

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2653

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Repeal

3 A. Title 43, chapter 10, articles 1, 2, 3 and 4, Arizona Revised
4 Statutes, are repealed.

5 B. Sections 43-1072, 43-1073, 43-1074, 43-1074.02, 43-1075,
6 43-1075.01, 43-1076, 43-1077, 43-1078, 43-1079, 43-1079.01, 43-1080, 43-1081,
7 43-1081.02, 43-1082, 43-1083, 43-1084, 43-1085, 43-1086, 43-1087, 43-1088.01,
8 43-1089.02, 43-1090, 43-1090.01, 43-1094, 43-1095 and 43-1098, Arizona
9 Revised Statutes, are repealed.

10 C. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws
11 2001, chapter 115, section 19, section 43-1074.01, Arizona Revised Statutes,
12 as amended by Laws 2008, chapter 290, section 2, and section 43-1074.01,
13 Arizona Revised Statutes, as amended by Laws 2008, chapter 290, section 4,
14 are repealed.

15 D. Pursuant to section 1-249, Arizona Revised Statutes, the repeal of
16 any provision of law by this section does not affect any preexisting right
17 accrued under any repealed section of law, including tax credits and the
18 carryforward of any excess amount of credit under the repealed statute.

19 Sec. 2. Title 43, chapter 10, Arizona Revised Statutes, is amended by
20 adding a new article 1, to read:

21 ARTICLE 1. GENERAL PROVISIONS

22 43-1001. Definitions

23 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

24 1. "GROSS INCOME" MEANS THE TAXPAYER'S FEDERAL GROSS INCOME COMPUTED
25 PURSUANT TO SECTION 61 OF THE INTERNAL REVENUE CODE.

26 2. "HEAD OF HOUSEHOLD" HAS THE SAME MEANING PRESCRIBED BY SECTIONS
27 2(b) AND 2(c) OF THE INTERNAL REVENUE CODE. HEAD OF HOUSEHOLD INCLUDES AN

1 INDIVIDUAL WHO MEETS THE QUALIFICATIONS OF A SURVIVING SPOUSE UNDER SECTION
2 2(a) OF THE INTERNAL REVENUE CODE.

3 3. "MARRIED PERSON" MEANS A MARRIED PERSON ON THE LAST DAY OF THE
4 TAXABLE YEAR SUBJECT TO THE RULES IN SECTION 43-1002.

5 4. "PERSON" MEANS AN INDIVIDUAL.

6 5. "SINGLE PERSON" MEANS ANY PERSON WHO IS NOT MARRIED OR WHO WAS
7 LEGALLY SEPARATED ON THE LAST DAY OF THE PERSON'S TAXABLE YEAR.

8 6. "SPOUSE" MEANS THE WIFE OR HUSBAND OF THE TAXPAYER.

9 7. "TAXABLE INCOME" MEANS GROSS INCOME LESS DEDUCTIONS ALLOWED
10 PURSUANT TO SECTION 43-1005.

11 8. "TAXABLE YEAR" MEANS THE TAXABLE PERIOD ON THE BASIS OF WHICH A
12 TAXPAYER IS REQUIRED TO FILE A FEDERAL INCOME TAX RETURN PURSUANT TO THE
13 INTERNAL REVENUE CODE, OR THE CALENDAR YEAR IF THE TAXPAYER IS NOT REQUIRED
14 TO FILE A FEDERAL INCOME TAX RETURN.

15 43-1002. Married person; application of definition

16 THE FOLLOWING RULES APPLY TO THE DEFINITION OF "MARRIED PERSON" IN
17 SECTION 43-1001:

18 1. AN INDIVIDUAL WHO IS LEGALLY SEPARATED FROM THE INDIVIDUAL'S SPOUSE
19 UNDER A DECREE OF DISSOLUTION OF MARRIAGE OR OF SEPARATE MAINTENANCE IS NOT
20 CONSIDERED TO BE MARRIED.

21 2. A TAXPAYER IS CONSIDERED TO BE MARRIED AT THE CLOSE OF THE TAXABLE
22 YEAR IF THE TAXPAYER'S SPOUSE DIED DURING THE TAXABLE YEAR AND THE TAXPAYER
23 WOULD HAVE BEEN CONSIDERED MARRIED AT THE DATE OF THE DEATH OF THE SPOUSE.

24 43-1003. Policy

25 IT IS THE INTENT OF THE LEGISLATURE TO ADOPT AND ENACT THE POLICY OF
26 PROVIDING A FAIR AND SIMPLIFIED METHOD FOR INDIVIDUAL TAXPAYERS IN THIS STATE
27 TO COMPUTE THE INCOME TAXES DUE TO THIS STATE. THIS TAX IS CHARACTERIZED BY
28 THE FOLLOWING OBJECTIVES:

29 1. AVOIDING NUMEROUS COMPLEX CALCULATIONS REFLECTING MULTIPLE
30 EXEMPTIONS, DEDUCTIONS, ADDITIONS, SUBTRACTIONS, CREDITS AND TAX RATES. WHEN
31 THE TAX LAW IS TOO COMPLEX, THE TAXPAYER IS ALIENATED FROM AND HOSTILE TO THE
32 LAW.

1 2. REJECTING THE USE OF TAX BENEFITS TO PROMOTE SOCIAL BEHAVIOR OR
2 SPECIAL INTERESTS.

3 3. BASING SIMPLIFIED CALCULATIONS ON A TAX BASE AT LEAST AS BROAD AS
4 THE TAXPAYER'S FEDERAL GROSS INCOME.

5 4. APPLYING ONE LOW MARGINAL TAX RATE TO A SINGLE INCOME BRACKET.

6 5. PROMOTING THE INTEGRITY OF THIS STATE'S TAX LAW THROUGH SIMPLICITY,
7 FAIRNESS AND EASE OF COMPLIANCE.

8 6. BROADENING THE TAXABLE INCOME BASE SO THAT THE LOWEST POSSIBLE TAX
9 RATE IS APPLIED TO THE TAXPAYER'S INCOME.

10 43-1004. Levy of tax; rates

11 A. THERE IS LEVIED AND THE DEPARTMENT SHALL COLLECT A TAX ON THE
12 INCOME OF EACH RESIDENT OF THIS STATE AND ON THE INCOME OF EACH NONRESIDENT
13 THAT IS DERIVED FROM SOURCES IN THIS STATE.

14 B. THE TAX IS LEVIED AS FOLLOWS:

15 1. IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
16 SEPARATELY:

17 (a) IF TAXABLE INCOME IS \$10,000 OR LESS, THE TAX IS ZERO.

18 (b) IF TAXABLE INCOME EXCEEDS \$10,000, THE TAX IS 2.8% OF THE AMOUNT
19 OF TAXABLE INCOME EXCEEDING \$10,000.

20 2. IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
21 PERSON WHO IS A HEAD OF A HOUSEHOLD:

22 (a) IF TAXABLE INCOME IS \$20,000 OR LESS, THE TAX IS ZERO.

23 (b) IF TAXABLE INCOME EXCEEDS \$20,000, THE TAX IS 2.8% OF THE AMOUNT
24 OF TAXABLE INCOME EXCEEDING \$20,000.

25 43-1005. Items deductible against gross income

26 A. IN COMPUTING TAXABLE INCOME, A TAXPAYER MAY DEDUCT FROM GROSS
27 INCOME:

28 1. THE AMOUNT OF CHARITABLE CONTRIBUTIONS DURING THE TAXABLE YEAR THAT
29 ARE ALLOWED PURSUANT TO SECTION 170 OF THE INTERNAL REVENUE CODE IN COMPUTING
30 THE TAXPAYER'S FEDERAL INCOME TAX.

31 2. THE AMOUNT THAT IS ALLOWED PURSUANT TO SECTION 163 OF THE INTERNAL
32 REVENUE CODE IN COMPUTING FEDERAL INCOME TAX FOR INTEREST PAID BY A RESIDENT

1 TAXPAYER DURING THE TAXABLE YEAR ON INDEBTEDNESS INCURRED FOR THE PURCHASE OF
2 THE TAXPAYER'S PRINCIPAL RESIDENCE IN THIS STATE.

3 B. NO OTHER AMOUNTS ARE DEDUCTIBLE FROM GROSS INCOME.

4 Sec. 3. Section 43-1091, Arizona Revised Statutes, is amended to read:

5 43-1091. Gross income of a nonresident

6 In the case of nonresidents, ~~Arizona~~ gross income includes only ~~that~~
7 ~~portion of federal adjusted~~ AMOUNTS OF gross income ~~which represents income~~
8 from sources ~~within~~ IN this state.

9 Sec. 4. Section 43-1092, Arizona Revised Statutes, is amended to read:

10 43-1092. Intangible income of a nonresident

11 A. Except as provided in subsection B of this section, income ~~of~~
12 ~~nonresidents from stocks, bonds, notes or other intangible personal property~~
13 DERIVED FROM DIVIDENDS AND INTEREST is not income from sources ~~within~~ IN this
14 state unless the property has acquired a business situs ~~within~~ IN this state,
15 except that if a nonresident buys or sells ~~such property~~ THE STOCKS, BONDS OR
16 OTHER INTANGIBLE PROPERTY in this state or places orders with brokers ~~within~~
17 IN this state to buy or sell such property so regularly, systematically and
18 continuously as to constitute doing business in this state, the ~~profit or~~
19 ~~gain~~ DIVIDENDS OR INTEREST derived from such activity is income from sources
20 ~~within~~ IN this state irrespective of the situs of the property. However, ~~in~~
21 ~~no case shall~~ transactions extending over a period of less than six months
22 SHALL NOT be deemed to constitute doing business in this state.

23 B. ~~Any income~~ DIVIDENDS received by nonresidents ~~which is derived~~ from
24 a small business corporation making an election pursuant to section 43-1126
25 shall be considered ~~taxable~~ GROSS income ~~of~~ IN this state.

26 Sec. 5. Title 43, chapter 10, article 6, Arizona Revised Statutes, is
27 amended by adding a new section 43-1094, to read:

28 43-1094. Taxable income of a nonresident

29 IN COMPUTING TAXABLE INCOME, A NONRESIDENT TAXPAYER MAY DEDUCT THE
30 PERCENTAGE OF ALLOWABLE AMOUNTS THAT THE TAXPAYER'S GROSS INCOME UNDER THIS
31 CHAPTER BEARS TO THE TAXPAYER'S FEDERAL GROSS INCOME.

1 Sec. 6. Section 43-1096, Arizona Revised Statutes, is amended to read:

2 43-1096. Credit for income taxes paid by nonresident;
3 definitions

4 A. Subject to the following conditions, nonresidents shall be allowed
5 a credit against taxes imposed by this title for net income taxes imposed by
6 and paid to the state or country of residence on **ITEMS OF GROSS** income
7 taxable under this title:

8 1. The credit shall be allowed only if the state or country of
9 residence either does not tax income of residents of this state derived from
10 sources ~~within~~ **IN** that state or country or allows residents of this state a
11 credit against taxes imposed by that state or country on the income for taxes
12 paid or payable under this title.

13 2. The credit shall not be allowed for taxes paid to a state or
14 country which allows its residents a credit against the taxes imposed by that
15 state or country for income taxes paid or payable under this title
16 irrespective of whether its residents are allowed a credit against the taxes
17 imposed by this title for income taxes paid to that state or country.

18 3. The credit shall be allowed only for the proportion of the taxes
19 paid to the state or country of residence as the income taxable under this
20 title and also subject to tax in the state or country of residence bears to
21 the entire income on which the taxes paid to the state or country of
22 residence are imposed.

23 4. The credit shall not exceed the proportion of the tax payable under
24 this title as the income taxable under this title and also subject to tax in
25 the state or country of residence bears to the entire income taxable under
26 this title.

27 B. For the purposes of this section, net income taxes imposed by
28 another country include taxes that qualify for a credit under sections 901
29 and 903 of the internal revenue code and the regulations under those
30 sections.

31 C. For the purposes of this section:

32 1. "Entire income on which the taxes paid to the state or country of
33 residence are imposed" means the other state's or country's adjusted gross

1 income computed under the equivalent of ~~section 43-1001, but does not include~~
2 ~~any exemption allowable under the equivalent of section 43-1023~~ ARTICLE 1 OF
3 THIS CHAPTER.

4 2. "Entire income taxable under this title" means ~~Arizona adjusted~~
5 ~~gross~~ TAXABLE income computed under section 43-1094 ~~but does not include any~~
6 ~~exemption allowed under section 43-1023.~~

7 3. "Income taxable under this title and also subject to tax in the
8 state or country of residence" means the portion of income that is included
9 in entire income taxable under this title that is also included in the entire
10 income on which the taxes paid to the state or country of residence are
11 imposed. ~~The taxpayer shall increase or reduce the portion of income that is~~
12 ~~included in the entire income taxable under this title by any related~~
13 ~~additions under section 43-1021 and by any related subtractions under section~~
14 ~~43-1022.~~ The taxpayer shall increase or reduce the portion of income that is
15 included in the entire income on which taxes paid to the state or country of
16 residence are imposed by any ~~related~~ additions and subtractions under the
17 other state's ~~equivalent of sections 43-1021 and 43-1022, as applicable~~ LAW.

18 4. "Tax payable under this title" means the income tax imposed by this
19 state on the taxpayer's taxable income computed under section ~~43-1095~~ 43-1094
20 minus all of the following:

- 21 (a) The reduction amount received under section 16-954, subsection A.
22 (b) Any tax credit amount claimed under section 16-954, subsection B.
23 (c) Any tax credit amount claimed for the taxable year under article 5
24 of this chapter but not including the credit amount allowed under this
25 section.

26 Sec. 7. Section 43-1097, Arizona Revised Statutes, is amended to read:
27 43-1097. Change of residency status

28 A. During the tax year in which a taxpayer changes from a resident to
29 a nonresident, ~~Arizona~~ taxable income shall include all of the following:

30 1. All income and deductions realized or recognized, or both,
31 depending on the taxpayer's method of accounting, during the period the
32 individual was a resident, and any income accrued by a cash basis taxpayer
33 prior to the time the taxpayer became a nonresident of this state.

1 4. The rate must produce a reduction in individual income tax revenue
2 from fiscal year 2011-2012 to fiscal year 2012-2013, after accounting for
3 projected changes in statewide personal income.

4 C. The task force may use independent outside resources and expertise
5 at universities and independent private research organizations.

6 D. The task force shall report its findings and recommendations to the
7 governor, the speaker of the house of representatives, the president of the
8 senate, the chairpersons of the house of representatives ways and means
9 committee and the senate finance committee, the joint legislative budget
10 committee and the department of revenue.

11 Sec. 9. Conforming legislation

12 The legislative council staff shall prepare proposed legislation
13 conforming the Arizona Revised Statutes to the provisions of this act for
14 consideration in the fiftieth legislature, first regular session.

15 Sec. 10. Effective date

16 This act is effective and applies to taxable years beginning from and
17 after December 31, 2011."

18 Amend title to conform

JOHN KAVANAGH

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