shall be increased by one
25 hundred dollars.

26 L. A child is still eligible to receive an educational scholarship or
27 tuition grant under subsection J of this section if the child meets the
28 criteria to receive a reduced price lunch but does not actually claim that
29 benefit.

30 M. The school tuition organization shall require that the children use
31 the educational scholarships or tuition grants on a full-time basis. If a
32 child leaves the qualified school before completing an entire school year,
33 the qualified school shall refund a prorated amount of the educational
34 scholarship or tuition grant to the school tuition organization that issued
35 the educational scholarship or tuition grant to the child. Any refunds
36 received by the school tuition organization under this subsection shall be
37 allocated for educational scholarships or tuition grants to qualified
38 children in the following year.

39 N. Children who receive educational scholarships or tuition grants
40 under this section shall be allowed to attend any qualified school of their
41 parents' choice.

42 O. A school tuition organization that receives a voluntary cash
43 contribution pursuant to ~~subsection A of~~ this section [OR SECTION 20-224.07](#)
44 shall report to the department [OF REVENUE AND THE DEPARTMENT OF INSURANCE](#), in

1 a form prescribed by the department OF REVENUE, by June 30 of each year the
2 following information:

3 1. The name, address and contact name of the school tuition
4 organization.

5 2. The total number of contributions received during the previous
6 calendar year, IDENTIFIED FOR THE PURPOSES OF THIS SECTION OR SECTION
7 20-224.07.

8 3. The total dollar amount of contributions received during the
9 previous calendar year, IDENTIFIED FOR THE PURPOSES OF THIS SECTION OR
10 SECTION 20-224.07.

11 4. The total number of children awarded educational scholarships or
12 tuition grants during the previous calendar year.

13 5. The total dollar amount of educational scholarships and tuition
14 grants awarded during the previous calendar year.

15 6. For each school to which educational scholarships or tuition grants
16 were awarded:

17 (a) The name and address of the school.

18 (b) The number of educational scholarships and tuition grants awarded
19 during the previous calendar year.

20 (c) The total dollar amount of educational scholarships and tuition
21 grants awarded during the previous calendar year.

22 7. Verification that an independent review of financial statements
23 according to generally accepted accounting principles was completed by a
24 certified public accountant for the previous calendar year.

25 P. The department OF REVENUE, WITH THE COOPERATION OF THE DEPARTMENT
26 OF INSURANCE, shall adopt rules AND PUBLISH AND PRESCRIBE FORMS AND
27 PROCEDURES necessary for the administration of this section.

28 Q. For the purposes of this section:

29 1. "Qualified school" means a nongovernmental primary school or
30 secondary school:

31 (a) That is located in this state, that does not discriminate on the
32 basis of race, color, handicap, familial status or national origin and that
33 satisfies the requirements prescribed by law for private schools in this
34 state on January 1, 2005.

35 (b) That annually administers and makes available to the public the
36 aggregate test scores of its students on a nationally standardized
37 norm-referenced achievement test, preferably the Arizona instrument to
38 measure standards test administered pursuant to section 15-741.

39 (c) That requires all teaching staff and any personnel that have
40 unsupervised contact with students to be fingerprinted.

41 2. "School tuition organization" means a charitable organization in
42 this state that both:

43 (a) Is exempt from federal taxation under section 501(c)(3) of the
44 internal revenue code and that allocates ninety per cent of its annual

1 revenue for educational scholarships or tuition grants to children to allow
2 them to attend any qualified school of their parents' choice.

3 (b) Provides educational scholarships or tuition grants to students
4 without limiting availability to only students of one school.

5 Sec. 20. Fee and assessment adjustments: department of
6 insurance: state real estate department: 2007-2008:
7 retroactivity

8 A. Notwithstanding section 20-167, subsection F, Arizona Revised
9 Statutes, and section 20-466, subsection J, Arizona Revised Statutes, the
10 director of insurance shall not revise fees or assessments in fiscal year
11 2007-2008 for the purposes of meeting the requirement to recover at least
12 ninety-five per cent but not more than one hundred ten per cent of the
13 department of insurance's appropriated budget.

14 B. Notwithstanding section 32-2103, subsection B, Arizona Revised
15 Statutes, the state real estate commissioner shall not revise fees in fiscal
16 year 2007-2008 for the purposes of meeting the requirement to recover at
17 least ninety-five per cent but not more than one hundred ten per cent of the
18 state real estate department's appropriated budget.

19 C. This section is effective retroactively to from and after June 30,
20 2007.

21 Sec. 21. Prior insurance premium tax credit obtained for
22 increased employment in enterprise zones or military
23 reuse zones

24 Notwithstanding section 20-224.06, subsection C, Arizona Revised
25 Statutes, as added by this act, an insurer may claim a tax credit pursuant to
26 section 20-224.03 or 20-224.04, Arizona Revised Statutes, for net increases
27 in qualified employment positions created by an insurer before the effective
28 date of section 20-224.06, Arizona Revised Statutes, as added by this act.

29 Sec. 22. Recertification process

30 All charitable organizations that have previously submitted a written
31 certification under section 43-1088, Arizona Revised Statutes, as amended by
32 this act, must send the department of revenue another written certification
33 containing all of the information required under section 43-1088, subsection
34 G, Arizona Revised Statutes, as amended by this act. The department of
35 revenue shall determine whether the organization meets all the criteria to be
36 considered a qualifying charitable organization and notify the organization
37 of its determination. An organization that fails to comply with this
38 section:

39 1. No longer qualifies as a qualifying organization, and the
40 department of revenue shall remove the organization from the department's
41 published list.

42 2. May be added to the department of revenue's list if, at a later
43 date, it submits a written certification that complies with section 43-1088,
44 subsections F and G, Arizona Revised Statutes, as amended by this act, and

1 the department of revenue determines that the organization is a qualifying
2 organization.

3 Sec. 23. Transaction privilege tax exemption; 2009 NBA All-Star
4 game events

5 Notwithstanding section 42-5073, Arizona Revised Statutes, the
6 transaction privilege tax amusement classification does not include sales of
7 admissions to the 2009 national basketball association all-star game and
8 other related official activities and events sponsored by the national
9 basketball association.

10 Sec. 24. Conditional enactment

11 Section 23 of this act, relating to transaction privilege tax exemption
12 for the 2009 national basketball association all-star game and related
13 events, is not effective unless the City of Phoenix both:

14 1. Issues letters of commitment to the national basketball association
15 to host its 2009 all-star game.

16 2. Provides for exempting the sales of admission to the 2009 national
17 basketball association all-star game and related events from its municipal
18 transaction privilege tax.

19 Sec. 25. Delayed repeal

20 Section 23 of this act, relating to transaction privilege tax exemption
21 for the 2009 national basketball association all-star game and related
22 events, is repealed from and after December 31, 2009.

23 Sec. 26. Purpose

24 Pursuant to section 43-223, Arizona Revised Statutes, the income tax
25 credits enacted in sections 43-1086 and 43-1177, Arizona Revised Statutes, as
26 added by this act, are intended to encourage the development of processes for
27 producing useable electrical, mechanical and thermal energy from the same
28 units of fuel.

29 Sec. 27. Retroactivity

30 Sections 43-1021, 43-1022 and 43-1111, Arizona Revised Statutes, as
31 amended by this act, apply retroactively to taxable years beginning from and
32 after December 31, 2006.

33 Sec. 28. Effective date

34 Sections 42-2001, 43-401, 43-1074.01, 43-1088 and 43-1168, Arizona
35 Revised Statutes, as amended by this act, are effective from and after
36 December 31, 2007.