

COMMITTEE ON EDUCATION ACCOUNTABILITY AND REFORM
SENATE AMENDMENTS TO S.B. 1478
(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4 Statutes, are repealed.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9 Revised Statutes, are repealed.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14 are repealed.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17 accrued under any repealed section of law, including tax credits and the
18 carryforward of any excess amount of credit under the repealed statute.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. Section 43-222, Arizona Revised Statutes, is amended to read:

20 43-222. Income tax credit review schedule

21 Each year the joint legislative income tax credit review committee
22 shall review the following income tax credits:

23 1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
24 43-1166, 43-1167 and 43-1169.

25 2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
26 43-1178.

27 3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and
28 43-1170.01.

1 4. In 2010, sections 43-1075, 43-1075.01, 43-1079.01, 43-1087,
2 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 and 43-1182.

3 5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1164 and
4 43-1183.

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

7 7. IN 2014, SECTION 43-1089.03

8 Sec. 3. Title 43, chapter 10, Arizona Revised Statutes, is amended by
9 adding a new article 1, to read:

10 ARTICLE 1. GENERAL PROVISIONS

11 43-1001. Definitions

12 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

15 2. "HEAD OF HOUSEHOLD" HAS THE SAME MEANING PRESCRIBED BY SECTIONS
16 2(b) AND 2(c) OF THE INTERNAL REVENUE CODE. HEAD OF HOUSEHOLD INCLUDES AN
17 INDIVIDUAL WHO MEETS THE QUALIFICATIONS OF A SURVIVING SPOUSE UNDER SECTION
18 2(a) OF THE INTERNAL REVENUE CODE.

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

21 4. "PERSON" MEANS AN INDIVIDUAL.

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

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

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

27 8. "TAXABLE YEAR" MEANS THE TAXABLE PERIOD ON THE BASIS OF WHICH A
28 TAXPAYER IS REQUIRED TO FILE A FEDERAL INCOME TAX RETURN PURSUANT TO THE
29 INTERNAL REVENUE CODE, OR THE CALENDAR YEAR IF THE TAXPAYER IS NOT REQUIRED
30 TO FILE A FEDERAL INCOME TAX RETURN.

31 43-1002. Married person; application of definition

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

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

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

7 43-1003. Policy

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

12 1. AVOIDING NUMEROUS COMPLEX CALCULATIONS REFLECTING MULTIPLE
13 EXEMPTIONS, DEDUCTIONS, ADDITIONS, SUBTRACTIONS, CREDITS AND TAX RATES. WHEN
14 THE TAX LAW IS TOO COMPLEX, THE TAXPAYER IS ALIENATED FROM AND HOSTILE TO THE
15 LAW.

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

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

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

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

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

25 43-1004. Levy of tax; rates

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

29 B. THE TAX IS LEVIED AS FOLLOWS:

30 1. IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
31 SEPARATELY:

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

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

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

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

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

8 43-1005. Items deductible against gross income

9 A. IN COMPUTING TAXABLE INCOME, A TAXPAYER MAY SUBTRACT THE FOLLOWING
10 AMOUNTS FROM GROSS INCOME:

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

14 2. THE AMOUNT THAT IS ALLOWED PURSUANT TO SECTION 163 OF THE INTERNAL
15 REVENUE CODE IN COMPUTING FEDERAL INCOME TAX FOR INTEREST PAID BY A RESIDENT
16 TAXPAYER DURING THE TAXABLE YEAR ON INDEBTEDNESS INCURRED FOR THE PURCHASE OF
17 THE TAXPAYER'S PRINCIPAL RESIDENCE IN THIS STATE.

18 3. TO THE EXTENT NOT ALREADY EXCLUDED FROM GROSS INCOME UNDER THE
19 INTERNAL REVENUE CODE, COMPENSATION RECEIVED FOR ACTIVE SERVICE AS A MEMBER
20 OF THE RESERVES, THE NATIONAL GUARD OR THE ARMED FORCES OF THE UNITED STATES,
21 INCLUDING COMPENSATION FOR SERVICE IN A COMBAT ZONE AS DETERMINED UNDER
22 SECTION 112 OF THE INTERNAL REVENUE CODE.

23 B. NO OTHER AMOUNTS MAY BE SUBTRACTED IN COMPUTING TAXABLE INCOME.

24 Sec. 4. Title 43, chapter 10, article 15, Arizona Revised Statutes, is
25 amended by adding section 43-1089.03, to read:

26 43-1089.03. Credit for classroom supplies; definition

27 A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE
28 AMOUNT OF UNREIMBURSED COSTS PAID DURING THE TAXABLE YEAR BY A TAXPAYER WHO
29 IS A QUALIFIED TEACHER FOR CLASSROOM SUPPLIES AND MATERIALS THAT ARE USED IN
30 THE QUALIFIED TEACHER'S CLASSROOM, BUT NOT TO EXCEED ONE THOUSAND DOLLARS.

31 B. 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

1 TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
2 YEARS' INCOME TAX LIABILITY.

3 C. FOR THE PURPOSES OF THIS SECTION:

4 1. "CLASSROOM SUPPLIES AND MATERIALS" MEANS EXPENDABLE ITEMS USED FOR
5 EDUCATIONAL PURPOSES BY TEACHERS IN THE CLASSROOM AND MAY INCLUDE, BUT IS NOT
6 LIMITED TO, SUCH ITEMS AS:

7 (a) PAPER, PENS, PENCILS, WORKBOOKS, NOTEBOOKS, SUPPLEMENTARY BOOKS AND
8 RESOURCES.

9 (b) CHART PAPER, ART SUPPLIES, CRAFT SUPPLIES AND PHOTOGRAPHY MATERIALS

10 (c) BLANK MEDIA SUCH AS RECORDABLE COMPUTER DISKS

11 (d) PROHIBITED ITEMS INCLUDE, TEXTBOOKS, LIBRARY BOOKS, COMPUTERS AND
12 OTHER NONEXPENDABLE ITEMS.

13 2. "QUALIFIED TEACHER" MEANS A TEACHER OF A KINDERGARTEN PROGRAM OR
14 GRADES ONE THROUGH TWELVE.

15 Sec. 5. Section 43-1091, Arizona Revised Statutes, is amended to read:

16 43-1091. Gross income of a nonresident

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

20 Sec. 6. Section 43-1092, Arizona Revised Statutes, is amended to read:

21 43-1092. Intangible income of a nonresident

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

1 the state or country of residence bears to the entire income taxable under
2 this title.

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

7 C. For the purposes of this section:

8 1. "Entire income on which the taxes paid to the state or country of
9 residence are imposed" means the other state's or country's adjusted gross
10 income computed under the equivalent of ~~section 43-1001, but does not include~~
11 ~~any exemption allowable under the equivalent of section 43-1023~~ ARTICLE 1 OF
12 THIS CHAPTER.

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

16 3. "Income taxable under this title and also subject to tax in the
17 state or country of residence" means the portion of income that is included
18 in entire income taxable under this title that is also included in the entire
19 income on which the taxes paid to the state or country of residence are
20 imposed. ~~The taxpayer shall increase or reduce the portion of income that is~~
21 ~~included in the entire income taxable under this title by any related~~
22 ~~additions under section 43-1021 and by any related subtractions under section~~
23 ~~43-1022.~~ The taxpayer shall increase or reduce the portion of income that is
24 included in the entire income on which taxes paid to the state or country of
25 residence are imposed by any ~~related~~ additions and subtractions under the
26 other state's ~~equivalent of sections 43-1021 and 43-1022, as applicable~~ LAW.

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

30 (a) The reduction amount received under section 16-954, subsection A.

31 (b) Any tax credit amount claimed under section 16-954, subsection B.

1 (c) Any tax credit amount claimed for the taxable year under article 5
2 of this chapter but not including the credit amount allowed under this
3 section.

4 Sec. 9. Section 43-1097, Arizona Revised Statutes, is amended to read:

5 43-1097. Change of residency status

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

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

12 2. All income and deductions earned in Arizona or derived from Arizona
13 sources after the time the taxpayer became a nonresident of this state.

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

16 1. All income and deductions realized or recognized, or both,
17 depending on the taxpayer's method of accounting, during the period the
18 individual was a resident, except any income accrued by a cash basis taxpayer
19 prior to the time the taxpayer became a resident of this state.

20 2. All income and deductions earned in Arizona or derived from Arizona
21 sources prior to the time the taxpayer became a resident of this state.

22 Sec. 10. Task force: determination of final income tax rate:
23 report

24 A. A task force to determine a state individual income tax rate is
25 established consisting of:

26 1. The members of the economic estimates commission.

27 2. Two members, one of whom is appointed by the president of the
28 senate and one of whom is appointed by the speaker of the house of
29 representatives.

30 B. On or before December 31, 2010, the task force shall recommend a
31 single individual income tax rate and additional changes that support the
32 purposes of this act by broadening the taxable base to be used for the

1 purposes of title 43, chapter 10, Arizona Revised Statutes, as amended by
2 this act, according to the following requirements:

3 1. The rate shall reflect the calculation of individual income tax
4 liability as provided by title 43, chapter 10, Arizona Revised Statutes, as
5 amended by this act.

6 2. The rate shall not exceed three per cent of the marginal taxable
7 income brackets.

8 3. The same rate shall apply with respect to single persons, married
9 persons filing separately, married persons filing jointly and single persons
10 who are heads of households using the taxable income brackets established by
11 section 43-1004, Arizona Revised Statutes, as added by this act.

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

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

17 D. The task force shall report its findings and recommendations to the
18 governor, the speaker of the house of representatives, the president of the
19 senate, the chairpersons of the house of representatives ways and means
20 committee and the senate finance committee, the joint legislative budget
21 committee and the department of revenue.

22 Sec. 11. Purpose

23 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
24 enacts section 43-1089.03, Arizona Revised Statutes, as added by this act, to
25 provide income tax relief for teachers who personally purchase school
26 supplies and materials for use in the classroom.

27 Sec. 12. Conforming legislation

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

31

1 Sec. 13. Effective date
2 This act is effective and applies to taxable years beginning from and
3 after December 31, 2011."
4 Amend title to conform

6/29/09
10:10 PM
rbc