

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

# HOUSE BILL 2784

## AN ACT

AMENDING TITLE 41, CHAPTER 3, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-608.04; AMENDING SECTIONS 42-13054, 42-13353, 42-15001 AND 42-15006, ARIZONA REVISED STATUTES; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2007, CHAPTER 225, SECTION 4; AMENDING SECTIONS 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1086; PROVIDING FOR THE DELAYED REPEAL OF SECTION 41-608.04, ARIZONA REVISED STATUTES; MAKING AN APPROPRIATION; 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 41, chapter 3, article 7, Arizona Revised Statutes,  
3 is amended by adding section 41-608.04, to read:

4 41-608.04. Military family relief fund; advisory committee

5 A. THE MILITARY FAMILY RELIEF FUND IS ESTABLISHED THROUGH DECEMBER 31,  
6 2013. THE FUND CONSISTS OF PRIVATE DONATIONS, GRANTS, BEQUESTS AND ANY OTHER  
7 MONIES RECEIVED FOR THAT PURPOSE. THE DEPARTMENT SHALL ADMINISTER THE FUND.  
8 ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND DIVEST  
9 MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM  
10 INVESTMENT SHALL BE CREDITED TO THE FUND. THE MONIES IN THE FUND ARE  
11 CONTINUOUSLY APPROPRIATED TO THE DEPARTMENT SOLELY FOR THE PURPOSES DESCRIBED  
12 IN THIS SECTION. ANY MONIES REMAINING UNEXPENDED AND UNENCUMBERED ON  
13 DECEMBER 31, 2013 SHALL BE TRANSFERRED FOR DEPOSIT IN THE VETERANS' DONATIONS  
14 FUND ESTABLISHED BY SECTION 41-608.

15 B. THE MILITARY FAMILY RELIEF ADVISORY COMMITTEE IS ESTABLISHED TO  
16 DETERMINE APPROPRIATE USES OF THE MONIES IN THE MILITARY FAMILY RELIEF FUND  
17 AS PROVIDED BY THIS SECTION. THE ADVISORY COMMITTEE CONSISTS OF THE DIRECTOR  
18 OR THE DIRECTOR'S DESIGNEE AND TWELVE ADDITIONAL MEMBERS, INCLUDING WIDOWS  
19 AND WIDOWERS OF MILITARY PERSONNEL WHO DIED IN THE LINE OF DUTY, MILITARY  
20 RETIREES, VETERANS WHO HAVE A SERVICE-CONNECTED DISABILITY AND THEIR FAMILY  
21 MEMBERS AND ARIZONA ARMY AND AIR NATIONAL GUARD UNIT COMMANDERS. EXCEPT FOR  
22 THE DIRECTOR, THE GOVERNOR SHALL APPOINT THE MEMBERS BASED ON RECOMMENDATIONS  
23 BY THE DIRECTOR, BY ARIZONA ARMY AND AIR NATIONAL GUARD COMMANDERS AND BY  
24 COMMANDERS OF MILITARY BASES IN THIS STATE. APPOINTED MEMBERS SERVE AT THE  
25 PLEASURE OF THE GOVERNOR.

26 C. THE ADVISORY COMMITTEE SHALL:

27 1. ESTABLISH CRITERIA FOR THE USE OF MONIES IN THE FUND.  
28 2. ESTABLISH AND REVISE AS NECESSARY THE APPLICATION PROCESS FOR  
29 FINANCIAL ASSISTANCE.

30 3. REVIEW AND EVALUATE APPLICATIONS.

31 4. MAKE OTHER RECOMMENDATIONS AS NECESSARY.

32 D. THE MONIES IN THE FUND SHALL BE USED TO PROVIDE FINANCIAL  
33 ASSISTANCE TO FAMILY MEMBERS OF MILITARY PERSONNEL WHO WERE KILLED OR WOUNDED  
34 IN THE LINE OF DUTY, AND WHO WERE DEPLOYED FROM A MILITARY BASE IN THIS STATE  
35 OR WHO WERE MEMBERS OF THE ARIZONA ARMY OR AIR NATIONAL GUARD. THE  
36 ASSISTANCE TO FAMILY MEMBERS SHALL BE BASED ON FINANCIAL NEED. ELIGIBLE  
37 ASSISTANCE IS AS FOLLOWS:

38 1. WIDOWS AND WIDOWERS OF MILITARY PERSONNEL WHO WERE KILLED IN THE  
39 LINE OF DUTY MAY APPLY FOR A STIPEND FOR LIVING EXPENSES FOR UP TO SIX MONTHS  
40 AFTER THE TERMINATION OF MILITARY PAY AND DEATH BENEFITS. FOR THE PURPOSES  
41 OF THE STIPEND, QUALIFYING LIVING EXPENSES ARE RESIDENTIAL MORTGAGE, RENT AND  
42 UTILITY PAYMENTS AND OTHER BASIC LIVING EXPENSES.

43 2. SPOUSES AND MINOR CHILDREN OF MILITARY PERSONNEL WHO WERE WOUNDED  
44 IN THE LINE OF DUTY MAY APPLY FOR A STIPEND FOR LIVING EXPENSES FOR UP TO SIX

1 MONTHS NEAR A MILITARY OR VETERANS HOSPITAL OR REHABILITATION FACILITY WHERE  
2 THE PERSON IS BEING TREATED, INCLUDING TRAVEL AND HOUSING EXPENSES.

3 E. THE DIRECTOR MAY ALLOCATE UP TO FIVE PER CENT OF THE FUND BALANCE  
4 AT THE BEGINNING OF THE FISCAL YEAR FOR ADMINISTERING THE FUND AND THE  
5 FINANCIAL ASSISTANCE PROGRAM UNDER THIS SECTION.

6 F. THE DIRECTOR SHALL RECEIVE PRIVATE DONATIONS FOR DEPOSIT IN THE  
7 FUND AND ISSUE RECEIPTS TO THE DONORS. PRIVATE DONATIONS MAY QUALIFY FOR THE  
8 PURPOSES OF INCOME TAX CREDITS UNDER SECTION 43-1086. THE DIRECTOR MAY  
9 RECEIVE DONATIONS IN ANY AMOUNT, BUT DONATIONS TO THE FUND THAT EXCEED A  
10 COMBINED TOTAL OF ONE MILLION DOLLARS IN ANY CALENDAR YEAR, ON A FIRST COME  
11 FIRST SERVED BASIS, DO NOT QUALIFY FOR THE INCOME TAX CREDITS. THE DIRECTOR  
12 SHALL PROVIDE THE TAXPAYER A DONATION RECEIPT WHICH SHALL INCLUDE THE FULL  
13 NAME, ADDRESS AND THE LAST FOUR DIGITS OF THE TAXPAYER'S SOCIAL SECURITY  
14 NUMBER AND THE AMOUNT OF THE DONATION. THE DIRECTOR SHALL DESIGNATE ON THE  
15 DONATION RECEIPT WHETHER THE DONATION QUALIFIES UNDER THE LIMITS PRESCRIBED  
16 BY THIS SUBSECTION AND SECTION 43-1086. THE DIRECTOR SHALL SEND A COPY OF  
17 EACH RECEIPT THAT QUALIFIES FOR A DONATION TO THE DEPARTMENT OF REVENUE.

18 G. ON OR BEFORE MARCH 31 OF EACH YEAR, THE DIRECTOR SHALL PROVIDE FOR  
19 AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OF THE FUND AND OF THE  
20 AGGREGATE AMOUNT AUTHORIZED BY THE DIRECTOR FOR INCOME TAX CREDITS UNDER  
21 SUBSECTION F OF THIS SECTION. THE DIRECTOR SHALL PROMPTLY SUBMIT A CERTIFIED  
22 COPY OF THE AUDIT TO THE AUDITOR GENERAL. THE AUDITOR GENERAL MAY MAKE  
23 FURTHER AUDITS AND EXAMINATIONS AS NECESSARY AND MAY TAKE APPROPRIATE ACTION  
24 RELATING TO THE AUDIT OR EXAMINATION PURSUANT TO CHAPTER 7, ARTICLE 10.1 OF  
25 THIS TITLE. IF THE AUDITOR GENERAL DOES NOT TAKE FURTHER ACTION WITHIN  
26 THIRTY DAYS AFTER THE AUDIT IS FILED, THE AUDIT IS CONSIDERED TO BE  
27 SUFFICIENT. THE DIRECTOR SHALL PAY THE COSTS OF THE CERTIFIED PUBLIC  
28 ACCOUNTANT AND THE AUDITOR GENERAL FROM THE ADMINISTRATION ALLOCATION UNDER  
29 SUBSECTION E OF THIS SECTION.

30 Sec. 2. Section 42-13054, Arizona Revised Statutes, is amended to  
31 read:

32 42-13054. Taxable value of personal property; depreciated  
33 values of personal property in class one and class  
34 two (P)

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

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

43 1. FOR personal property that is initially classified during ~~or after~~  
44 tax year 1994 THROUGH TAX YEAR 2007 as class one, paragraph 8, 9, 10 or 13  
45 pursuant to section 42-12001 and personal property that is initially

1 classified during ~~or after~~ tax year 1995 THROUGH TAX YEAR 2007 as class two  
2 (P) pursuant to section 42-12002:

3 ~~1-~~ (a) For the first tax year of assessment, the assessor shall use  
4 thirty-five per cent of the scheduled depreciated value.

5 ~~2-~~ (b) For the second tax year of assessment, the assessor shall use  
6 fifty-one per cent of the scheduled depreciated value.

7 ~~3-~~ (c) For the third tax year of assessment, the assessor shall use  
8 sixty-seven per cent of the scheduled depreciated value.

9 ~~4-~~ (d) For the fourth tax year of assessment, the assessor shall use  
10 eighty-three per cent of the scheduled depreciated value.

11 ~~5-~~ (e) For the fifth and subsequent tax years of assessment, the  
12 assessor shall use the scheduled depreciated value as prescribed in the  
13 department's guidelines.

14 2. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER  
15 TAX YEAR 2008 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION  
16 42-12001 AND AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

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

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

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

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

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

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

30 C. The additional depreciation prescribed in subsection B of this  
31 section:

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

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

35 Sec. 3. Section 42-13353, Arizona Revised Statutes, is amended to  
36 read:

37 42-13353. Depreciated values of personal property of  
38 manufacturers, assemblers and fabricators

39 A. Except as provided in subsection ~~B- C of this section~~ and  
40 notwithstanding any other statute, the department shall adjust depreciation  
41 schedules for use by the assessors to determine the valuation of personal  
42 property valued under this article that was or is initially assessed during  
43 ~~or after~~ tax year 1994 THROUGH TAX YEAR 2007 as follows:

44 1. For the first tax year of assessment, the assessor shall use  
45 thirty-five per cent of the scheduled depreciated value.

1           2. For the second tax year of assessment, the assessor shall use  
2 fifty-one per cent of the scheduled depreciated value.

3           3. For the third tax year of assessment, the assessor shall use  
4 sixty-seven per cent of the scheduled depreciated value.

5           4. For the fourth tax year of assessment, the assessor shall use  
6 eighty-three per cent of the scheduled depreciated value.

7           5. For the fifth and subsequent tax years of assessment, the assessor  
8 shall use the scheduled depreciated value as prescribed by the department's  
9 guidelines.

10           B. EXCEPT AS PROVIDED IN SUBSECTION C AND NOTWITHSTANDING ANY OTHER  
11 LAW, THE DEPARTMENT SHALL ADJUST DEPRECIATION SCHEDULES FOR USE BY THE  
12 ASSESSORS TO DETERMINE THE VALUATION OF PERSONAL PROPERTY VALUED UNDER THIS  
13 ARTICLE THAT WAS OR IS INITIALLY ASSESSED DURING OR AFTER TAX YEAR 2008 AS  
14 FOLLOWS:

15           1. FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE THIRTY  
16 PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

17           2. FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
18 FORTY-SIX PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

19           3. FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
20 SIXTY-TWO PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

21           4. FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
22 SEVENTY-EIGHT PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

23           5. FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
24 NINETY-FOUR PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

25           6. FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR  
26 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S  
27 GUIDELINES.

28           ~~B.~~ C. The additional depreciation prescribed in subsection A ~~of this~~  
29 ~~section~~ shall not reduce the valuation below the minimum value prescribed by  
30 the department for property in use.

31           Sec. 4. Section 42-15001, Arizona Revised Statutes, is amended to  
32 read:

33           42-15001. Assessed valuation of class one property

34           The assessed valuation of class one property described in section  
35 42-12001 is the following percentage of its full cash value or limited  
36 valuation, as applicable:

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

38           2. Twenty-four and one-half per cent beginning from and after December  
39 31, 2005 through December 31, 2006.

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

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

44           5. ~~Twenty-three~~ TWENTY-TWO per cent beginning from and after December  
45 31, 2008 through December 31, 2009.

- 1           6. ~~Twenty two and one half~~ TWENTY-ONE per cent beginning from and  
2 after December 31, 2009 through December 31, 2010.
- 3           7. ~~Twenty two~~ TWENTY per cent beginning from and after December 31,  
4 2010 ~~through December 31, 2011.~~
- 5           8. ~~Twenty one and one half per cent beginning from and after December~~  
6 ~~31, 2011 through December 31, 2012.~~
- 7           9. ~~Twenty one per cent beginning from and after December 31, 2012~~  
8 ~~through December 31, 2013.~~
- 9           10. ~~Twenty and one half per cent beginning from and after December 31,~~  
10 ~~2013 through December 31, 2014.~~
- 11           11. ~~Twenty per cent beginning from and after December 31, 2014.~~
- 12           Sec. 5. Section 42-15006, Arizona Revised Statutes, is amended to  
13 read:
- 14           42-15006. Assessed valuation of class six property
- 15           The assessed valuation of class six property described in  
16 section 42-12006 is based on the following percentages to the full cash value  
17 or limited valuation of class six property, as applicable:
- 18           1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6  
19 and 7, five per cent.
- 20           2. Property described in section 42-12006, paragraph 4:
- 21           (a) For primary property tax purposes, five per cent.
- 22           (b) Except as provided in subdivision (c), for secondary property tax  
23 purposes:
- 24           (i) Twenty-five per cent through December 31, 2006.
- 25           (ii) Twenty-four per cent beginning from and after December 31, 2006  
26 through December 31, 2007.
- 27           (iii) Twenty-three ~~and one half~~ per cent beginning from and after  
28 December 31, 2007 through December 31, 2008.
- 29           (iv) ~~Twenty three~~ TWENTY-TWO per cent beginning from and after  
30 December 31, 2008 through December 31, 2009.
- 31           (v) ~~Twenty two and one half~~ TWENTY-ONE per cent beginning from and  
32 after December 31, 2009 through December 31, 2010.
- 33           (vi) ~~Twenty two~~ TWENTY per cent beginning from and after December 31,  
34 2010 ~~through December 31, 2011.~~
- 35           (vii) ~~Twenty one and one half per cent beginning from and after~~  
36 ~~December 31, 2011 through December 31, 2012.~~
- 37           (viii) ~~Twenty one per cent beginning from and after December 31, 2012~~  
38 ~~through December 31, 2013.~~
- 39           (ix) ~~Twenty and one half per cent beginning from and after~~  
40 ~~December 31, 2013 through December 31, 2014.~~
- 41           (x) ~~Twenty per cent beginning from and after December 31, 2014.~~
- 42           (c) If subdivision (b) is finally adjudicated to be invalid, for  
43 secondary property tax purposes, five per cent.

1           Sec. 6. Section 43-222, Arizona Revised Statutes, as amended by Laws  
2 2007, chapter 225, section 4, is amended to read:

3           43-222. Income tax credit review schedule

4           Each year the joint legislative income tax credit review committee  
5 shall review the following income tax credits:

6           1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,  
7 43-1166, 43-1167 and 43-1169.

8           2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and  
9 43-1178.

10          3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and  
11 43-1170.01.

12          4. In 2010, sections 43-1075, 43-1075.01, 43-1079.01, 43-1087,  
13 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 and 43-1182.

14          5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1164 and  
15 43-1183.

16          6. In 2012, sections 43-1073, 43-1086, 43-1089, 43-1089.01,  
17 43-1089.02, 43-1090, 43-1176 and 43-1181.

18          Sec. 7. Section 43-1021, Arizona Revised Statutes, is amended to read:

19          43-1021. Additions to Arizona gross income

20          In computing Arizona adjusted gross income, the following amounts shall  
21 be added to Arizona gross income:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40           16. The amount by which the depreciation or amortization computed under  
41 the internal revenue code with respect to property for which a credit was  
42 taken under section 43-1080 exceeds the amount of depreciation or  
43 amortization computed pursuant to the internal revenue code on the Arizona  
44 adjusted basis of the property.

1           17. The amount by which the adjusted basis computed under the internal  
2 revenue code with respect to property for which a credit was claimed under  
3 section 43-1080 and which is sold or otherwise disposed of during the taxable  
4 year exceeds the adjusted basis of the property computed under section  
5 43-1080.

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

11           19. The amount by which the adjusted basis computed under the internal  
12 revenue code with respect to property for which a credit was claimed under  
13 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise  
14 disposed of during the taxable year exceeds the adjusted basis of the  
15 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as  
16 applicable.

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

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

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

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

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

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

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

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

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

1           29. The amount by which the depreciation or amortization computed under  
2 the internal revenue code with respect to property for which a credit was  
3 taken under section 43-1090.01 exceeds the amount of depreciation or  
4 amortization computed pursuant to the internal revenue code on the Arizona  
5 adjusted basis of the property.

6           30. The amount by which the adjusted basis computed under the internal  
7 revenue code with respect to property for which a credit was claimed under  
8 section 43-1090.01 and which is sold or otherwise disposed of during the  
9 taxable year exceeds the adjusted basis of the property computed under  
10 section 43-1090.01.

11           31. THE AMOUNT OF A NONQUALIFIED WITHDRAWAL, AS DEFINED IN SECTION  
12 15-1871, FROM A COLLEGE SAVINGS PLAN ESTABLISHED PURSUANT TO SECTION 529 OF  
13 THE INTERNAL REVENUE CODE THAT IS MADE TO A DISTRIBUTEE TO THE EXTENT THE  
14 AMOUNT IS NOT INCLUDED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME, EXCEPT  
15 THAT THE AMOUNT ADDED UNDER THIS PARAGRAPH SHALL NOT EXCEED THE DIFFERENCE  
16 BETWEEN THE AMOUNT SUBTRACTED UNDER SECTION 43-1022 IN PRIOR TAXABLE YEARS  
17 AND THE AMOUNT ADDED UNDER SECTION 43-1021 IN ANY PRIOR TAXABLE YEARS.

18           Sec. 8. Section 43-1022, Arizona Revised Statutes, is amended to read:  
19           43-1022. Subtractions from Arizona gross income

20           In computing Arizona adjusted gross income, the following amounts shall  
21 be subtracted from Arizona gross income:

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

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

26           (a) The United States government service retirement and disability  
27 fund, retired or retainer pay of the uniformed services of the United States,  
28 the United States foreign service retirement and disability system and any  
29 other retirement system or plan established by federal law.

30           (b) The Arizona state retirement system, the corrections officer  
31 retirement plan, the public safety personnel retirement system, the elected  
32 officials' retirement plan, an optional retirement program established by the  
33 Arizona board of regents under section 15-1628, an optional retirement  
34 program established by a community college district board under section  
35 15-1451 or a retirement plan established for employees of a county, city or  
36 town in this state.

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

40           4. The amount of any distributions from an individual retirement  
41 account as provided for in section 408 of the internal revenue code or from a  
42 qualified retirement plan of a self-employed individual as provided for in  
43 section 401 of the internal revenue code to the extent that total adjustments  
44 made pursuant to this paragraph in all tax years do not exceed the total of

1 all contributions made by the taxpayer to such plans prior to December 31,  
2 1975, which were included in computing Arizona taxable income.

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

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

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

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

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

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

23 11. The amount by which the adjusted basis of property described in  
24 this paragraph and computed pursuant to this title and the income tax act of  
25 1954, as amended, exceeds the adjusted basis of such property computed  
26 pursuant to the internal revenue code. This paragraph shall apply to all  
27 property which is held for the production of income and which is sold or  
28 otherwise disposed of during the taxable year other than depreciable property  
29 used in a trade or business.

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

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

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

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

44 16. The amount of prizes or winnings less than five thousand dollars in  
45 a single taxable year from any of the state lotteries established and

1 operated pursuant to title 5, chapter 5, article 1, except that all such  
2 winnings before March 22, 1983, including periodic distributions from such  
3 winnings made after March 22, 1983, may be subtracted.

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

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

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

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

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

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

31 (a) An eligible individual may subtract:

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

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

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

43 23. The amount by which a net operating loss carryover or capital loss  
44 carryover allowable pursuant to section 43-1029, subsection F exceeds the net

1 operating loss carryover or capital loss carryover allowable pursuant to  
2 section 1341(b)(5) of the internal revenue code.

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

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

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

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

14 28. An amount equal to the depreciation allowable pursuant to section  
15 167(a) of the internal revenue code for the taxable year computed as if the  
16 election described in section 168(k)(2)(D)(iii) of the internal revenue code  
17 had been made for each applicable class of property in the year the property  
18 was placed in service.

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

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

30 31. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007  
31 THROUGH DECEMBER 31, 2012, THE AMOUNT CONTRIBUTED DURING THE TAXABLE YEAR TO  
32 COLLEGE SAVINGS PLANS ESTABLISHED PURSUANT TO SECTION 529 OF THE INTERNAL  
33 REVENUE CODE TO THE EXTENT THAT THE CONTRIBUTIONS WERE NOT DEDUCTED IN  
34 COMPUTING FEDERAL ADJUSTED GROSS INCOME. THE AMOUNT SUBTRACTED SHALL NOT  
35 EXCEED:

36 (a) SEVEN HUNDRED FIFTY DOLLARS FOR A SINGLE INDIVIDUAL OR A HEAD OF  
37 HOUSEHOLD.

38 (b) ONE THOUSAND FIVE HUNDRED DOLLARS FOR A MARRIED COUPLE FILING A  
39 JOINT RETURN. IN THE CASE OF A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS,  
40 THE SUBTRACTION MAY BE TAKEN BY EITHER TAXPAYER OR MAY BE DIVIDED BETWEEN  
41 THEM, BUT THE TOTAL SUBTRACTIONS ALLOWED BOTH HUSBAND AND WIFE SHALL NOT  
42 EXCEED ONE THOUSAND FIVE HUNDRED DOLLARS.

1           Sec. 9. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
2 amended by adding section 43-1086, to read:

3           43-1086. Credit for donation to the military family relief fund

4           FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007 THROUGH  
5 DECEMBER 31, 2012, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS  
6 TITLE FOR CASH CONTRIBUTIONS MADE BY A TAXPAYER DURING THE TAXABLE YEAR TO  
7 THE MILITARY FAMILY RELIEF FUND ESTABLISHED BY SECTION 41-608.04. THE AMOUNT  
8 OF THE CREDIT IS THE LOWEST OF THE FOLLOWING AMOUNTS, AS APPLICABLE:

9           1. THE TOTAL AMOUNT OF CONTRIBUTIONS TO THE FUND BY THE TAXPAYER  
10 DURING THE TAXABLE YEAR.

11           2. TWO HUNDRED DOLLARS OF CONTRIBUTIONS DURING THE TAXABLE YEAR BY A  
12 TAXPAYER FILING AS A SINGLE INDIVIDUAL OR A HEAD OF HOUSEHOLD.

13           3. FOUR HUNDRED DOLLARS OF CONTRIBUTIONS DURING THE TAXABLE YEAR BY A  
14 MARRIED COUPLE FILING A JOINT RETURN.

15           4. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN  
16 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF  
17 THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED ON A JOINT RETURN.

18           5. THE TAXPAYER'S TAX LIABILITY FOR THE TAXABLE YEAR.

19           Sec. 10. Delayed repeal

20           A. Section 41-608.04, Arizona Revised Statutes, as added by this act,  
21 is repealed from and after December 31, 2013.

22           B. Section 43-1086, Arizona Revised Statutes, as added by this act, is  
23 repealed from and after December 31, 2012.

24           Sec. 11. Transaction privilege tax exemption; 2009 NBA All-Star  
25 game events

26           Notwithstanding section 42-5073, Arizona Revised Statutes, the  
27 transaction privilege tax amusement classification does not include sales of  
28 admissions to the 2009 national basketball association all-star game and  
29 admissions to other related official activities and events sponsored by the  
30 national basketball association.

31           Sec. 12. Delayed repeal

32           Section 11 of this act, relating to transaction privilege tax exemption  
33 for the 2009 national basketball association all-star game and related  
34 events, is repealed from and after December 31, 2009.

35           Sec. 13. Purpose

36           Pursuant to section 43-223, Arizona Revised Statutes, the purpose of  
37 the income tax credit for contributions to the military family relief fund  
38 under section 43-1086, Arizona Revised Statutes, as added by this act, is to  
39 encourage contributions for the compassionate relief of military widows,  
40 widowers, spouses and minor children of military personnel in this state who  
41 were killed or wounded in the line of duty.

42           Sec. 14. Appropriation; military family relief fund; exemption

43           A. The sum of \$100,000 is appropriated from the state general fund in  
44 fiscal year 2007-2008 to the military family relief fund established by  
45 section 41-608.04, Arizona Revised Statutes, as added by this act. The

1 appropriation shall only be used for costs associated with administering the  
2 fund and financial assistance program and shall not be used to provide  
3 financial assistance.

4 B. The appropriation made in subsection A of this section is exempt  
5 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
6 lapsing of appropriations.

7 Sec. 15. Conditional enactment

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

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

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