

REFERENCE TITLE: **Arizona's job recovery act**

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

HB 2250

Introduced by

Representatives Adams, Antenori, Ash, Barnes, Barto, Boone, Burges, Court, Crandall, Crump, Driggs, Goodale, Gowan, Hendrix, Jones, Kavanagh, Lesko, Mason, McComish, Montenegro, Murphy, Nichols, Pratt, Reagan, Stevens, Tobin, Yarbrough, Senators Burns, Leff, Nelson, Pearce R, Pierce S, Verschoor: Representatives Konopnicki, McLain, Weiers JP, Senators Allen S, Melvin

AN ACT

PROVIDING FOR DELAYED REPEAL OF SECTION 15-994, ARIZONA REVISED STATUTES; AMENDING SECTION 20-224.03, ARIZONA REVISED STATUTES; REPEALING SECTION 23-730.02, ARIZONA REVISED STATUTES; REPEALING TITLE 23, CHAPTER 4, ARTICLE 5.2, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1276, 41-1525, 41-1525.01 AND 41-1527, ARIZONA REVISED STATUTES; REPEALING TITLE 41, CHAPTER 10, ARTICLE 4, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING A NEW ARTICLE 4 AND ARTICLES 5 AND 5.1; AMENDING SECTIONS 41-1554.01, 41-1554.02, 41-1554.03, 41-1554.06, 42-1116, 42-2003, 42-12006, 42-12009, 42-15001, 42-15006, 43-206 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-409; AMENDING SECTIONS 43-1011, 43-1074, 43-1111, 43-1139 AND 43-1161, ARIZONA REVISED STATUTES; AMENDING LAWS 1996, CHAPTER 344, SECTION 12, AS AMENDED BY LAWS 2001, CHAPTER 370, SECTION 8 AND LAWS 2006, CHAPTER 387, SECTION 5; RELATING TO EMPLOYMENT INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Delayed repeal

3 Section 15-994, Arizona Revised Statutes, is repealed from and after
4 June 30, 2014.

5 Sec. 2. Section 20-224.03, Arizona Revised Statutes, is amended to
6 read:

7 20-224.03. Premium tax credit for increased employment in
8 enterprise zones; definition

9 A. A tax credit is allowed against the premium tax liability incurred
10 by an insurer pursuant to section 20-224, 20-837, 20-1010, 20-1060 or
11 20-1097.07 for net increases in qualified employment positions of residents
12 of this state by an insurer that is located in an enterprise zone established
13 under title 41, chapter 10, article 2. A tax credit is not allowed for the
14 portion of the tax payable to the fire fighters' relief and pension fund
15 pursuant to section 20-224 or the portion of the tax payable to the public
16 safety personnel retirement system pursuant to section 20-224.01. Subject to
17 subsection D of this section, the amount of the tax credit is equal to:

18 1. One-fourth of the taxable wages paid to an employee in a qualified
19 employment position, not to exceed five hundred dollars, in the first year or
20 partial year of employment.

21 2. One-third of the taxable wages paid to an employee in a qualified
22 employment position, not to exceed one thousand dollars per qualified
23 employment position, in the second year of continuous employment.

24 3. One-half of the taxable wages paid to an employee in a qualified
25 employment position, not to exceed one thousand five hundred dollars per
26 qualified employment position, in the third year of continuous employment.

27 B. To qualify for a credit under this section:

28 1. AN INSURER MUST:

29 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE INTO AN ENTERPRISE
30 ZONE OR EXPAND ITS IN-STATE OPERATION TO A LOCATION IN AN ENTERPRISE ZONE.

31 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
32 AN URBAN ZONE LOCATION WITH A POPULATION OF EIGHTY THOUSAND PERSONS OR MORE
33 OR AT LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN A ZONE LOCATION
34 WITH A POPULATION OF LESS THAN EIGHTY THOUSAND PERSONS.

35 ~~1-~~ 2. All of the employees with respect to whom a credit is claimed
36 must reside in this state.

37 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
38 credit is claimed for the first year of employment must reside on the date of
39 hire in an enterprise zone that is located in the same county in which the
40 insurer is located. If an employee for whom a credit was allowed in the
41 first year of employment leaves employment during the second or third year,
42 the taxpayer may substitute another employee who meets the requirements of
43 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
44 the original employee. If the original employee was counted toward the

1 residency requirement under this paragraph, the substitute employee must also
2 have resided in a zone at the time the substitute was hired.

3 ~~3-~~ 4. A qualified employment position must meet all of the following
4 requirements:

5 (a) The position must be a minimum of one thousand seven hundred fifty
6 hours per year of full-time and permanent employment.

7 (b) The job duties must be performed primarily at the zone locations
8 of the business. If an eligible employee in a qualified employment position
9 is transferred or assigned to work in the taxpayer's workplace at a different
10 location that is also located in an enterprise zone and qualifies as a zone
11 location, it may be considered to be continuous employment if it continues to
12 meet all qualified employment position requirements.

13 (c) The employment must include health insurance coverage for the
14 employee for which the employer pays at least fifty per cent of the premium
15 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
16 at least fifty per cent of a predetermined fixed cost per employee for an
17 insurance program that is payable whether or not the employee has filed
18 claims.

19 (d) The employer must pay compensation at least equal to **ONE HUNDRED**
20 **SEVENTY-FIVE PER CENT OF** the wage offer by county as computed annually by the
21 department of economic security research administration division.

22 (e) The employee must have been employed for at least ninety days
23 during the first taxable year. An employee who is hired during the last
24 ninety days of the taxable year shall be considered a new employee during the
25 next taxable year. A qualified employment position that is filled during the
26 last ninety days of the taxable year is considered to be a new qualified
27 employment position for the next taxable year.

28 (f) The employee has not been previously employed by the taxpayer
29 within twelve months before the current date of hire.

30 C. A credit is allowed for employment in the second and third year
31 only for qualified employment positions for which a credit was allowed in the
32 first year.

33 D. The net increase in the number of qualified employment positions is
34 the lesser of the total number of filled qualified employment positions
35 created in the zone during the tax year or the difference between the average
36 number of full-time employees in the zone in the current tax year and the
37 average number of full-time employees during the immediately preceding
38 taxable year. The net increase in the number of qualified employment
39 positions computed under this subsection may not exceed two hundred qualified
40 employment positions per taxpayer each year.

41 E. A taxpayer who claims a credit under section 20-224.04 shall not
42 claim a credit under this section with respect to the same employees.

43 F. Pursuant to subsection A of this section, if the allowable tax
44 credit exceeds the state premium tax liability, the amount of the claim not
45 used as an offset against the state premium tax liability may be carried

1 forward as a tax credit against subsequent years' state premium tax liability
2 for the period, not to exceed five taxable years, provided that the insurer
3 remains in an enterprise zone.

4 G. If a person purchases an insurance business in a zone or if an
5 insurance business in a zone changes ownership through reorganization, stock
6 purchase or merger, the new taxpayer may claim first year credits only for
7 one or more qualified employment positions that it created and filled with an
8 eligible employee after the purchase or reorganization was complete. If a
9 person purchases a taxpayer that had qualified for first or second year
10 credits or if an insurance business changes ownership through reorganization,
11 stock purchase or merger, the new taxpayer may claim the second or third year
12 credits if it meets other eligibility requirements of this section. Credits
13 for which a taxpayer qualified before the changes described in this
14 subsection are terminated and lost at the time the changes are implemented.

15 H. An insurer that claims a tax credit against state premium tax
16 liability is not required to pay any additional retaliatory tax imposed
17 pursuant to section 20-230 as a result of claiming that tax credit.

18 I. A failure to timely report and certify to the department of
19 commerce the information prescribed by section 41-1525, subsection ~~B~~ C,
20 paragraphs 1, 2 and 3 and in the manner prescribed by section 41-1525,
21 subsection ~~E~~ D, disqualifies the insurer from the credit under this
22 section. The department of insurance shall require written evidence of the
23 timely report to the department of commerce.

24 J. The termination of an enterprise zone does not affect the credit
25 under this section with respect to:

26 1. Insurers that have employees in the second and third years of
27 employment in qualified employment positions under subsection A, paragraphs 2
28 and 3 of this section if the business remains in the location that was in the
29 enterprise zone.

30 2. Amounts carried forward into subsequent taxable years under
31 subsection F of this section.

32 K. The department may adopt rules necessary for the administration of
33 this section.

34 L. For the purposes of this section, "insurer" means any entity that
35 is subject to premium tax liability pursuant to section 20-224, 20-837,
36 20-1010, 20-1060 or 20-1097.07.

37 Sec. 3. Repeal

38 A. Section 23-730.02, Arizona Revised Statutes, is repealed.

39 B. Title 23, chapter 4, article 5.2, Arizona Revised Statutes, is
40 repealed.

41 Sec. 4. Section 41-1276, Arizona Revised Statutes, is amended to read:

42 41-1276. Truth in taxation levy for equalization assistance to
43 school districts

44 A. On or before February 15 of each year, the joint legislative budget
45 committee shall compute and transmit the truth in taxation rates for

1 equalization assistance for school districts for the following fiscal year
2 to:

3 1. The chairmen of the house of representatives ways and means
4 committee and the senate finance committee or their successor committees.

5 2. The chairmen of the appropriations committees of the senate and the
6 house of representatives or their successor committees.

7 B. The truth in taxation rates consist of the qualifying tax rate for
8 a high school district or a common school district within a high school
9 district that does not offer instruction in high school subjects pursuant to
10 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
11 unified district, a common school district not within a high school district
12 or a common school district within a high school district that offers
13 instruction in high school subjects pursuant to section 15-971, subsection B,
14 paragraph 2 and a state equalization assistance property tax rate pursuant to
15 section 15-994 that will offset the change in net assessed valuation of
16 property that was subject to tax in the prior year.

17 C. The joint legislative budget committee shall compute the truth in
18 taxation rates as follows:

19 1. Determine the statewide primary net assessed value for the
20 preceding tax year as provided in section 42-17151, subsection A,
21 paragraph 3.

22 2. Determine the statewide primary net assessed value for the current
23 tax year, excluding the net assessed value of property that was not subject
24 to tax in the preceding year.

25 3. Divide the amount determined in paragraph 1 of this subsection by
26 the amount determined in paragraph 2 of this subsection.

27 4. Adjust the qualifying tax rates and the state equalization
28 assistance property tax rate for the current fiscal year by the percentage
29 determined in paragraph 3 of this subsection in order to offset the change in
30 net assessed value.

31 D. Except as provided in subsections E and G of this section, the
32 qualifying tax rate for a high school district or a common school district
33 within a high school district that does not offer instruction in high school
34 subjects, the qualifying tax rate for a unified school district, a common
35 school district not within a high school district or a common school district
36 within a high school district that offers instruction in high school subjects
37 and the state equalization assistance property tax rate for the following
38 fiscal year shall be the rate determined by the joint legislative budget
39 committee pursuant to subsection C of this section. The committee shall
40 transmit the rates to the superintendent of public instruction and the county
41 boards of supervisors by March 15 each year.

42 E. If the legislature proposes either qualifying tax rates or a state
43 equalization assistance property tax rate that exceeds the truth in taxation
44 rate:

1 to subsection A of this section unless the rates are adopted by a concurrent
2 resolution approved by an affirmative roll call vote of two-thirds of the
3 members of each house of the legislature before the legislature enacts the
4 general appropriations bill. If the resolution is not approved by two-thirds
5 of the members of each house of the legislature, the rates for the following
6 fiscal year shall be the truth in taxation rates determined pursuant to
7 subsection C of this section and shall be transmitted to the superintendent
8 of public instruction and the county boards of supervisors.

9 H. Notwithstanding subsection C of this section and if approved by the
10 qualified electors voting at a statewide general election, the legislature
11 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
12 school district or \$4.253 for a unified school district. The legislature
13 shall not set a county equalization assistance for education rate that
14 exceeds \$0.5123.

15 I. Pursuant to subsection C of this section, the qualifying tax rate
16 in tax year 2008 for a high school district or a common school district
17 within a high school district that does not offer instruction in high school
18 subjects as provided in section 15-447 is \$1.4622 and for a unified school
19 district, a common school district not within a high school district or a
20 common school district within a high school district that offers instruction
21 in high school subjects as provided in section 15-447 is \$2.9244. The state
22 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is
23 zero. The state equalization assistance property tax rate in:

24 1. Tax ~~year~~ YEARS 2009 AND 2010 shall be computed by annually
25 adjusting the tax year 2005 rate of \$0.4358 as provided by this section
26 through tax ~~year~~ YEARS 2009 AND 2010, RESPECTIVELY.

27 2. TAX YEAR 2011 SHALL BE SEVENTY-FIVE PER CENT OF THE RATE COMPUTED
28 FOR TAX YEAR 2010.

29 3. TAX YEAR 2012 SHALL BE FIFTY PER CENT OF THE RATE COMPUTED FOR TAX
30 YEAR 2010.

31 4. TAX YEAR 2013 SHALL BE TWENTY-FIVE PER CENT OF THE RATE COMPUTED
32 FOR TAX YEAR 2010.

33 5. TAX YEARS FOLLOWING 2013 SHALL BE ZERO.

34 Sec. 5. Section 41-1525, Arizona Revised Statutes, is amended to read:

35 41-1525. Tax incentives; definitions

36 A. The owner of a business or an insurer located in an enterprise zone
37 ~~before July 1, 2011~~ AND QUALIFYING UNDER THIS SECTION is eligible for an
38 income tax credit under section 43-1074 or 43-1161 or a premium tax credit
39 under section 20-224.03 for net increases in qualified employment positions,
40 except employment positions at a zone location where more than ten per cent
41 of the business conducted at the location consists of retail sales of
42 tangible personal property, measured either by the number of employees
43 assigned to retail sales or the square footage of the facility used for
44 retail sales activities at the location in the zone. Retail sales and retail
45 sales activities do not include:

- 1 1. Food and beverage for consumption on the premises solely by
- 2 employees and occasional guests of employees at the location.
- 3 2. Promotional products not available for sale and displaying the
- 4 company logo or trademark.
- 5 3. Products sold to company employees.
- 6 B. TO QUALIFY UNDER THIS SECTION A BUSINESS OR INSURER MUST:
- 7 1. RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE INTO AN ENTERPRISE
- 8 ZONE OR EXPAND ITS IN-STATE OPERATION TO A LOCATION IN AN ENTERPRISE ZONE.
- 9 2. CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
- 10 AN URBAN ZONE LOCATION WITH A POPULATION OF EIGHTY THOUSAND PERSONS OR MORE
- 11 OR AT LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN A ZONE LOCATION
- 12 WITH A POPULATION OF LESS THAN EIGHTY THOUSAND PERSONS.
- 13 3. COMPENSATE FULL-TIME EMPLOYEES AT THE ZONE LOCATION AT LEAST EQUAL
- 14 TO ONE HUNDRED SEVENTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
- 15 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
- 16 DIVISION.
- 17 4. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES AT THE
- 18 ZONE LOCATION FOR WHICH THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE
- 19 PREMIUM OR MEMBERSHIP COST OR, IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER
- 20 PAYS AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR
- 21 AN INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
- 22 CLAIMS.
- 23 5. OBTAIN AND SUBMIT TO THE DEPARTMENT A RESOLUTION OF THE GOVERNING
- 24 BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE
- 25 COUNTY IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR TOWN. THE RESOLUTION
- 26 MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE REQUIREMENTS OF THIS
- 27 SECTION AND LIST ANY INCENTIVES OFFERED TO THE BUSINESS BY THE CITY, TOWN OR
- 28 COUNTY.
- 29 ~~B.~~ C. To ~~qualify for~~ CLAIM a tax credit, the owner must:
- 30 1. Certify to the department of revenue or the department of
- 31 insurance, as applicable, on or before the due date of the tax return,
- 32 including any extensions for the year for which the credit is claimed, in a
- 33 form prescribed by the department of revenue including electronic media,
- 34 information that the department of revenue may require, including the
- 35 ownership interests of co-owners of the business if the business is a
- 36 partnership, limited liability company or an S corporation, and the following
- 37 information for each employee in the zone location:
- 38 (a) The date of initial employment.
- 39 (b) The number of hours worked during the year.
- 40 (c) Whether the position was full-time.
- 41 (d) The residence of the employee.
- 42 (e) Whether the residence was in or outside the zone.
- 43 (f) If the residence was in the zone, where in the zone it is located.
- 44 (g) The employee's annual compensation.

- 1 (h) The total cost of health insurance for the employee and the cost
2 paid by the employer.
- 3 (i) If the employee had been previously employed, the last date of
4 previous employment.
- 5 2. Report and certify to the department of commerce the following
6 information, and provide supporting documentation, on a form and in a manner
7 approved by the department of commerce and, as specified in subsection ~~E~~ D
8 of this section, for each year in which the taxpayer earned and claimed or
9 used credits or is carrying forward amounts from previously earned and
10 claimed credits:
- 11 (a) The business name and mailing address and any other contact
12 information requested by the department of commerce.
- 13 (b) The business location and the name of the zone in which the
14 business is located.
- 15 (c) The average hourly wage and the total amount of compensation paid
16 to employees qualified for the credit and for all employees at the zone
17 location.
- 18 (d) The total number of qualified employment positions and the amount
19 of income tax or premium tax credits qualified for in the tax year.
- 20 (e) The estimated amount of tax credits to be used in the tax year to
21 offset tax liability.
- 22 (f) The estimated amount of tax credits to be available for
23 carryforward in the tax year and the tax year in which the credits expire.
- 24 (g) The number of jobs and the amount of credits earned and claimed on
25 the prior year's income tax or insurance premium tax returns.
- 26 (h) The amount of credits used to offset tax liabilities on the prior
27 year's income tax or insurance premium tax return.
- 28 (i) The amount of credits available for carryforward as reported on
29 the prior year's tax return and the tax year the credits expire.
- 30 (j) Capital investment made in the zone during the tax year and the
31 preceding tax year.
- 32 (k) That each qualified employment position meets all of the following
33 requirements:
- 34 (i) The position is at least one thousand seven hundred fifty hours
35 per year of full-time permanent employment.
- 36 (ii) All credits that are being claimed are for wages for job duties
37 performed primarily at the zone locations of the business.
- 38 (iii) The employment includes health insurance coverage for the
39 employee for which the employer pays at least fifty per cent of the premium
40 or membership cost. If the taxpayer is self-insured, the employer pays at
41 least fifty per cent of a predetermined fixed cost per employee for an
42 insurance program that is payable whether or not the employee has filed
43 claims.

1 (iv) The employer pays compensation at least equal to ONE HUNDRED
2 SEVENTY-FIVE PER CENT OF the wage offer by county as computed annually by the
3 department of economic security research administration division.

4 (l) That the only retail sales activities engaged in at the zone
5 location were as specified in subsection A of this section.

6 (m) Other information necessary for the management and reporting of
7 the incentives under this section.

8 3. For any year in which the taxpayer is claiming first year credits,
9 report and certify the following additional information and provide
10 supporting documentation to the department of commerce on a form and in a
11 manner approved by the department, and as specified in subsection ~~C~~ D of
12 this section:

13 (a) That thirty-five per cent of the employees with respect to whom a
14 credit is claimed for the first year of employment resided on the date of
15 employment in an enterprise zone that is located in the same county in which
16 the business is located.

17 (b) That the increase in the number of qualified employment positions
18 for which credit is sought is the least of:

19 (i) The total number of filled qualified employment positions created
20 at the zone location during the tax year.

21 (ii) The difference between the average number of full-time employees
22 at a zone location in the current tax year and the average number of
23 full-time employees during the immediately preceding tax year.

24 (iii) Two hundred qualified employment positions per taxpayer each
25 year.

26 (c) That all employees filling a qualified employment position were
27 employed for at least ninety days during the first taxable year.

28 (d) That none of the employees filling qualified employment positions
29 were employed by the taxpayer during the twelve months before the current
30 date of hire.

31 (e) That all employees for whom second and third year credits are
32 claimed are in qualified employment positions for which first year credits
33 were allowed and claimed by the taxpayer on the original first and second
34 year tax returns. For the purposes of this subsection, the requirement to
35 claim the credit on the original tax return does not apply to qualified
36 employment positions created before January 1, 2002 and certified to the
37 department of commerce.

38 (f) That all employees for whom credits are taken performed their job
39 duties primarily at the zone locations of the business.

40 ~~C~~ D. To qualify for first year credits, the report and certification
41 prescribed by subsection ~~B~~ C, paragraphs 2 and 3 of this section must be
42 filed with the department of commerce by the earlier of six months after the
43 end of the tax year in which the qualified employment positions were created
44 or by the date the tax return is filed for the tax year in which the
45 qualified employment positions were created. To qualify for second year

1 credits, the report and certification prescribed by subsection ~~B~~ C,
2 paragraph 2 of this section must be filed with the department of commerce by
3 the earlier of six months after the end of the taxable year or the date the
4 tax return is filed for the tax year in which the second year credits are
5 allowable. To qualify for third year credits, the report and certification
6 prescribed by subsection ~~B~~ C, paragraph 2 of this section must be filed with
7 the department of commerce by the earlier of six months after the end of the
8 tax year or the date the tax return is filed for the tax year in which the
9 third year credits are allowable.

10 ~~D~~ E. Any information submitted to the department of commerce under
11 subsection ~~B~~ C, paragraph 2, subdivisions (e) through (i) of this section is
12 exempt from the provisions of title 39, chapter 1, article 2 and considered
13 to be confidential and is not subject to disclosure except:

14 1. To the extent that the person or organization that provided the
15 information consents to the disclosure.

16 2. To the department of revenue for use in tax administration.

17 ~~E~~ F. Real and personal property within an enterprise zone ~~which~~ THAT
18 is owned or used by a ~~small-manufacturing~~ QUALIFYING business UNDER
19 SUBSECTIONS A AND B OF THIS SECTION that is certified by the department
20 pursuant to section 41-1525.01 before July 1, ~~2011~~ 2016 shall be assessed as
21 class six property as provided by section 42-12006.

22 ~~F~~ G. Documents filed with the department of commerce, the department
23 of insurance and the department of revenue under subsection ~~B~~ C of this
24 section shall contain either a sworn statement or certification, signed by an
25 officer of the company under penalty of perjury, that the information
26 contained is true and correct according to the best belief and knowledge of
27 the person submitting the information after a reasonable investigation of the
28 facts. If the document contains information that is materially false, the
29 taxpayer is ineligible for the tax incentives under subsection A of this
30 section and is subject to recovery of the amount of tax incentives allowed in
31 preceding taxable years based on the false information, plus penalties and
32 interest.

33 ~~G~~ H. The department of commerce may make site visits to a taxpayer's
34 facilities if it is necessary to further document or clarify reported
35 information. The taxpayer must freely provide the access.

36 ~~H~~ I. The department by rule may prescribe additional reporting
37 requirements for taxpayers who claim tax benefits pursuant to this section.

38 ~~I~~ J. For the purposes of this section:

39 1. "Assigned to retail" means working more than twenty-five per cent
40 of an employee's time in one or more retail sales activities.

41 2. "Retail sales" means the sale of tangible personal property to an
42 ultimate consumer.

43 3. "Retail sales activities" means all activities persons operating a
44 retail business normally engage in, including taking orders, filling orders,
45 billing orders, receiving and processing payment and shipping, stocking and

1 delivering tangible personal property to the ultimate consumer, except drop
2 shipments by a company acting on behalf of an unrelated company that has made
3 a sale to a final consumer.

4 4. "Zone location" means a single parcel or contiguous parcels of
5 owned or leased land, the structures and personal property contained on the
6 land or any part of the structures occupied by a taxpayer.

7 Sec. 6. Section 41-1525.01, Arizona Revised Statutes, is amended to
8 read:

9 41-1525.01. Certification of business property for property tax
10 classification; definitions

11 A. Through June 30, ~~2011~~ 2016, the department of commerce shall
12 annually certify ~~small manufacturing or small commercial printing~~ businesses
13 that qualify for property tax incentives under THIS section ~~41-1525,~~
14 ~~subsection E~~. To qualify under this section:

15 1. THE BUSINESS MUST MEET THE REQUIREMENTS OF SECTION 41-1525,
16 SUBSECTION B.

17 ~~1-~~ 2. A ~~small manufacturing or small commercial printing~~ business
18 must meet the minimum CAPITAL investment requirements WITHIN THREE YEARS
19 AFTER FIRST BECOMING CERTIFIED AS prescribed by this paragraph. THE AMOUNT
20 OF CAPITAL INVESTMENT DETERMINES THE TAX CLASSIFICATION AND THE NUMBER OF
21 YEARS THE PROPERTY QUALIFIES FOR PROPERTY TAX INCENTIVES AS PRESCRIBED BY
22 SECTIONS 42-12006 AND 42-12009. The investments may be cumulative. A ~~small~~
23 ~~manufacturing or small commercial printing~~ business shall not include fixed
24 assets purchased from ~~an enterprise zone manufacturing or small commercial~~
25 ~~printing company~~ ANOTHER BUSINESS already certified under this section.
26 Subject to subsection E of this section, certification is effective on
27 January 1 of the valuation year, as defined in section 42-11001, following
28 completion of the required investment. QUALIFYING PROPERTY UNDER THIS
29 PARAGRAPH MAY INCLUDE NEWLY CONSTRUCTED IMPROVEMENTS TO REAL ESTATE OR NEWLY
30 OCCUPIED IMPROVEMENTS THAT WERE FORMERLY VACANT. To qualify, the ~~small~~
31 ~~manufacturing or small commercial printing~~ business must invest at least the
32 following amount, as applicable, in fixed assets ~~in the zone~~ after December
33 31, ~~2000~~ 2010:

34 (a) IN AN URBAN ZONE LOCATION WITH A POPULATION OF EIGHTY THOUSAND
35 PERSONS OR MORE, AT LEAST FIVE MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN
36 TWELVE MONTHS AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

37 (b) IN A ZONE LOCATION WITH A POPULATION OF LESS THAN EIGHTY THOUSAND
38 PERSONS, AT LEAST TWO MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN TWELVE
39 MONTHS AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

40 (c) IN ANY LOCATION, A CAPITAL INVESTMENT OF AT LEAST TWO HUNDRED
41 FIFTY MILLION DOLLARS AND AT LEAST ONE HUNDRED FIFTY NEW FULL-TIME EMPLOYMENT
42 POSITIONS QUALIFY THE PROPERTY FOR CLASSIFICATION AS CLASS NINE PURSUANT TO
43 SECTION 42-12009.

1 ~~(a) In counties with a population of two hundred fifty thousand~~
2 ~~persons or more, two million dollars, except as provided in subdivision (b)~~
3 ~~of this paragraph.~~

4 ~~(b) In all other counties, and for cities and towns located in~~
5 ~~counties with a population of two hundred fifty thousand persons or more and~~
6 ~~that have no portion of the corporate boundaries located within twenty five~~
7 ~~air miles from the exterior corporate boundary of the largest city in the~~
8 ~~county.~~

9 ~~(i) Cities with a population of eighty thousand persons or more, two~~
10 ~~million dollars.~~

11 ~~(ii) Cities and towns with a population of at least fifteen thousand~~
12 ~~but less than eighty thousand persons and in unincorporated areas of the~~
13 ~~county, one million dollars.~~

14 ~~(iii) Cities and towns with a population of less than fifteen thousand~~
15 ~~persons, five hundred thousand dollars.~~

16 ~~2.~~ 3. A business initially applying for certification under this
17 section must report the following with supporting documentation to the
18 department of commerce on a form and in a manner prescribed by the
19 department:

20 (a) Business name and mailing address and any other contact
21 information requested by the department.

22 (b) Business location and the enterprise zone in which the business is
23 located.

24 (c) The number of full-time employees at the time of application and
25 the benefits provided to employees.

26 (d) The assessor's parcel number of real property to which class six
27 OR CLASS NINE assessment classification will apply.

28 (e) If available, the assessor's account number for personal property
29 to which class six OR CLASS NINE assessment classification will apply.

30 (f) For the zone location, the gross receipts, gross payroll and
31 average hourly wage paid to employees for the preceding taxable year.

32 (g) A statement of the ownership and description of operations of the
33 zone business.

34 (h) Documentation of the required investment in fixed assets that
35 identifies the fixed assets and establishes the cost of the fixed assets and
36 the time of investment.

37 (i) Documentation that establishes the type and amount of
38 ~~manufacturing or printing~~ BUSINESS activity conducted at the zone location.

39 (j) Ownership and full cash value of real and personal property to be
40 certified.

41 (k) Other information necessary for the management and reporting of
42 this program as determined by the department.

43 B. The department shall not certify any business for qualification for
44 property tax incentives after June 30, ~~2011~~ 2016. However, certification
45 under this section is valid for five years subject to annual recertification

1 ~~regardless of whether under changing circumstances the business grows beyond~~
2 ~~ninety nine full time employees at the zone location or gross annual receipts~~
3 ~~of more than four million dollars and~~ regardless of whether the enterprise
4 zone continues in existence if it continues to meet the other eligibility
5 requirements.

6 C. In order to be annually recertified pursuant to subsection B of
7 this section, a ~~small manufacturing or small commercial printing~~ business
8 must continue to meet all the eligibility requirements of this section and
9 must annually report the following and provide supporting documentation to
10 the department of commerce on a form and in a manner approved by the
11 department:

12 1. Information required by subsection A, paragraph ~~2- 3~~, subdivisions
13 (a), (b), (d), (e), (f), (i), (j) and (k) of this section.

14 2. Changes in location, ownership and operations of the business in
15 the immediately preceding year.

16 3. The average number of full-time employees at the zone location for
17 the immediately preceding year.

18 D. To ~~qualify for~~ RECEIVE classification as class six **OR CLASS NINE**
19 property for tax purposes, the certified business must submit a copy of the
20 department's initial certification, and each annual recertification, with a
21 written request to reclassify the property to the county assessor of the
22 county in which the property is located by December 10 **OF** each year.

23 E. A ~~manufacturer or commercial printer~~ **BUSINESS** shall submit its
24 application for initial certification or annual recertification to the
25 department not later than October 1 of each year. The department shall
26 notify the appropriate county assessors of all qualified enterprise zone
27 properties located within their county not later than December 1 of each
28 year.

29 F. If a ~~manufacturer or commercial printer~~ **BUSINESS** moves from the
30 originally certified location, it loses its eligibility. The ~~manufacturer or~~
31 ~~commercial printer~~ **BUSINESS** may apply for certification at a new zone
32 location for the remainder of its five years if it meets the minimum
33 investment requirements in fixed assets that were not moved from the prior
34 zone location, meets all other eligibility requirements of this section and
35 has not reached the five year eligibility limit.

36 G. Once a ~~manufacturer or commercial printer~~ **BUSINESS** establishes the
37 basis for eligibility and the department certifies the ~~manufacturer or~~
38 ~~commercial printer~~ **BUSINESS**, the business may change its basis of eligibility
39 during the four remaining years of potential eligibility as long as the
40 ~~manufacturer or commercial printer~~ **BUSINESS** meets the requirements for the
41 new basis of eligibility.

42 H. If a certified ~~manufacturing or commercial printer~~ business is
43 purchased by another entity or changes by more than twenty per cent of the
44 ownership interest through reorganization, stock purchase or merger, the
45 certification is terminated. The new ~~manufacturer or small commercial~~

1 ~~printer~~ BUSINESS may apply for certification according to eligibility
2 requirements of this section.

3 ~~I. A small business that was originally certified for a ten year~~
4 ~~period of property reclassification loses eligibility for any year in which~~
5 ~~the size limits are exceeded or the business is no longer independently owned~~
6 ~~and operated.~~

7 ~~J.~~ I. The department of commerce shall notify the department of
8 revenue and the county assessor if a certified ~~small manufacturing or small~~
9 ~~commercial printing~~ business closes, moves from the enterprise zone or fails
10 to maintain its eligibility, and the assessor shall make the appropriate
11 changes to the tax roll.

12 ~~K.~~ J. The department of commerce may make site visits to a taxpayer's
13 facilities if it is necessary to further document or clarify reported
14 information. The taxpayer must freely provide the access.

15 ~~L.~~ K. Documents filed with the department of commerce pursuant to
16 this section shall contain either a sworn statement or certification, signed
17 by an officer of the company under penalty of perjury, that the information
18 contained is true and correct according to the best belief and knowledge of
19 the person submitting the information after a reasonable investigation of the
20 facts. If the document contains information that is materially false, the
21 taxpayer is ineligible for the tax benefits under this section and is subject
22 to recovery of the amount of tax benefits allowed in preceding years based on
23 the false information, including penalties and interest.

24 ~~M.~~ L. The department by rule may prescribe additional reporting
25 requirements for persons who claim a tax benefit pursuant to this section.

26 ~~N.~~ M. For the purposes of this section:

27 ~~1. "Closely held" means five or fewer individuals own more than fifty~~
28 ~~per cent of the ownership interest in the company, corporation or~~
29 ~~partnership.~~

30 ~~2. "Commercial printing" means producing printed product through a~~
31 ~~lithographic or flexographic process, from material cut to press size on the~~
32 ~~premises, transferred with pressure and finished with a process that may~~
33 ~~include scoring, folding, die cutting, gluing, stamping, embossing or~~
34 ~~packaging. Commercial printing does not include businesses regulated~~
35 ~~pursuant to section 42-5065.~~

36 ~~3. "Family owned" means more than fifty per cent of the ownership~~
37 ~~interest in the company, corporation or partnership is owned by members of~~
38 ~~the same family.~~

39 ~~4.~~ 1. "Fixed assets" means property that is used in operating a
40 business, such as furniture, land, buildings and machinery, and that is not
41 ordinarily converted into cash after they are declared fixed assets.

42 ~~5. "Independently owned and operated" means not more than fifty per~~
43 ~~cent of the ownership interest in the small manufacturing or small commercial~~
44 ~~printer business is held by another entity unless the final ownership of the~~
45 ~~entity is family owned or closely held.~~

1 ~~6. "Manufacturing" means fabricating, producing or manufacturing~~
2 ~~products, wares or articles for use from raw or prepared materials and~~
3 ~~imparting to those materials new forms, qualities, properties and~~
4 ~~combinations. Manufacturing does not include generating electricity at a~~
5 ~~facility assessed pursuant to title 42, chapter 14, article 4.~~

6 ~~7. "Minority owned business" means an independently owned and operated~~
7 ~~business of which a majority of the business is owned by African Americans,~~
8 ~~persons of Hispanic or Latin American ancestry and persons of Native~~
9 ~~American, Asian or other minority origin or descent.~~

10 ~~8. "Small commercial printing business" means a minority owned~~
11 ~~business or a woman owned business or a concern, that is independently owned~~
12 ~~and operated and employs less than one hundred full-time employees at the~~
13 ~~location in the enterprise zone when certified by the department of commerce~~
14 ~~or had gross annual receipts of less than four million dollars in its last~~
15 ~~fiscal year.~~

16 ~~9. "Small manufacturing business" means a minority owned business or a~~
17 ~~woman owned business or a concern, that is independently owned and operated~~
18 ~~and employs less than one hundred full-time employees at the location in the~~
19 ~~enterprise zone when certified by the department of commerce or had gross~~
20 ~~annual receipts of less than four million dollars in its last fiscal year.~~

21 ~~10. "Woman owned business" means an independently owned and operated~~
22 ~~business of which a majority of the business is owned by one or more women.~~

23 ~~11.~~ 2. "Zone location" has the same meaning prescribed in section
24 41-1525.

25 Sec. 7. Section 41-1527, Arizona Revised Statutes, is amended to read:
26 41-1527. Annual reports; department of commerce; department of
27 revenue

28 A. On or before September 30 of each year the department of commerce
29 shall transmit a report to the governor, the president of the senate, the
30 speaker of the house of representatives and the chairpersons of the senate
31 finance committee and the house of representatives ways and means committee,
32 or their successor committees, and shall provide a copy of this report to the
33 secretary of state ~~and the director of the Arizona state library, archives~~
34 ~~and public records~~. The report shall contain the following information:

35 1. The number, size and location of all enterprise zones established
36 as of the end of the preceding fiscal year pursuant to this article.

37 2. The business names, ~~AND~~ locations, number of employees and amount
38 of compensation paid to employees qualifying for income tax credits as
39 reported to the department pursuant to section 41-1525 in each enterprise
40 zone.

41 3. The amount of capital investment, made during the preceding fiscal
42 year and cumulatively, in each enterprise zone.

43 4. The number of ~~minority owned businesses, woman owned businesses and~~
44 ~~other small manufacturing~~ businesses certified for property tax incentives

1 pursuant to section 41-1525.01 in the preceding fiscal year and cumulatively,
2 in each enterprise zone, and for each such business:

3 (a) The name and location.

4 (b) The number of employees.

5 (c) The full cash value of the property qualifying for classification
6 as class six pursuant to section 42-12006 OR CLASS NINE PURSUANT TO SECTION
7 42-12009.

8 B. On or before September 30 of each year the department of revenue
9 shall transmit a report to the governor, the president of the senate, the
10 speaker of the house of representatives and the chairpersons of the senate
11 finance committee and the house of representatives ways and means committee,
12 or their successor committees, and shall provide a copy of this report to the
13 secretary of state ~~and the director of the Arizona state library, archives
14 and public records~~. The report shall contain the following information:

15 1. The full cash value and assessed valuation of property classified
16 as class six pursuant to section 42-12006, paragraph 4 in each enterprise
17 zone and the assessed valuation of that property if it was not classified as
18 class six.

19 2. THE FULL CASH VALUE AND ASSESSED VALUATION OF PROPERTY CLASSIFIED
20 AS CLASS NINE PURSUANT TO SECTION 42-12009, SUBSECTION A, PARAGRAPH 6 AND THE
21 ASSESSED VALUATION OF THAT PROPERTY IF IT WAS NOT CLASSIFIED AS CLASS NINE.

22 ~~2.~~ 3. The fiscal impact on each taxing jurisdiction for the current
23 tax year of classifying property in enterprise zones as class six rather than
24 in the classification in which it would otherwise be classified.

25 ~~3.~~ 4. The total DOLLAR amount of income tax credits allowed for the
26 preceding taxable year pursuant to sections 43-1074 and 43-1161.

27 Sec. 8. Repeal

28 Title 41, chapter 10, article 4, Arizona Revised Statutes, is repealed.

29 Sec. 9. Title 41, chapter 10, Arizona Revised Statutes, is amended by
30 adding a new article 4 and articles 5 and 5.1, to read:

31 ARTICLE 4. ARIZONA JOB TRAINING

32 41-1541. Definitions

33 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

34 1. "AGREEMENT" MEANS THE AGREEMENT AMONG AN EMPLOYER, AN EDUCATIONAL
35 INSTITUTION AND THE DIRECTOR CONCERNING AN IMPACT PROJECT.

36 2. "ARIZONA BASIC ENTERPRISE" MEANS ANY ENTERPRISE THAT IS LOCATED OR
37 PRINCIPALLY BASED IN THIS STATE AND THAT CAN PROVIDE DEMONSTRABLE EVIDENCE
38 THAT IT MEETS ONE OR MORE OF THE FOLLOWING:

39 (a) IT IS PRIMARILY ENGAGED IN ONE OR MORE OF THE ARIZONA BASIC
40 INDUSTRIES.

41 (b) IT IS PRIMARILY ENGAGED IN DEVELOPING OR PRODUCING GOODS OR
42 PROVIDING SERVICES FOR OUT-OF STATE SALE.

43 (c) IT IS THE CORPORATE OR REGIONAL HEADQUARTERS OF A MULTISTATE
44 ENTERPRISE THAT IS PRIMARILY ENGAGED IN OUT-OF-STATE INDUSTRIAL ACTIVITIES.

- 1 3. "ARIZONA BASIC INDUSTRY" MEANS:
2 (a) MINING.
3 (b) MANUFACTURING.
4 (c) PRODUCING GOODS OR SERVICES THAT DERIVE AT LEAST SEVENTY-FIVE PER
5 CENT OF REVENUE FROM OUT-OF-STATE SALES.
6 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
7 TECHNOLOGIES.
- 8 4. "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.
9 5. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.
10 6. "EDUCATIONAL INSTITUTION" MEANS A STATE UNIVERSITY UNDER THE
11 JURISDICTION OF THE ARIZONA BOARD OF REGENTS, A COMMUNITY COLLEGE IN THIS
12 STATE OR A VOCATIONAL POSTSECONDARY SCHOOL WITH A CAMPUS IN THIS STATE.
13 7. "EMPLOYEE" MEANS A PERSON EMPLOYED IN A NEW JOB.
14 8. "EMPLOYER" MEANS AN ARIZONA BASIC ENTERPRISE PROVIDING NEW JOBS IN
15 CONJUNCTION WITH A PROJECT, EXCEPT THAT THE FOLLOWING DO NOT QUALIFY FOR THE
16 PURPOSES OF THIS ARTICLE:
17 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY IDENTIFIED BY ANY OF
18 THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE GROUPS,
19 SECTORS OR SUBSECTORS:
20 (i) INDUSTRY GROUP 7132 OR 8131.
21 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.
22 (iii) SUBSECTOR 722.
23 (b) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT IS DELINQUENT IN
24 THE PAYMENT OF ANY UNPROTESTED TAXES OR OTHER AMOUNTS DUE TO THE FEDERAL
25 GOVERNMENT, THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS STATE.
26 (c) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT HAS FILED FOR OR
27 HAS PUBLICLY ANNOUNCED ITS INTENTION TO FILE FOR BANKRUPTCY PROTECTION.
28 9. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY THE
29 DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC
30 ENTERPRISE.
31 10. "IMPACT PROJECT" OR "PROJECT" MEANS A TRAINING ARRANGEMENT THAT IS
32 THE SUBJECT OF AN AGREEMENT AS PROVIDED BY THIS ARTICLE AND ENTERED INTO
33 BETWEEN AN EDUCATIONAL INSTITUTION AND AN EMPLOYER TO PROVIDE PROGRAM
34 SERVICES.
35 11. "NEW JOB" MEANS A JOB IN A NEW OR EXPANDING ARIZONA BASIC
36 ENTERPRISE THAT MEETS THE COMPENSATION AND HEALTH INSURANCE STANDARDS
37 PRESCRIBED BY SECTION 41-1545.01, SUBSECTION B, PARAGRAPHS 4 AND 5, BUT NOT
38 INCLUDING JOBS OF RECALLED WORKERS OR EXISTING JOBS THAT ARE VACANT OR OTHER
39 JOBS THAT FORMERLY EXISTED IN THE ENTERPRISE IN THIS STATE.
40 12. "PRIMARILY ENGAGED" MEANS AT LEAST ONE-HALF OF THE GROSS INCOME OF
41 THE ENTERPRISE IS DERIVED FROM THE ENGAGEMENT.
42 13. "PROGRAM COSTS" MEANS ALL NECESSARY AND INCIDENTAL COSTS OF
43 PROVIDING PROGRAM SERVICES EXCEPT FOR:

- 1 (a) ANY WAGES PAID TO PERSONS RECEIVING EDUCATION OR TRAINING UNDER A
2 PROJECT.
- 3 (b) ANY COSTS FOR PURCHASE OR LEASE OF TRAINING EQUIPMENT THAT EXCEED
4 ONE-HALF OF TOTAL PROGRAM COSTS FOR THE PROJECT.
- 5 (c) ANY COSTS FOR ADMINISTRATIVE EXPENSES THAT EXCEED TEN PER CENT OF
6 TOTAL PROGRAM COSTS FOR THE PROJECT.
- 7 (d) ANY COSTS FOR DIRECT INVESTMENTS IN EDUCATION AND RELATED
8 WORKFORCE DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE
9 DEVELOPMENT, HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE THAT EXCEED
10 TEN PER CENT OF TOTAL PROGRAM COSTS.
- 11 14. "PROGRAM SERVICES" MEANS:
- 12 (a) NEW JOBS TRAINING, INCLUDING TRAINING DEVELOPMENT COSTS, FOR AN
13 ACTUAL TRAINING PERIOD OF UP TO TWELVE MONTHS FROM THE DATE THE JOB IS FIRST
14 FILLED BY AN EMPLOYEE.
- 15 (b) ADULT-BASED EDUCATION AND JOB-RELATED INSTRUCTION.
- 16 (c) VOCATIONAL AND SKILL-ASSESSMENT SERVICES AND TESTING.
- 17 (d) TRAINING EQUIPMENT AND ADMINISTRATIVE EXPENSES OF EDUCATIONAL
18 INSTITUTIONS FOR NEW JOBS TRAINING PROGRAMS.
- 19 (e) MATERIALS AND SUPPLIES.
- 20 (f) SUBCONTRACTED SERVICES WITH EDUCATIONAL INSTITUTIONS OR FEDERAL,
21 STATE OR LOCAL AGENCIES.
- 22 (g) CONTRACTED OR PROFESSIONAL SERVICE.
- 23 (h) DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
24 DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE DEVELOPMENT, HUMAN
25 CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.
- 26 41-1541.01. Administration
- 27 A. THE DIRECTOR SHALL ADMINISTER THIS ARTICLE AND THE IMPACT PROGRAM.
- 28 B. THE DIRECTOR SHALL:
- 29 1. ENCOURAGE ARIZONA BASIC ENTERPRISES HAVING SIMILAR TRAINING NEEDS
30 TO COOPERATE IN ESTABLISHING IMPACT PROJECTS.
- 31 2. COORDINATE THE IMPACT PROGRAM WITH OTHER JOB TRAINING PROGRAMS
32 ADMINISTERED BY THE DEPARTMENT.
- 33 3. PROVIDE OPPORTUNITIES FOR COORDINATION AND COOPERATION OF IMPACT
34 PROJECTS WITH OTHER JOB TRAINING ACTIVITIES IN THIS STATE.
- 35 4. ADOPT RULES PRESCRIBING REVIEW STANDARDS AND PRIORITIES FOR
36 APPROVAL OF PROPOSED AGREEMENTS UNDER THIS ARTICLE, INCLUDING APPROPRIATE
37 INCENTIVES FOR COOPERATION AMONG PROJECTS, IN ORDER TO MAXIMIZE THE NUMBER OF
38 NEW JOBS CREATED WITH RESPECT TO INDIVIDUAL ARIZONA BASIC ENTERPRISES THAT
39 WILL REMAIN IN THIS STATE.
- 40 5. ADOPT RULES PRESCRIBING LIMITS ON PROGRAM COSTS AND ON PROJECT AND
41 PROGRAM SIZE IN RELATION TO THE NUMBER OF NEW JOBS CREATED AND WAGES OF NEW
42 JOBS.

1 D. ANY PAYMENT REQUIRED TO BE PAID BY AN EMPLOYER UNDER A PROJECT
2 AGREEMENT IS A LIEN ON THE EMPLOYER'S BUSINESS PROPERTY UNTIL PAID THAT HAS
3 EQUAL PRECEDENCE WITH ORDINARY TAXES AND THAT SHALL NOT BE DIVESTED BY A
4 JUDICIAL SALE. PROPERTY SUBJECT TO THE LIEN MAY BE SOLD FOR SUMS DUE AND
5 DELINQUENT AT A TAX SALE, WITH THE SAME FORFEITURES, PENALTIES AND
6 CONSEQUENCES AS FOR NONPAYMENT OF TAXES. PURCHASERS AT THE SALE TAKE THE
7 PROPERTY SUBJECT TO THE REMAINING PAYMENTS.

8 E. THE PAYMENT OF PROGRAM COSTS INCURRED UNDER ANY PROJECT AGREEMENT
9 SHALL NOT BE DEFERRED FOR A PERIOD LONGER THAN TEN YEARS FROM THE DATE OF THE
10 COMMENCEMENT OF THE PROJECT.

11 41-1541.03. Review of proposed project agreement

12 A. THE DIRECTOR SHALL REVIEW APPLICATIONS FOR PROPOSED AGREEMENTS
13 SUBMITTED BY EMPLOYERS ACCORDING TO THE STANDARDS AND GUIDELINES PRESCRIBED
14 BY THIS ARTICLE AND RULES ADOPTED PURSUANT TO THIS ARTICLE. EACH APPLICATION
15 FOR APPROVAL OF A PROPOSED AGREEMENT SHALL BE ACCOMPANIED BY INFORMATION
16 ABOUT THE NUMBER AND WAGES OF THE NEW JOBS CREATED BY THE EMPLOYER,
17 DOCUMENTATION OF EXISTING TRAINING ACTIVITIES OF THE EMPLOYER AND SUCH OTHER
18 INFORMATION AS THE DIRECTOR MAY REQUIRE.

19 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT ARE
20 THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING LEVELS
21 TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA DEVELOPMENT
22 AUTHORITY.

23 41-1541.04. Payments to employers participating in project
24 agreements

25 A. AN EMPLOYER THAT PARTICIPATES IN AN IMPACT PROJECT AGREEMENT MAY
26 APPLY TO THE DIRECTOR TO RECEIVE QUARTERLY INCENTIVE PAYMENTS FOR UP TO SEVEN
27 YEARS FROM THE IMPACT PROGRAM FUND. THE AMOUNT OF PAYMENTS IS EQUAL TO FIFTY
28 PER CENT OF THE STATE WITHHOLDING TAX ON COMPENSATION PAID BY THE EMPLOYER
29 WITH RESPECT TO THE NEW JOBS IN EACH CALENDAR QUARTER.

30 B. THE APPLICATION MUST BE ON A FORM PRESCRIBED BY THE DIRECTOR AND
31 CONTAIN REQUIRED INFORMATION TO DETERMINE IF THE APPLICANT IS QUALIFIED.

32 C. TO QUALIFY FOR INCENTIVE PAYMENTS:

33 1. THE EMPLOYER MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW JOBS OF AT
34 LEAST TWO MILLION DOLLARS WITHIN TWELVE MONTHS OF THE FIRST COMPLETE CALENDAR
35 QUARTER AFTER THE START DATE.

36 2. THE NUMBER OF THE EMPLOYER'S FULL-TIME EQUIVALENT NEW JOBS MUST BE
37 AT LEAST TWENTY-FIVE PER CENT OF ALL EMPLOYEE POSITIONS OF THE EMPLOYER.

38 41-1541.05. Certification of program funding rates; allocation
39 of withholding tax revenues

40 A. THE DIRECTOR SHALL DETERMINE THE AMOUNT OF MONIES TO BE CREDITED
41 TO:

42 1. THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER
43 TO SATISFY ALL BOND REPAYMENT OBLIGATIONS THAT HAVE BEEN INCURRED TO FINANCE
44 THE COSTS FOR IMPACT PROGRAMS.

1 DO NOT CONTINUE TO EXIST AND THE CIRCUMSTANCES AND EFFECT OF ANY SUCH
2 DISCONTINUANCES.

3 41-1541.09. Prohibiting impact program classes or training for
4 purposes of state assistance to educational
5 institutions

6 NO STATE MONIES APPROPRIATED FOR ASSISTANCE TO EDUCATIONAL
7 INSTITUTIONS, INCLUDING ASSISTANCE BASED IN WHOLE OR IN PART ON ENROLLMENT,
8 MAY BE BASED ON ANY COURSE, SUBJECT OR CLASS OF INSTRUCTION OR TRAINING THAT
9 IS THE SUBJECT OF AN AGREEMENT OR A PROJECT UNDER THIS ARTICLE. NO SUCH
10 COURSE, SUBJECT, CLASS OR TRAINING OR THE PARTICIPATING STUDENTS MAY BE
11 COUNTED IN DETERMINING THE AMOUNT OF TUITION TO BE CHARGED BY AN EDUCATIONAL
12 INSTITUTION.

13 41-1541.10. Program termination

14 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
15 TO SECTION 41-3102.

16 ARTICLE 5. ARIZONA OPPORTUNITY FUND

17 41-1545. Arizona opportunity fund

18 A. THE ARIZONA OPPORTUNITY FUND IS ESTABLISHED AS A DEDICATED ACCOUNT
19 IN THE STATE GENERAL FUND.

20 B. THE ARIZONA OPPORTUNITY FUND CONSISTS OF MONIES DERIVED FROM:

21 1. AMOUNTS APPROPRIATED BY THE LEGISLATURE TO THE FUND FOR THE
22 PURPOSES OF THIS ARTICLE.

23 2. INCOME EARNED ON THE INVESTMENT OF MONIES IN THE FUND.

24 3. GIFTS, GRANTS AND OTHER DONATIONS RECEIVED FOR THE PURPOSES OF THIS
25 ARTICLE.

26 4. ANY AVAILABLE MONIES RECEIVED FROM THE FEDERAL GOVERNMENT INCLUDING
27 MONIES FROM THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (P.L. 111-5).

28 C. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE SHALL ADMINISTER THE
29 FUND. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND
30 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED
31 FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

32 D. MONIES IN THE FUND ARE:

33 1. CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS ARTICLE.

34 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
35 APPROPRIATIONS.

36 41-1545.01. Grants from the Arizona opportunity fund;
37 eligibility; grant agreements; economic and
38 fiscal impact statement

39 A. THE GOVERNOR AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY
40 NEGOTIATE ON BEHALF OF THIS STATE REGARDING AWARDING, BY GRANT, MONIES FROM
41 THE ARIZONA OPPORTUNITY FUND FOR THE PURPOSES OF ATTRACTING ARIZONA BASIC
42 ENTERPRISES, AS DEFINED IN SECTION 41-1541, ECONOMIC DEVELOPMENT,
43 INFRASTRUCTURE DEVELOPMENT AND COMMUNITY DEVELOPMENT.

44 B. TO BE ELIGIBLE TO RECEIVE A GRANT UNDER THIS SECTION, AN APPLICANT
45 MUST:

- 1 1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE
2 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY
3 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS
4 PERTAINING TO ENTITIES OR OTHER ORGANIZATION FORMED UNDER THE LAWS OF THAT
5 STATE.
- 6 2. OWE NO DELINQUENT TAXES TO A TAXING JURISDICTION IN THIS STATE.
- 7 3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION
8 41-1541.
- 9 4. PAY AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED THIRTY-FIVE PER
10 CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF
11 ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION.
- 12 5. INCLUDE HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE APPLICANT PAYS
13 AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST.
- 14 6. DEMONSTRATE BY INDEPENDENT ANALYSES THAT ESTIMATED INCOME, PROPERTY
15 AND TRANSACTION PRIVILEGE TAX AND GOVERNMENT FEE REVENUES IN THIS STATE WILL
16 EXCEED STATE TAX CREDIT AND INCENTIVES BY A PAYBACK RATIO OF AT LEAST FOUR TO
17 ONE OVER A TEN-YEAR PERIOD.
- 18 C. BEFORE AWARDING A GRANT FROM THE FUND UNDER THIS SECTION, THE
19 GOVERNOR MUST ENTER INTO A WRITTEN AGREEMENT WITH THE APPLICANT SPECIFYING
20 THAT:
 - 21 1. A REASONABLE PERCENTAGE OF THE TOTAL AMOUNT OF THE GRANT MAY BE
22 WITHHELD UNTIL THE RECIPIENT MEETS SPECIFIED PERFORMANCE TARGETS.
 - 23 2. IF THE GOVERNOR FINDS THAT THE GRANT RECIPIENT HAS NOT MET EACH OF
24 THE PERFORMANCE TARGETS SPECIFIED IN THE AGREEMENT AS OF A DATE STATED IN THE
25 AGREEMENT:
 - 26 (a) THE RECIPIENT MUST REPAY THE GRANT AND ANY RELATED INTEREST TO
27 THIS STATE AN AGREED RATE AND ON AGREED TERMS. THE REPAYMENT MAY BE PRORATED
28 TO REFLECT PARTIAL ATTAINMENT OF PERFORMANCE TARGETS.
 - 29 (b) THE GOVERNOR SHALL NOT DISBURSE ANY REMAINING GRANT MONEY TO THE
30 RECIPIENT UNDER THE AGREEMENT.
 - 31 (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT
32 FOR NONCOMPLIANCE.
 - 33 3. IF ANY PART OF THE GRANT IS USED TO BUILD A CAPITAL IMPROVEMENT,
34 THIS STATE MAY:
 - 35 (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN
36 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE
37 IMPROVEMENT.
 - 38 (b) REQUIRE THE RECIPIENT, IF THE IMPROVEMENT IS SOLD, TO:
 - 39 (i) REPAY TO THIS STATE THE GRANT MONIES USED TO PAY FOR THE
40 IMPROVEMENT, WITH INTEREST AT A RATE AND ACCORDING TO TERMS STATED IN THE
41 AGREEMENT.
 - 42 (ii) SHARE WITH THIS STATE A PROPORTIONATE AMOUNT OF ANY PROFIT
43 REALIZED FROM THE SALE.
 - 44 4. IF AS OF A DATE STATED IN THE AGREEMENT THE RECIPIENT HAS NOT USED
45 GRANT MONEY FOR THE PURPOSES FOR WHICH IT WAS INTENDED, THE RECIPIENT MUST

1 REPAY THAT AMOUNT AND ANY RELATED INTEREST TO THIS STATE AND THE AGREED RATE
2 AND ON AGREED TERMS.

3 D. BEFORE AWARDING GRANTS FROM THE FUND UNDER THIS SECTION, THE
4 GOVERNOR MUST:

5 1. TRANSMIT COPIES OF THE GRANT AGREEMENTS, ECONOMIC AND FISCAL IMPACT
6 ANALYSES FOR EACH PROPOSAL AND PROPOSED PERFORMANCE MEASURES TO THE PRESIDENT
7 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

8 2. RECEIVE EXPRESS WRITTEN APPROVAL OF EACH PROPOSAL, INCLUDING
9 SEPARATE APPROVAL OF INCLUDED PERFORMANCE TARGETS, BY THE PRESIDENT OF THE
10 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

11 E. AFTER CONSULTATION WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER
12 OF THE HOUSE OF REPRESENTATIVES, THE GOVERNOR MUST DETERMINE:

13 1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH
14 GRANT AGREEMENT.

15 2. IF THE GRANT AGREEMENT INCLUDES WITHHOLDING A PERCENTAGE OF THE
16 GRANT UNTIL THE RECIPIENT MEETS THE PERFORMANCE TARGETS, THE PERCENTAGE OF
17 THE GRANT MONEY TO BE WITHHELD.

18 F. BEFORE AWARDING GRANTS FROM THE FUND UNDER THIS SECTION, THE
19 DEPARTMENT OF COMMERCE MUST PREPARE A STATEMENT THAT, SPECIFICALLY AND IN
20 DETAIL, ASSESSES THE DIRECT ECONOMIC IMPACT THAT APPROVAL OF THE GRANT WILL
21 HAVE ON THE RESIDENTS OF THIS STATE. THE STATEMENT MUST INCLUDE:

22 1. FOR THE PERIOD COVERED BY THE GRANT:

23 (a) THE ESTIMATED NUMBER OF JOBS TO BE CREATED IN THIS STATE BY THE
24 POTENTIAL RECIPIENT EACH BIENNIUM.

25 (b) THE ESTIMATED MEDIAN WAGE OF THE JOBS TO BE CREATED IN THIS STATE
26 BY THE POTENTIAL RECIPIENT EACH BIENNIUM.

27 2. THE ADDITIONAL AMOUNT OF INCOME TAX, PROPERTY TAX, TRANSACTION
28 PRIVILEGE TAX AND USE TAX REVENUES AND FEE REVENUES PROJECTED TO BE GENERATED
29 BY TAXING JURISDICTIONS IN THIS STATE.

30 3. THE TOTAL DOLLAR AMOUNT OF TAX CREDITS AND OTHER STATE AND LOCAL
31 INCENTIVES ESTIMATED TO BE DISTRIBUTED TO THE POTENTIAL RECIPIENT BY TAXING
32 JURISDICTIONS IN THIS STATE.

33 4. ANY OTHER INFORMATION THE DEPARTMENT OF COMMERCE CONSIDERS TO BE
34 NECESSARY FOR INCLUSION IN THE STATEMENT.

35 41-1545.02. Annual report by grant recipient

36 ON OR BEFORE DECEMBER 31 OF EACH YEAR, EACH ENTITY THAT RECEIVES A
37 GRANT UNDER THIS ARTICLE SHALL SUBMIT TO THE GOVERNOR, THE PRESIDENT OF THE
38 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES A PROGRESS REPORT
39 CONTAINING THE INFORMATION COMPILED DURING THE PRECEDING CALENDAR YEAR
40 REGARDING THE ATTAINMENT OF EACH OF THE PERFORMANCE TARGETS IN THE GRANT
41 AGREEMENT.

42 41-1545.03. Report on use of monies in the Arizona opportunity
43 fund

44 A. BEFORE THE BEGINNING OF EACH REGULAR SESSION OF THE LEGISLATURE,
45 THE GOVERNOR SHALL SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF

1 THE HOUSE OF REPRESENTATIVES A REPORT ON GRANTS MADE FROM THE ARIZONA
2 OPPORTUNITY FUND UNDER THIS ARTICLE. THE GOVERNOR SHALL PROVIDE A COPY OF
3 THE REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL INCLUDE:

4 1. THE NUMBER OF DIRECT JOBS EACH RECIPIENT COMMITTED TO CREATE IN
5 THIS STATE.

6 2. THE NUMBER OF DIRECT JOBS EACH RECIPIENT CREATED IN THIS STATE.

7 3. THE MEDIAN WAGE OF THE JOBS EACH RECIPIENT CREATED IN THIS STATE.

8 4. THE AMOUNT OF CAPITAL INVESTMENT EACH RECIPIENT COMMITTED TO SPEND
9 OR ALLOCATE PER PROJECT IN THIS STATE.

10 5. THE AMOUNT OF CAPITAL INVESTMENT EACH RECIPIENT SPENT OR ALLOCATED
11 PER PROJECT IN THIS STATE.

12 6. THE TOTAL AMOUNT OF GRANTS MADE TO EACH RECIPIENT.

13 7. THE AVERAGE AMOUNT OF MONEY GRANTED FROM THE ARIZONA OPPORTUNITY
14 FUND FOR EACH JOB CREATED IN THIS STATE BY GRANT RECIPIENTS.

15 8. THE NUMBER OF JOBS CREATED IN THIS STATE BY GRANT RECIPIENTS IN
16 EACH SECTOR OF THE NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM.

17 9. OF THE NUMBER OF DIRECT JOBS EACH RECIPIENT CREATED IN THIS STATE,
18 THE NUMBER OF POSITIONS CREATED THAT PROVIDE HEALTH BENEFITS FOR EMPLOYEES.

19 B. THE REPORT SHALL NOT INCLUDE INFORMATION THAT IS MADE CONFIDENTIAL
20 BY LAW.

21 C. THE GOVERNOR MAY REQUIRE GRANT RECIPIENTS TO SUBMIT INFORMATION IN
22 A FORM REQUIRED TO COMPLETE THE REPORT.

23 41-1545.04. Program termination

24 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
25 TO SECTION 41-3102.

26 ARTICLE 5.1. ARIZONA QUALITY JOBS

27 41-1546. Definitions

28 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

29 1. "COUNTY MEDIAN WAGE" MEANS THE WAGE OFFER BY COUNTY AS COMPUTED
30 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
31 DIVISION.

32 2. "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.

33 3. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.

34 4. "NEW EMPLOYEE" MEANS A PERSON WHO IS NEWLY EMPLOYED ON A REGULAR
35 FULL-TIME BASIS BY A QUALIFIED COMPANY IN THE COMPANY'S BUSINESS OPERATING IN
36 THIS STATE DURING THE TAXABLE YEAR FOR WHICH BENEFITS ARE SOUGHT UNDER THIS
37 ARTICLE.

38 5. "QUALIFIED COMPANY" MEANS ANY CORPORATION, PARTNERSHIP OR OTHER
39 ENTITY, ORGANIZED FOR PROFIT, THAT MEETS THE REQUIREMENTS PRESCRIBED BY
40 SECTION 41-1546.01. EXCEPT AS PROVIDED BY SECTION 41-1546.01, SUBSECTION A,
41 PARAGRAPH 2, QUALIFIED COMPANY DOES NOT INCLUDE:

42 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY IDENTIFIED BY ANY OF
43 THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE GROUPS,
44 SECTORS OR SUBSECTORS:

45 (i) INDUSTRY GROUP 7132 OR 8131.

- 1 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.
2 (iii) SUBSECTOR 722.
- 3 (b) AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION 41-1541, THAT HAS
4 A CURRENT AGREEMENT TO PARTICIPATE IN AN IMPACT PROJECT UNDER ARTICLE 4 OF
5 THIS CHAPTER.
- 6 (c) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT IS DELINQUENT IN
7 THE PAYMENT OF ANY UNPROTESTED TAXES OR OTHER AMOUNTS DUE TO THE FEDERAL
8 GOVERNMENT, THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS STATE.
- 9 (d) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT HAS FILED FOR OR
10 HAS PUBLICLY ANNOUNCED ITS INTENTION TO FILE FOR BANKRUPTCY PROTECTION.
- 11 41-1546.01. Employment requirements in this state; application
12 for reimbursement of withholding taxes
- 13 A. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE ONE OF THE FOLLOWING
14 CONDITIONS MUST OCCUR:
- 15 1. A QUALIFIED COMPANY MUST RELOCATE AN EXISTING BUSINESS FACILITY,
16 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED OUTSIDE THIS STATE, WHETHER
17 LOCATED IN A FOREIGN COUNTRY OR ANOTHER STATE, AND LOCATE THE JOBS FROM THAT
18 OPERATION TO THIS STATE.
- 19 2. A QUALIFIED COMPANY MUST EXPAND AN EXISTING BUSINESS FACILITY,
20 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED IN THIS STATE. NOTWITHSTANDING
21 SECTION 41-1546, PARAGRAPH 5, SUBDIVISIONS (c) AND (d), A COMPANY MAY BE
22 CONSIDERED TO BE A QUALIFIED COMPANY IF ITS HEADQUARTERS OR ADMINISTRATIVE
23 OFFICES LOCATED IN THIS STATE SERVE AN INTERNATIONAL OR MULTISTATE TERRITORY
24 AND THE COMPANY OTHERWISE MEETS THE REQUIREMENTS OF THIS ARTICLE.
- 25 B. TO BE ELIGIBLE FOR BENEFITS UNDER THIS ARTICLE:
- 26 1. A QUALIFIED COMPANY MUST HIRE NEW EMPLOYEES IN POSITIONS WITH A
27 PAYROLL OF AT LEAST TWO MILLION DOLLARS WITHIN SIX MONTHS AFTER THE DATE THE
28 COMPANY ENTERS INTO AN AGREEMENT WITH THE DIRECTOR PURSUANT TO SECTION
29 41-1546.02.
- 30 2. THE NEW FULL-TIME EMPLOYMENT POSITIONS AT THE FACILITY MUST PAY A
31 WAGE THAT EQUALS OR EXCEEDS ONE HUNDRED THIRTY-FIVE PER CENT OF THE WAGE
32 OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY
33 RESEARCH ADMINISTRATION DIVISION.
- 34 3. ALL NET NEW FULL-TIME EMPLOYMENT POSITIONS MUST INCLUDE HEALTH
35 INSURANCE COVERAGE FOR THE EMPLOYEES FOR WHICH THE COMPANY PAYS AT LEAST
36 FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT PERCENTAGE
37 OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS THAT OFFER STANDARD
38 COMPREHENSIVE COVERAGE.
- 39 C. A QUALIFIED COMPANY THAT IS ELIGIBLE FOR BENEFITS UNDER SUBSECTION
40 B OF THIS SECTION IS ELIGIBLE FOR REIMBURSEMENT OF FIFTY PER CENT OF THE
41 COMPANY'S WITHHOLDING TAXES OF THOSE NEW EMPLOYEES FOR A PERIOD OF:
- 42 1. FIVE YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
43 AT LEAST ONE HUNDRED THIRTY-FIVE PER CENT OF THE COUNTY MEDIAN WAGE.
- 44 2. SIX YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
45 AT LEAST ONE HUNDRED FORTY-FIVE PER CENT OF THE COUNTY MEDIAN WAGE.

1 3. SEVEN YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
2 AT LEAST ONE HUNDRED FIFTY-FIVE PER CENT OF THE COUNTY MEDIAN WAGE.

3 41-1546.02. Application and agreement for benefits; Arizona
4 quality jobs fund

5 A. A QUALIFIED COMPANY THAT MEETS THE REQUIREMENTS PRESCRIBED BY
6 SECTION 41-1546.01 MAY APPLY TO THE DIRECTOR FOR BENEFITS UNDER THIS ARTICLE.
7 A QUALIFIED COMPANY THAT IS ALREADY RECEIVING BENEFITS UNDER THIS ARTICLE MAY
8 APPLY TO THE DIRECTOR FOR ADDITIONAL BENEFITS IF THE COMPANY MEETS THE
9 REQUIREMENTS PRESCRIBED BY SECTION 41-1546.01. THE AMOUNT OF BENEFIT
10 PAYMENTS IS EQUAL TO FIFTY PER CENT OF THE STATE WITHHOLDING TAX ON
11 COMPENSATION PAID BY THE QUALIFIED COMPANY WITH RESPECT TO THE NEW JOBS IN
12 EACH CALENDAR QUARTER.

13 B. THE APPLICATION MUST BE ON A FORM PRESCRIBED BY THE DIRECTOR AND
14 CONTAIN REQUIRED INFORMATION TO DETERMINE IF THE APPLICANT IS QUALIFIED.

15 C. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE:

16 1. THE QUALIFIED COMPANY MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW
17 JOBS OF AT LEAST TWO MILLION DOLLARS WITHIN TWELVE MONTHS OF THE FIRST
18 COMPLETE CALENDAR QUARTER AFTER THE START DATE.

19 2. THE NUMBER OF THE COMPANY'S FULL-TIME EQUIVALENT NEW JOBS MUST BE
20 AT LEAST TWENTY-FIVE PER CENT OF ALL OF THE COMPANY'S EMPLOYEE POSITIONS.

21 D. THE DIRECTOR SHALL EITHER APPROVE OR DISAPPROVE THE APPLICATION. A
22 QUALIFIED COMPANY WHOSE APPLICATION IS APPROVED IS ELIGIBLE FOR BENEFITS
23 UNDER THIS ARTICLE AS OF THE DATE THE QUALIFIED COMPANY ENTERS INTO AN
24 AGREEMENT WITH THE DIRECTOR PURSUANT TO THIS SECTION.

25 E. ON APPROVING AN APPLICATION, THE DIRECTOR MAY ENTER INTO AN
26 AGREEMENT WITH THE QUALIFIED COMPANY FOR PAYMENT OF BENEFITS UNDER THIS
27 ARTICLE FROM THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY THIS SECTION. THE
28 AGREEMENT SHALL COMMIT THE DIRECTOR OF THE DEPARTMENT OF COMMERCE TO CERTIFY
29 TO THE DIRECTOR OF THE DEPARTMENT OF REVENUE:

30 1. THAT THE QUALIFIED COMPANY IS ELIGIBLE TO RECEIVE BENEFITS UNDER
31 THIS ARTICLE.

32 2. THE NUMBER OF NEW EMPLOYEES HIRED BY THE QUALIFIED COMPANY.

33 3. THE AMOUNT OF GROSS WAGES BEING PAID TO EACH NEW EMPLOYEE.

34 F. THE AGREEMENT MUST BE ENTERED INTO BEFORE ANY BENEFITS MAY BE
35 PROVIDED UNDER THIS ARTICLE. THE AGREEMENT SHALL SPECIFY THAT IF THE
36 QUALIFIED COMPANY FAILS TO COMPLY WITH THE TERMS AND CONDITIONS IN THE
37 AGREEMENT OR FAILS TO COMPLY WITH THIS ARTICLE:

38 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

39 2. AS OF THE DATE THE AGREEMENT IS TERMINATED:

40 (a) THE COMPANY IS NOT ENTITLED TO ANY FURTHER BENEFITS UNDER THIS
41 ARTICLE.

42 (b) THE COMPANY MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE
43 BENEFITS PAID TO THE COMPANY UNDER THIS ARTICLE.

1 G. THE ARIZONA QUALITY JOBS FUND IS ESTABLISHED CONSISTING OF MONIES
2 PAID TO THE FUND EACH MONTH FROM THE JOB RECOVERY WITHHOLDINGS CLEARING FUND
3 PURSUANT TO SECTION 43-409. MONIES IN THE FUND ARE:

4 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS
5 UNDER THIS ARTICLE.

6 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
7 APPROPRIATIONS.

8 H. A QUALIFIED COMPANY RECEIVING BENEFITS UNDER THIS ARTICLE IS NOT
9 ELIGIBLE FOR BENEFITS UNDER ARTICLE 4 OF THIS CHAPTER OR ANY OTHER PROGRAM IN
10 WHICH ANY PART OF THE COMPANY'S WITHHOLDING TAXES HAVE BEEN PLEDGED TO
11 FINANCE INDEBTEDNESS OR TRANSFERRED TO OR FOR THE BENEFIT OF THE COMPANY.

12 I. THE DEPARTMENT OF COMMERCE, WITH THE COOPERATION OF THE DEPARTMENT
13 OF REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
14 AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS ARTICLE.

15 41-1546.03. Withholding tax report to department of revenue

16 A QUALIFYING COMPANY THAT RECEIVES BENEFITS UNDER THIS ARTICLE MUST
17 COMPLETE AND SUBMIT TO THE DEPARTMENT OF REVENUE A MONTHLY REPORT OF THE
18 AMOUNT OF WITHHOLDING TAX RETAINED WITH RESPECT TO EACH NEW EMPLOYEE PURSUANT
19 TO THIS ARTICLE. THE REPORT SHALL BE SUBMITTED ON A FORM, IN A MANNER AND
20 ACCORDING TO A SCHEDULE PRESCRIBED BY THE DEPARTMENT OF REVENUE.

21 41-1546.04. Annual review of qualified company activities

22 A. THE DIRECTOR SHALL CONDUCT AN ANNUAL REVIEW OF THE ACTIVITIES
23 UNDERTAKEN BY EACH QUALIFIED COMPANY PURSUANT TO THIS ARTICLE TO ENSURE THAT
24 THE COMPANY IS IN COMPLIANCE WITH THIS ARTICLE AND RULES ADOPTED PURSUANT TO
25 THIS ARTICLE AND THE BENEFIT AGREEMENT UNDER SECTION 41-1546.02. THE
26 QUALIFIED COMPANY MUST MAKE AVAILABLE FOR INSPECTION BY THE DIRECTOR, OR THE
27 DIRECTOR'S AGENT, ITS BOOKS AND RECORDS CONCERNING EMPLOYMENT, WAGES AND
28 WITHHOLDING TAXES OF ANY EMPLOYEES FOR WHICH THE COMPANY OR THIRD PARTY HAS
29 RETAINED WITHHOLDING TAXES.

30 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE
31 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY OR THIRD PARTY FOR
32 PURPOSES OF COMPLIANCE WITH THIS ARTICLE.

33 41-1546.05. Annual report

34 A. THE DIRECTOR SHALL MAKE AN ANNUAL REPORT BASED ON INFORMATION
35 RECEIVED FROM EACH QUALIFIED COMPANY RECEIVING BENEFITS UNDER THIS ARTICLE
36 DESCRIBING:

- 37 1. THE NAMES OF QUALIFIED COMPANIES.
- 38 2. THE TYPES OF QUALIFIED COMPANIES USING THIS ARTICLE.
- 39 3. THE LOCATION OF QUALIFIED COMPANIES AND THE LOCATION OF THE
40 BUSINESS OPERATIONS IN THIS STATE.
- 41 4. THE NUMBER OF NEW EMPLOYEES HIRED.
- 42 5. THE WAGES PAID FOR THE NEW EMPLOYEES.
- 43 6. THE ANNUAL AMOUNT OF BENEFITS PROVIDED UNDER THIS ARTICLE.
- 44 7. THE ESTIMATED NET STATE FISCAL IMPACT, INCLUDING THE DIRECT AND
45 INDIRECT NEW STATE TAXES DERIVED FROM THE NEW EMPLOYEES.

1 F. The department of commerce shall provide general administrative
2 support, equipment and office and meeting space to the authority.

3 G. The department of commerce may hire staff to provide administrative
4 and technical assistance on behalf of the authority. Earnings on the monies
5 in the fund may be used to pay for staff services.

6 H. Members of the board shall not participate in any direct
7 discussions or actions related to any project financed under this article in
8 which the member has any direct or indirect personal financial interest. For
9 purposes of this subsection, a member of the board who is an employee or
10 official of a participant in or applicant for a loan shall not be considered
11 to have a direct or indirect personal financial interest in a project by
12 virtue of the member's services alone. A violation of this subsection is a
13 class 1 misdemeanor.

14 Sec. 11. Section 41-1554.02, Arizona Revised Statutes, is amended to
15 read:

16 41-1554.02. Powers and duties of authority

17 A. The authority is a body corporate and politic and shall have an
18 official seal that is judicially noticed. The authority may sue and be sued,
19 contract and acquire, hold, operate and dispose of property as necessary to
20 carry out its responsibilities under this article.

21 B. The authority, through its board, may:

22 1. Issue bonds to provide financial assistance to political
23 subdivisions, special districts and Indian tribes for acquiring,
24 constructing, improving or equipping infrastructure or for refinancing
25 outstanding bonds or other obligations of the political subdivisions, special
26 districts or Indian tribes that were issued to acquire, construct, improve or
27 equip infrastructure. The bonds shall be in the name of the authority.

28 2. Provide financial assistance to political subdivisions, special
29 districts and Indian tribes to finance or refinance infrastructure projects.

30 3. Guarantee debt obligations of political subdivisions, special
31 districts and Indian tribes that are issued to finance or refinance
32 infrastructure projects.

33 4. Provide technical assistance or short-term assistance to political
34 subdivisions, special districts, Indian tribes and tribal subdivisions.

35 **5. PROVIDE FINANCING FOR IMPACT PROGRAMS FOR ARIZONA JOB TRAINING**
36 **PURSUANT TO ARTICLE 4 OF THIS CHAPTER.**

37 ~~5-~~ 6. Apply for, accept and administer grants and other monetary
38 assistance from the United States government and from other public and
39 private sources to carry out its responsibilities under this article.

40 ~~6-~~ 7. Hire professional assistance as needed to carry out this
41 article.

42 C. The board shall:

43 1. Approve all policies and procedures of the authority.

44 2. Approve which projects receive technical and financial assistance.

1 1. Providing technical assistance to political subdivisions,
2 special districts, Indian tribes and tribal subdivisions.

3 2. Providing financial assistance to political subdivisions,
4 special districts and Indian tribes.

5 3. PROVIDING FINANCING FOR IMPACT PROGRAMS FOR ARIZONA JOB TRAINING
6 PURSUANT TO ARTICLE 4 OF THIS CHAPTER.

7 ~~3-~~ 4. Paying the compensation and employment related expenses
8 associated with the employees hired pursuant to section 41-1554.01,
9 subsection G.

10 ~~4-~~ 5. Paying the costs to operate the authority, to administer the
11 fund and to carry out the requirements of this article.

12 ~~5-~~ 6. Paying the costs of professional assistance hired by the
13 authority pursuant to section 41-1554.02, subsection B, paragraph ~~6-~~ 7.

14 F. On notice from the board, the state treasurer shall invest and
15 divest monies in the fund as provided by section 35-313, and monies earned
16 from investment shall be credited to the fund.

17 G. If the monies pledged to secure the bonds become insufficient to
18 pay the principal and interest on the bonds, the board may direct the
19 state treasurer to divest monies in the fund as may be necessary and may
20 apply those proceeds to make current all payments then due on the
21 bonds. The state treasurer shall immediately notify the attorney general
22 and auditor general of the insufficiency. The auditor general shall audit
23 the circumstances surrounding the depletion of the fund and shall report
24 these findings to the attorney general. The attorney general shall
25 conduct an investigation and report these findings to the governor and the
26 legislature.

27 Sec. 13. Section 41-1554.06, Arizona Revised Statutes, is amended to
28 read:

29 41-1554.06. Financial assistance

30 A. The authority may provide financial assistance to political
31 subdivisions, special districts and Indian tribes in developing, acquiring,
32 constructing, improving, equipping or refinancing infrastructure. The
33 financial assistance shall include:

34 1. Loans as provided in this section.

35 2. Credit enhancements purchased for a political subdivision's,
36 special district's or Indian tribe's bonds or other forms of indebtedness.

37 B. THE AUTHORITY MAY PROVIDE LOAN FINANCING FOR IMPACT PROGRAMS FOR
38 ARIZONA JOB TRAINING PURSUANT TO ARTICLE 4 OF THIS CHAPTER. ANY FINANCING
39 AGREEMENT MUST INCLUDE A LEGALLY BINDING ACKNOWLEDGEMENT THAT ALL REPAYMENT
40 OBLIGATIONS ARE FROM MONIES IN THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT
41 PROGRAM FUND UNDER SECTION 41-1541.06, SUBSECTION C AND ARE NOT GENERAL OR
42 SPECIAL OBLIGATIONS OF THE STATE GENERAL FUND.

43 ~~B-~~ C. A loan shall be evidenced by a loan repayment agreement, lease
44 purchase agreement or bonds of a political subdivision, special district or
45 Indian tribe that are delivered to and held by the authority.

1 ~~C.~~ D. The authority shall prescribe a principal repayment schedule
2 for each loan made. Loan principal payments may be rescheduled at the
3 discretion of the authority but may not be forgiven.

4 ~~D.~~ E. A loan under this section:

5 1. Shall be repaid not more than thirty years after the date it is
6 incurred.

7 2. Shall require that interest payments begin not later than the next
8 date that either principal or interest must be paid by the authority to
9 holders of any of the authority's bonds that provided funding for the
10 loan. The authority may provide that loan interest accruing during
11 construction of the borrower's infrastructure project and up to one year
12 after completion of the construction be capitalized in the loan.

13 3. Shall be repayable in at least annual principal installments and at
14 least semiannual interest installments.

15 4. Shall be conditioned on the identification of pledged revenues for
16 repaying the loan. If the infrastructure financed by the loan is part of a
17 municipal utility and the city or town pledges revenues of the utility to
18 repay the loan, the loan shall be treated under section 9-530, subsection B
19 as a lawful long-term obligation incurred for a specific capital purpose.

20 5. To the extent permitted by law, shall be secured by a debt service
21 reserve account that is held in trust and that is in such amount, if any, as
22 determined by the authority.

23 6. Shall be either:

24 (a) For a political subdivision, additionally secured by an
25 irrevocable pledge of the shared state revenues due the political subdivision
26 for the life of the loan as provided by a resolution of the board.

27 (b) For an Indian tribe, conditioned on the establishment of a
28 dedicated revenue source under the control of a tribally chartered
29 corporation or other tribal entity that is subject to suit by the attorney
30 general to enforce the loan contract or be secured by assets that, in the
31 event of default of the loan contract, are subject to execution by the
32 attorney general.

33 ~~E.~~ F. The authority shall prescribe the rate or rates of interest on
34 loans made under this section, but the rate or rates shall not exceed the
35 prevailing market rate for similar types of loans. A political subdivision
36 or special district may negotiate the sale of its bonds to or a loan
37 repayment agreement with the authority without complying with any public or
38 accelerated bidding requirements imposed by any other law for the sale of its
39 bonds.

40 ~~F.~~ G. The approval of a loan is conditioned on a written commitment
41 by the political subdivision or special district to complete all applicable
42 reviews and approvals and to secure all required permits in a timely manner.

1 ~~G.~~ H. The approval of financial assistance to a city or town having a
2 population of more than fifty thousand persons shall be conditioned on
3 approval of its voters. An election is not required if voter approval has
4 previously been received for substantially the same project.

5 ~~H.~~ I. The approval of financial assistance to a county having a
6 population of more than two hundred thousand persons shall be conditioned on
7 approval of its voters. An election is not required if voter approval has
8 previously been received for substantially the same project.

9 ~~I.~~ J. By resolution of the board, the authority may impose any
10 additional requirements it considers necessary to ensure that the loan
11 principal and interest are timely paid.

12 ~~J.~~ K. All monies received from political subdivisions, special
13 districts and Indian tribes as loan repayments, interest and penalties shall
14 be deposited, pursuant to sections 35-146 and 35-147, in the fund.

15 ~~K.~~ L. The attorney general may take whatever actions are necessary to
16 enforce the loan contract and achieve repayment of loans provided by the
17 authority pursuant to this article.

18 ~~L.~~ M. If a political subdivision fails to make any payment due to the
19 authority under its loan repayment agreement or bonds, the authority shall
20 certify to the state treasurer and notify the governing body of the
21 defaulting political subdivision that the political subdivision has failed to
22 make the required payment and direct a withholding of state shared revenues
23 as provided in subsection ~~M-~~ N of this section. The certificate of default
24 shall be in the form determined by the authority, provided the certificate
25 specifies the amount required to satisfy the unpaid payment obligation of the
26 political subdivision.

27 ~~M.~~ N. On receipt of a certificate of default from the authority, the
28 state treasurer, to the extent not otherwise expressly prohibited by law,
29 shall withhold the monies from the next succeeding distribution of monies
30 pursuant to section 42-5029 due to the defaulting political subdivision. In
31 the case of a city or town, the state treasurer shall also withhold from the
32 next succeeding distribution of monies pursuant to section 43-206 due to the
33 defaulting city or town the amount specified in the certificate of default
34 and immediately deposit the amount withheld in the fund. The state treasurer
35 shall continue to withhold and deposit the monies until the authority
36 certifies to the state treasurer that the default has been cured. In no
37 event shall the state treasurer withhold any amount that is necessary, as
38 certified by the defaulting political subdivision to the state treasurer and
39 the authority, to make any required deposits then due for the payment of
40 principal and interest on bonds of the political subdivision that were issued
41 prior to the date of the loan repayment agreement or bonds and that have been
42 secured by a pledge of distributions made pursuant to sections 42-5029 and
43 43-206.

1 Sec. 14. Section 42-1116, Arizona Revised Statutes, is amended to
2 read:

3 42-1116. Disposition of tax revenues

4 A. The department shall promptly deposit, pursuant to sections 35-146
5 and 35-147, all monies it collects from the taxes administered pursuant to
6 this article except the telecommunication services excise tax, separately
7 accounting for each type of tax and each tax classification within each type
8 of tax. At the same time the department of revenue shall also furnish copies
9 of the transmittal schedules to the director of the department of
10 administration.

11 B. Except as provided by subsection C of this section, the department
12 shall deposit all monies and remittances received under this section to the
13 credit of the following specific funds and accounts:

14 1. Amounts sufficient to meet the requirements for tax refunds to the
15 tax refund account established in section 42-1117.

16 2. Amounts sufficient to meet the requirements of urban revenue
17 sharing to the urban revenue sharing fund established in section 43-206.

18 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of this
19 title and section 42-5352, subsection A to the transaction privilege and
20 severance tax clearing account established by section 42-5029.

21 4. Through June 30, 2010 amounts sufficient to meet the requirements
22 of section 42-3104 to the corrections fund.

23 5. Amounts sufficient to meet the requirements of section 49-282,
24 subsection B relating to the water quality assurance revolving fund.

25 6. AMOUNTS COLLECTED AS WITHHOLDING TAX SUFFICIENT TO MEET THE
26 REQUIREMENTS OF TITLE 41, CHAPTER 10, ARTICLES 4 AND 5.1 TO THE JOB RECOVERY
27 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

28 ~~6-~~ 7. All remaining monies to the state general fund.

29 C. From the monies and remittances received under this section, each
30 month beginning July, 2001 the state treasurer shall transmit to the tourism
31 and sports authority, established by title 5, chapter 8, for deposit in its
32 facility revenue clearing account established by section 5-834 one-twelfth of
33 the amount reported by the department pursuant to section 43-209.

34 Sec. 15. Section 42-2003, Arizona Revised Statutes, is amended to
35 read:

36 42-2003. Authorized disclosure of confidential information

37 A. Confidential information relating to:

38 1. A taxpayer may be disclosed to the taxpayer, its successor in
39 interest or a designee of the taxpayer who is authorized in writing by the
40 taxpayer. A principal corporate officer of a parent corporation may execute
41 a written authorization for a controlled subsidiary.

42 2. A corporate taxpayer may be disclosed to any principal officer, any
43 person designated by a principal officer or any person designated in a
44 resolution by the corporate board of directors or other similar governing
45 body.

1 3. A partnership may be disclosed to any partner of the partnership.
2 This exception does not include disclosure of confidential information of a
3 particular partner unless otherwise authorized.

4 4. An estate may be disclosed to the personal representative of the
5 estate and to any heir, next of kin or beneficiary under the will of the
6 decedent if the department finds that the heir, next of kin or beneficiary
7 has a material interest which will be affected by the confidential
8 information.

9 5. A trust may be disclosed to the trustee or trustees, jointly or
10 separately, and to the grantor or any beneficiary of the trust if the
11 department finds that the grantor or beneficiary has a material interest
12 which will be affected by the confidential information.

13 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
14 to confidentiality either in writing or on the record in any administrative
15 or judicial proceeding.

16 7. The name and taxpayer identification numbers of persons issued
17 direct payment permits may be publicly disclosed.

18 B. Confidential information may be disclosed to:

19 1. Any employee of the department whose official duties involve tax
20 administration.

21 2. The office of the attorney general solely for its use in
22 preparation for, or in an investigation which may result in, any proceeding
23 involving tax administration before the department or any other agency or
24 board of this state, or before any grand jury or any state or federal court.

25 3. The department of liquor licenses and control for its use in
26 determining whether a spirituous liquor licensee has paid all transaction
27 privilege taxes and affiliated excise taxes incurred as a result of the sale
28 of spirituous liquor, as defined in section 4-101, at the licensed
29 establishment and imposed on the licensed establishments by this state and
30 its political subdivisions.

31 4. Other state tax officials whose official duties require the
32 disclosure for proper tax administration purposes if the information is
33 sought in connection with an investigation or any other proceeding conducted
34 by the official. Any disclosure is limited to information of a taxpayer who
35 is being investigated or who is a party to a proceeding conducted by the
36 official.

37 5. The following agencies, officials and organizations, if they grant
38 substantially similar privileges to the department for the type of
39 information being sought, pursuant to statute and a written agreement between
40 the department and the foreign country, agency, state, Indian tribe or
41 organization:

42 (a) The United States internal revenue service, alcohol and tobacco
43 tax and trade bureau of the United States treasury, United States bureau of
44 alcohol, tobacco, firearms and explosives of the United States department of

1 justice, United States drug enforcement agency and federal bureau of
2 investigation.

3 (b) A state tax official of another state.

4 (c) An organization of states, federation of tax administrators or
5 multistate tax commission that operates an information exchange for tax
6 administration purposes.

7 (d) An agency, official or organization of a foreign country with
8 responsibilities that are comparable to those listed in subdivision (a), (b)
9 or (c) of this paragraph.

10 (e) An agency, official or organization of an Indian tribal government
11 with responsibilities comparable to the responsibilities of the agencies,
12 officials or organizations identified in subdivision (a), (b) or (c) of this
13 paragraph.

14 6. The auditor general, in connection with any audit of the department
15 subject to the restrictions in section 42-2002, subsection D.

16 7. Any person to the extent necessary for effective tax administration
17 in connection with:

18 (a) The processing, storage, transmission, destruction and
19 reproduction of the information.

20 (b) The programming, maintenance, repair, testing and procurement of
21 equipment for purposes of tax administration.

22 8. The office of administrative hearings relating to taxes
23 administered by the department pursuant to section 42-1101, but the
24 department shall not disclose any confidential information:

25 (a) Regarding income tax, withholding tax or estate tax.

26 (b) On any tax issue relating to information associated with the
27 reporting of income tax, withholding tax or estate tax.

28 9. The United States treasury inspector general for tax administration
29 for the purpose of reporting a violation of internal revenue code section
30 7213A (26 United States Code section 7213A), unauthorized inspection of
31 returns or return information.

32 10. The financial management service of the United States treasury
33 department for use in the treasury offset program.

34 11. The United States treasury department or its authorized agent for
35 use in the state income tax levy program and in the electronic federal tax
36 payment system.

37 12. The department of commerce for its use in:

38 (a) Qualifying motion picture production companies for the tax
39 incentives provided for motion picture production under chapter 5 of this
40 title and sections 43-1075 and 43-1163.

41 (b) Qualifying applicants for the motion picture infrastructure
42 project tax credits under sections 43-1075.01 and 43-1163.01.

43 (c) Qualifying renewable energy operations for the tax incentives
44 under sections 42-12006, 43-1083.01 and 43-1164.01.

1 (d) Fulfilling its annual reporting responsibility pursuant to section
2 41-1511, subsections T and U and section 41-1517, subsections S and T.

3 (e) ADMINISTERING THE BENEFITS UNDER TITLE 41, CHAPTER 10, ARTICLES 4,
4 5 AND 5.1 THAT ARE BASED ON WITHHOLDING TAX REVENUES.

5 13. A prosecutor for purposes of section 32-1164, subsection C.

6 14. The state fire marshal for use in determining compliance with and
7 enforcing title 41, chapter 16, article 3.1.

8 C. Confidential information may be disclosed in any state or federal
9 judicial or administrative proceeding pertaining to tax administration
10 pursuant to the following conditions:

11 1. One or more of the following circumstances must apply:

12 (a) The taxpayer is a party to the proceeding.

13 (b) The proceeding arose out of, or in connection with, determining
14 the taxpayer's civil or criminal liability, or the collection of the
15 taxpayer's civil liability, with respect to any tax imposed under this title
16 or title 43.

17 (c) The treatment of an item reflected on the taxpayer's return is
18 directly related to the resolution of an issue in the proceeding.

19 (d) Return information directly relates to a transactional
20 relationship between a person who is a party to the proceeding and the
21 taxpayer and directly affects the resolution of an issue in the proceeding.

22 2. Confidential information may not be disclosed under this subsection
23 if the disclosure is prohibited by section 42-2002, subsection C or D.

24 D. Identity information may be disclosed for purposes of notifying
25 persons entitled to tax refunds if the department is unable to locate the
26 persons after reasonable effort.

27 E. The department, upon the request of any person, shall provide the
28 names and addresses of bingo licensees as defined in section 5-401, verify
29 whether or not a person has a privilege license and number, a distributor's
30 license and number or a withholding license and number or disclose the
31 information to be posted on the department's ~~web-site~~ WEBSITE or otherwise
32 publicly accessible pursuant to section 42-1124, subsection F and section
33 42-3201, subsection A.

34 F. A department employee, in connection with the official duties
35 relating to any audit, collection activity or civil or criminal
36 investigation, may disclose return information to the extent that disclosure
37 is necessary to obtain information which is not otherwise reasonably
38 available. These official duties include the correct determination of and
39 liability for tax, the amount to be collected or the enforcement of other
40 state tax revenue laws.

41 G. If an organization is exempt from this state's income tax as
42 provided in section 43-1201 for any taxable year, the name and address of the
43 organization and the application filed by the organization upon which the
44 department made its determination for exemption together with any papers

1 submitted in support of the application and any letter or document issued by
2 the department concerning the application are open to public inspection.

3 H. Confidential information relating to transaction privilege tax, use
4 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may
5 be disclosed to any county, city or town tax official if the information
6 relates to a taxpayer who is or may be taxable by the county, city or town.
7 Any taxpayer information released by the department to the county, city or
8 town:

9 1. May only be used for internal purposes.

10 2. May not be disclosed to the public in any manner that does not
11 comply with confidentiality standards established by the department. The
12 county, city or town shall agree in writing with the department that any
13 release of confidential information that violates the confidentiality
14 standards adopted by the department will result in the immediate suspension
15 of any rights of the county, city or town to receive taxpayer information
16 under this subsection.

17 I. The department may disclose statistical information gathered from
18 confidential information if it does not disclose confidential information
19 attributable to any one taxpayer. In order to comply with the requirements
20 of section 42-5029, subsection A, paragraph 3, the department may disclose to
21 the state treasurer statistical information gathered from confidential
22 information, even if it discloses confidential information attributable to a
23 taxpayer.

24 J. The department may disclose the aggregate amounts of any tax
25 credit, tax deduction or tax exemption enacted after January 1, 1994.
26 Information subject to disclosure under this subsection shall not be
27 disclosed if a taxpayer demonstrates to the department that such information
28 would give an unfair advantage to competitors.

29 K. Except as provided in section 42-2002, subsection C, confidential
30 information, described in section 42-2001, paragraph 2, subdivision (a), item
31 (iii), may be disclosed to law enforcement agencies for law enforcement
32 purposes.

33 L. The department may provide transaction privilege tax license
34 information to property tax officials in a county for the purpose of
35 identification and verification of the tax status of commercial property.

36 M. The department may provide transaction privilege tax, luxury tax,
37 use tax, property tax and severance tax information to the ombudsman-citizens
38 aide pursuant to title 41, chapter 8, article 5.

39 N. Except as provided in section 42-2002, subsection D, a court may
40 order the department to disclose confidential information pertaining to a
41 party to an action. An order shall be made only upon a showing of good cause
42 and that the party seeking the information has made demand upon the taxpayer
43 for the information.

44 O. This section does not prohibit the disclosure by the department of
45 any information or documents submitted to the department by a bingo licensee.

1 Before disclosing the information the department shall obtain the name and
2 address of the person requesting the information.

3 P. If the department is required or permitted to disclose confidential
4 information, it may charge the person or agency requesting the information
5 for the reasonable cost of its services.

6 Q. Except as provided in section 42-2002, subsection D, the department
7 of revenue shall release confidential information as requested by the
8 department of economic security pursuant to section 42-1122 or 46-291.
9 Information disclosed under this subsection is limited to the same type of
10 information that the United States internal revenue service is authorized to
11 disclose under section 6103(1)(6) of the internal revenue code.

12 R. Except as provided in section 42-2002, subsection D, the department
13 of revenue shall release confidential information as requested by the courts
14 and clerks of the court pursuant to section 42-1122.

15 S. To comply with the requirements of section 42-5031, the department
16 may disclose to the state treasurer, to the county stadium district board of
17 directors and to any city or town tax official that is part of the county
18 stadium district confidential information attributable to a taxpayer's
19 business activity conducted in the county stadium district.

20 T. The department shall release confidential information as requested
21 by the attorney general for purposes of determining compliance with and
22 enforcing section 44-7101, the master settlement agreement referred to
23 therein and subsequent agreements to which the state is a party that amend or
24 implement the master settlement agreement. Information disclosed under this
25 subsection is limited to luxury tax information relating to tobacco
26 manufacturers, distributors, wholesalers and retailers and information
27 collected by the department pursuant to section 44-7101(2)(j).

28 U. For proceedings before the department, the office of administrative
29 hearings, the board of tax appeals or any state or federal court involving
30 penalties that were assessed against a return preparer or electronic return
31 preparer pursuant to section 42-1103.02 or 42-1125.01, confidential
32 information may be disclosed only before the judge or administrative law
33 judge adjudicating the proceeding, the parties to the proceeding and the
34 parties' representatives in the proceeding prior to its introduction into
35 evidence in the proceeding. The confidential information may be introduced
36 as evidence in the proceeding only if the taxpayer's name, the names of any
37 dependents listed on the return, all social security numbers, the taxpayer's
38 address, the taxpayer's signature and any attachments containing any of the
39 foregoing information are redacted and if either:

40 1. The treatment of an item reflected on such return is or may be
41 related to the resolution of an issue in the proceeding.

42 2. Such return or return information relates or may relate to a
43 transactional relationship between a person who is a party to the proceeding
44 and the taxpayer which directly affects the resolution of an issue in the
45 proceeding.

1 V. The department may disclose to the attorney general confidential
2 information received under section 44-7111 and requested by the attorney
3 general for purposes of determining compliance with and enforcing section
4 44-7111. The department and attorney general shall share with each other the
5 information received under section 44-7111, and may share the information
6 with other federal, state or local agencies only for the purposes of
7 enforcement of section 44-7101, section 44-7111 or corresponding laws of
8 other states.

9 W. The department may provide the name and address of qualifying
10 hospitals and qualifying health care organizations, as defined in section
11 42-5001, to a business classified and reporting transaction privilege tax
12 under the utilities classification.

13 Sec. 16. Section 42-12006, Arizona Revised Statutes, is amended to
14 read:

15 42-12006. Class six property

16 For purposes of taxation, class six is established consisting of:

17 1. Noncommercial historic property as defined in section 42-12101 and
18 valued at full cash value.

19 2. Real and personal property that is located within the area of a
20 foreign trade zone or subzone established under 19 United States Code section
21 81 and title 44, chapter 18, that is activated for foreign trade zone use by
22 the district director of the United States customs service pursuant to
23 19 Code of Federal Regulations section 146.6 and that is valued at full cash
24 value. Property that is classified under this paragraph shall not thereafter
25 be classified under paragraph 7 of this section.

26 3. Real and personal property and improvements that are located in a
27 military reuse zone that is established under title 41, chapter 10, article 3
28 and that is devoted to providing aviation or aerospace services or to
29 manufacturing, assembling or fabricating aviation or aerospace products,
30 valued at full cash value and subject to the following terms and conditions:

31 (a) Property may not be classified under this paragraph for more than
32 five tax years.

33 (b) Any new addition or improvement to property already classified
34 under this paragraph qualifies separately for classification under this
35 paragraph for not more than five tax years.

36 (c) If a military reuse zone is terminated, the property in that zone
37 that was previously classified under this paragraph shall be reclassified as
38 prescribed by this article.

39 (d) Property that is classified under this paragraph shall not
40 thereafter be classified under paragraph 4 or 7 of this section.

41 4. Real and personal property and improvements that are located in an
42 enterprise zone, that are owned or used by a ~~small manufacturing or small~~
43 ~~commercial printing~~ business that is certified by the department of commerce
44 pursuant to section 41-1525.01 and that are valued at full cash value,
45 subject to the following terms and conditions:

1 ~~(a) Property may not be classified under this paragraph for more than~~
2 ~~five tax years.~~

3 (a) FOR PROPERTY LOCATED IN AN URBAN ZONE LOCATION WITH A POPULATION
4 OF EIGHTY THOUSAND PERSONS OR MORE:

5 (i) A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST FIVE MILLION
6 DOLLARS, BUT NOT MORE THAN FIFTEEN MILLION DOLLARS, WITHIN TWELVE MONTHS
7 AFTER FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
8 TWENTY-FIVE NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS
9 PARAGRAPH FOR UP TO THREE TAX YEARS.

10 (ii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FIFTEEN
11 MILLION DOLLARS, BUT NOT MORE THAN FIFTY MILLION DOLLARS, WITHIN EIGHTEEN
12 MONTHS AFTER FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT
13 LEAST FIFTY NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS
14 PARAGRAPH FOR UP TO FIVE TAX YEARS.

15 (iii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FIFTY
16 MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER SECTION
17 41-1525.01, AND EMPLOYING AT LEAST SEVENTY-FIVE NEW EMPLOYEES, THE PROPERTY
18 MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

19 (b) FOR PROPERTY LOCATED IN A ZONE LOCATION WITH A POPULATION OF LESS
20 THAN EIGHTY THOUSAND PERSONS:

21 (i) A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO MILLION
22 DOLLARS, BUT NOT MORE THAN FOUR MILLION DOLLARS, WITHIN TWELVE MONTHS AFTER
23 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
24 FIFTEEN NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH
25 FOR UP TO THREE TAX YEARS.

26 (ii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FOUR MILLION
27 DOLLARS, BUT NOT MORE THAN EIGHT MILLION DOLLARS, WITHIN EIGHTEEN MONTHS
28 AFTER FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
29 THIRTY NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR
30 UP TO FIVE TAX YEARS.

31 (iii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN EIGHT
32 MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER SECTION
33 41-1525.01, AND EMPLOYING AT LEAST SIXTY NEW EMPLOYEES, THE PROPERTY MAY BE
34 CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

35 ~~(b)~~ (c) Property that is classified under this paragraph shall not
36 thereafter be classified under paragraph 3 or 7 of this section.

37 5. Real and personal property and improvements or a portion of such
38 property comprising a qualified environmental technology manufacturing,
39 producing or processing facility as described in section 41-1514.02, valued
40 at full cash value and subject to the following terms and conditions:

41 (a) Property shall be classified under this paragraph for twenty tax
42 years from the date placed in service.

43 (b) Any addition or improvement to property already classified under
44 this paragraph qualifies separately for classification under this subdivision
45 for an additional twenty tax years from the date placed in service.

1 (c) After revocation of certification under section 41-1514.02,
2 property that was previously classified under this paragraph shall be
3 reclassified as prescribed by this article.

4 (d) Property that is classified under this paragraph shall not
5 thereafter be classified under paragraph 7 of this section.

6 6. That portion of real and personal property that is used on or after
7 January 1, 1999 specifically and solely for remediation of the environment by
8 an action that has been determined to be reasonable and necessary to respond
9 to the release or threatened release of a hazardous substance by the
10 department of environmental quality pursuant to section 49-282.06 or pursuant
11 to its corrective action authority under rules adopted pursuant to section
12 49-922, subsection B, paragraph 4 or by the United States environmental
13 protection agency pursuant to the national contingency plan (40 Code of
14 Federal Regulations part 300) and that is valued at full cash value.
15 Property that is not being used specifically and solely for the remediation
16 objectives described in this paragraph shall not be classified under this
17 paragraph. For the purposes of this paragraph, "remediation of the
18 environment" means one or more of the following actions:

19 (a) Monitoring, assessing or evaluating the release or threatened
20 release.

21 (b) Excavating, removing, transporting, treating and disposing of
22 contaminated soil.

23 (c) Pumping and treating contaminated water.

24 (d) Treatment, containment or removal of contaminants in groundwater
25 or soil.

26 7. Real and personal property and improvements constructed or
27 installed from and after December 31, 2004 through December 31, 2010 and
28 owned by a qualified business under section 41-1516 and used solely for the
29 purpose of harvesting, transporting or the initial processing of qualifying
30 forest products removed from qualifying projects as defined in section
31 41-1516. The classification under this paragraph is subject to the following
32 terms and conditions:

33 (a) Property may be initially classified under this paragraph only in
34 valuation years 2005 through 2010.

35 (b) Property may not be classified under this paragraph for more than
36 five years.

37 (c) Any new addition or improvement, constructed or installed from and
38 after December 31, 2004 through December 31, 2010, to property already
39 classified under this paragraph qualifies separately for classification and
40 assessment under this paragraph for not more than five years.

41 (d) Property that is classified under this paragraph shall not
42 thereafter be classified under paragraph 2, 3, 4 or 5 of this section.

43 8. Real and personal property and improvements to the property that
44 are used specifically and solely to manufacture from and after December 31,
45 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent

1 biodiesel and its by-products and that are valued at full cash value. This
2 paragraph applies only to the portion of property that is used specifically
3 for manufacturing and processing one hundred per cent biodiesel fuel, or its
4 related by-products, from raw feedstock obtained from off-site sources,
5 including necessary on-site storage facilities that are intrinsically
6 associated with the manufacturing process. Any other commercial or
7 industrial use disqualifies the entire property from classification under
8 this paragraph.

9 9. Real and personal property and improvements that are certified
10 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
11 renewable energy manufacturing or headquarters operations as provided by
12 section 42-12057. This paragraph applies only to property that is used in
13 manufacturing and headquarters operations of renewable energy companies,
14 including necessary on-site research and development, testing and storage
15 facilities that are associated with the manufacturing process. Up to ten per
16 cent of the aggregate full cash value of the property may be derived from
17 uses that are ancillary to and intrinsically associated with the
18 manufacturing process or headquarters operation. Any additional ancillary
19 property is not qualified for classification under this paragraph. No new
20 properties may be classified pursuant to this paragraph from and after
21 December 31, 2014. Classification under this paragraph is limited to the
22 time periods determined by the department of commerce pursuant to section
23 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
24 classified under this paragraph shall not thereafter be classified under any
25 other paragraph of this section.

26 Sec. 17. Section 42-12009, Arizona Revised Statutes, is amended to
27 read:

28 42-12009. Class nine property

29 A. For purposes of taxation, class nine is established consisting of:

30 1. Improvements that are located on federal, state, county or
31 municipal property and owned by the lessee of the property if:

32 (a) The improvements become the property of the federal, state, county
33 or municipal owner of the property on termination of the leasehold interest
34 in the property.

35 (b) Both the improvements and the property are used primarily for
36 athletic, recreational, entertainment, artistic, cultural or convention
37 activities.

38 2. Improvements that are located on federal, state, county or
39 municipal property and owned by the lessee of the property if:

40 (a) The improvements become the property of the federal, state, county
41 or municipal owner of the property on termination of the leasehold interest
42 in the property.

43 (b) Both the improvements and the property are:

1 (i) Used for or in connection with aviation, including hangars,
2 tie-downs, aircraft maintenance, sales of aviation related items, charter and
3 rental activities, parking facilities and restaurants, stores and other
4 services located in a terminal.

5 (ii) Located on a state, county, city or town airport or a public
6 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

7 3. Property that is defined as "contractor-acquired property" or
8 "government-furnished property" in the federal acquisition regulations
9 (48 Code of Federal Regulations section 45.101) and that is leased to or
10 acquired by the government and used to perform a government contract.

11 4. Property of a corporation that is organized by or at the direction
12 of this state or a county, city or town to develop, construct, improve,
13 repair, replace or own any property, improvement, building or other facility
14 to be used for public purposes that the state, county, city or town pledges
15 to lease or lease-purchase with state, county or municipal special or general
16 revenues and that is not otherwise exempt under chapter 11, article 3 of this
17 title.

18 5. Real property and improvements, including land, buildings,
19 furniture and equipment, regardless of ownership, that are leased for the
20 entire valuation year to, and used exclusively by, a nonprofit organization
21 that is recognized under section 501(c)(3) of the internal revenue code and
22 that operates on the premises as a charter school pursuant to section 15-183.
23 If only part of a parcel of real property or improvements to real property is
24 leased for operation of a charter school as provided by this paragraph, only
25 the portion so leased qualifies for classification under this section. A
26 property owner who leases property to a charter school shall file an
27 affidavit with the county assessor stating that the charter school shall be
28 the sole beneficiary of the change in property tax classification pursuant to
29 this section and that the lease rate that is charged to the charter school is
30 consistent with the lease rates that are charged to other tenants of the
31 property or a fair market rate.

32 6. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE OWNED OR USED
33 BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT TO
34 SECTION 41-1525.01 AND THAT IS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO
35 HUNDRED FIFTY MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED
36 UNDER SECTION 41-1525.01 AND EMPLOYING AT LEAST ONE HUNDRED FIFTY NEW
37 EMPLOYEES. THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN
38 TAX YEARS. PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT
39 THEREAFTER BE CLASSIFIED UNDER SECTION 42-12006.

40 B. Improvements that are located in an area defined as a research park
41 pursuant to section 35-701 may not be classified under this section.

42 C. All property classified as class nine is subject to valuation at
43 full cash value.

1 Sec. 18. Section 42-15001, Arizona Revised Statutes, is amended to
2 read:

3 42-15001. Assessed valuation of class one property

4 The assessed valuation of class one property described in section
5 42-12001 is the following percentage of its full cash value or limited
6 valuation, as applicable:

- 7 1. Twenty-five per cent through December 31, 2005.
- 8 2. Twenty-four and one-half per cent beginning from and after December
9 31, 2005 through December 31, 2006.
- 10 3. Twenty-four per cent beginning from and after December 31, 2006
11 through December 31, 2007.
- 12 4. Twenty-three per cent beginning from and after December 31, 2007
13 through December 31, 2008.
- 14 5. Twenty-two per cent beginning from and after December 31, 2008
15 through December 31, 2009.
- 16 6. Twenty-one per cent beginning from and after December 31, 2009
17 through December 31, 2010.
- 18 7. Twenty per cent beginning from and after December 31, 2010 THROUGH
19 DECEMBER 31, 2011.
- 20 8. NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2011
21 THROUGH DECEMBER 31, 2012.
- 22 9. EIGHTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2012
23 THROUGH DECEMBER 31, 2013.
- 24 10. SEVENTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013
25 THROUGH DECEMBER 31, 2014.
- 26 11. SIXTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2014 THROUGH
27 DECEMBER 31, 2015.
- 28 12. FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.

29 Sec. 19. Section 42-15006, Arizona Revised Statutes, is amended to
30 read:

31 42-15006. Assessed valuation of class six property

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

- 35 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,
36 7, 8 and 9, five per cent.
- 37 2. Property described in section 42-12006, paragraph 4:
 - 38 (a) For primary property tax purposes, five per cent.
 - 39 (b) Except as provided in subdivision (c), for secondary property tax
40 purposes:
 - 41 (i) Twenty-five per cent through December 31, 2006.
 - 42 (ii) Twenty-four per cent beginning from and after December 31, 2006
43 through December 31, 2007.
 - 44 (iii) Twenty-three per cent beginning from and after December 31, 2007
45 through December 31, 2008.

1 (iv) Twenty-two per cent beginning from and after December 31, 2008
2 through December 31, 2009.

3 (v) Twenty-one per cent beginning from and after December 31, 2009
4 through December 31, 2010.

5 (vi) Twenty per cent beginning from and after December 31, 2010
6 THROUGH DECEMBER 31, 2011.

7 (vii) NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2011
8 THROUGH DECEMBER 31, 2012.

9 (viii) EIGHTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2012
10 THROUGH DECEMBER 31, 2013.

11 (ix) SEVENTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013
12 THROUGH DECEMBER 31, 2014.

13 (x) SIXTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2014
14 THROUGH DECEMBER 31, 2015.

15 (xi) FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.

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

18 Sec. 20. Section 43-206, Arizona Revised Statutes, is amended to read:
19 43-206. Urban revenue sharing fund; allocation; distribution

20 A. There is established an urban revenue sharing fund. The fund
21 shall consist of an amount equal to fifteen per cent of the net proceeds of
22 the state income taxes for the fiscal year two years preceding the current
23 fiscal year BUT WITHOUT REGARD TO ANY WITHHOLDING TAX REMITTED TO THE JOB
24 RECOVERY WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409. The fund
25 shall be distributed to incorporated cities and towns as provided in this
26 section, except that a city or town shall receive at least an amount equal to
27 what a city or town with a population of fifteen hundred or more persons
28 would receive. The transfer of net proceeds prescribed by section 49-282,
29 subsection B does not affect the calculation of net proceeds prescribed by
30 this subsection.

31 B. Each city or town shall share in the urban revenue sharing fund in
32 the proportion that the population of each bears to the population of all.
33 Except as provided by sections 42-5033 and 42-5033.01, the population of a
34 city or town as determined by the most recent United States decennial census
35 plus any revisions to the decennial census certified by the United States
36 bureau of the census shall be used as the basis for apportioning monies
37 pursuant to this subsection.

38 C. The treasurer, ~~upon~~ ON instruction from the department, shall
39 transmit, no later than the tenth day of each month, to each city or town an
40 amount equal to one-twelfth of that city's or town's total entitlement for
41 the current fiscal year from the urban revenue sharing fund as determined by
42 the department.

43 D. A newly incorporated city or town shall share in the urban revenue
44 sharing fund beginning the first month of the first full fiscal year
45 following incorporation.

1 E. On receipt of a certificate of default from the greater Arizona
2 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
3 treasurer, to the extent not otherwise expressly prohibited by law, shall
4 withhold from the next succeeding distribution of monies pursuant to this
5 section due to the city or town the amount specified in the certificate of
6 default and immediately deposit the amount withheld in the greater Arizona
7 development authority revolving fund. The state treasurer shall continue to
8 withhold and deposit the monies until the authority certifies to the state
9 treasurer that the default has been cured. In no event shall the state
10 treasurer withhold any amount that is necessary, as certified by the
11 defaulting political subdivision to the state treasurer and the authority, to
12 make any required deposits then due for the payment of principal and interest
13 on bonds of the political subdivision that were issued prior to the date of
14 the loan repayment agreement or bonds and that have been secured by a pledge
15 of distributions made pursuant to this section.

16 Sec. 21. Section 43-222, Arizona Revised Statutes, is amended to read:

17 43-222. Income tax credit review schedule

18 The joint legislative income tax credit review committee shall review
19 the following income tax credits:

20 1. For years ending in 0 and 5, sections 43-1074, 43-1075, 43-1075.01,
21 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1161, 43-1163, 43-1163.01,
22 43-1167.01, 43-1175 and 43-1182.

23 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,
24 43-1164 and 43-1183.

25 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
26 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
27 and 43-1181.

28 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
29 43-1170 and 43-1178.

30 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
31 43-1083.01, 43-1084, 43-1162, 43-1164.01, ~~and~~ 43-1170.01 AND 43-1184.

32 Sec. 22. Title 43, chapter 4, article 1, Arizona Revised Statutes, is
33 amended by adding section 43-409, to read:

34 43-409. Job recovery withholdings clearing fund

35 A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED
36 CONSISTING OF UP TO FIFTY PER CENT OF WITHHOLDING TAX REVENUES ON NEW JOBS
37 CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLES 4 AND 5.1. ON NOTICE FROM
38 THE DIRECTOR OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH MONTH,
39 THE DIRECTOR OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND SUFFICIENT
40 MONIES EACH MONTH TO MEET THE REQUIREMENTS OF THE ARIZONA JOB TRAINING AND
41 ARIZONA QUALITY JOBS PROGRAMS.

42 B. ON THE LAST DAY OF EACH MONTH, THE DEPARTMENT OF REVENUE SHALL
43 NOTIFY THE STATE TREASURER TO TRANSFER MONIES FROM THE JOB RECOVERY
44 WITHHOLDINGS CLEARING FUND TO THE IMPACT PROGRAM FUND ESTABLISHED BY SECTION

1 41-1541.06 AND THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY SECTION
2 41-1546.02.

3 Sec. 23. Section 43-1011, Arizona Revised Statutes, is amended to
4 read:

5 43-1011. Taxes and tax rates

6 There shall be levied, collected and paid for each taxable year ~~upon~~ ON
7 the entire taxable income of every resident of this state and ~~upon~~ ON the
8 entire taxable income of every nonresident ~~which~~ THAT is derived from sources
9 within this state taxes determined in the following manner:

10 1. For taxable years beginning from and after December 31, 1996
11 through December 31, 1997:

12 (a) In the case of a single person or a married person filing
13 separately:

| <u>If taxable income is:</u> | <u>The tax is:</u> |
|------------------------------|--|
| 14 \$0 - \$10,000 | 2.90% of taxable income |
| 15 \$10,001 - \$25,000 | \$290, plus 3.30% of the excess over \$10,000 |
| 16 \$25,001 - \$50,000 | \$785, plus 3.90% of the excess over \$25,000 |
| 17 \$50,001 - \$150,000 | \$1,760, plus 4.80% of the excess over \$50,000 |
| 18 \$150,001 and over | \$6,560, plus 5.17% of the excess over \$150,000 |

19
20 (b) In the case of a married couple filing a joint return or a single
21 person who is a head of a household:

| <u>If taxable income is:</u> | <u>The tax is:</u> |
|------------------------------|---|
| 22 \$0 - \$20,000 | 2.90% of taxable income |
| 23 \$20,001 - \$50,000 | \$580, plus 3.30% of the excess over \$20,000 |
| 24 \$50,001 - \$100,000 | \$1,570, plus 3.90% of the excess over \$50,000 |
| 25 \$100,001 - \$300,000 | \$3,520, plus 4.80% of the excess over \$100,000 |
| 26 \$300,001 and over | \$13,120, plus 5.17% of the excess over \$300,000 |

27
28 2. For taxable years beginning from and after December 31, 1997
29 through December 31, 1998:

30 (a) In the case of a single person or a married person filing
31 separately:

| <u>If taxable income is:</u> | <u>The tax is:</u> |
|------------------------------|--|
| 32 \$0 - \$10,000 | 2.88% of taxable income |
| 33 \$10,001 - \$25,000 | \$288, plus 3.24% of the excess over \$10,000 |
| 34 \$25,001 - \$50,000 | \$774, plus 3.82% of the excess over \$25,000 |
| 35 \$50,001 - \$150,000 | \$1,729, plus 4.74% of the excess over \$50,000 |
| 36 \$150,001 and over | \$6,469, plus 5.10% of the excess over \$150,000 |

37
38 (b) In the case of a married couple filing a joint return or a single
39 person who is a head of a household:

| <u>If taxable income is:</u> | <u>The tax is:</u> |
|------------------------------|---|
| 40 \$0 - \$20,000 | 2.88% of taxable income |
| 41 \$20,001 - \$50,000 | \$576, plus 3.24% of the excess over \$20,000 |
| 42 \$50,001 - \$100,000 | \$1,548, plus 3.82% of the excess over \$50,000 |
| 43 \$100,001 - \$300,000 | \$3,458, plus 4.74% of the excess over \$100,000 |
| 44 \$300,001 and over | \$12,938, plus 5.10% of the excess over \$300,000 |

1 3. For taxable years beginning from and after December 31, 1998
2 through December 31, 2005:

3 (a) In the case of a single person or a married person filing
4 separately:

| 5 | <u>If taxable income is:</u> | <u>The tax is:</u> |
|----|------------------------------|--|
| 6 | \$0 - \$10,000 | 2.87% of taxable income |
| 7 | \$10,001 - \$25,000 | \$287, plus 3.20% of the excess over \$10,000 |
| 8 | \$25,001 - \$50,000 | \$767, plus 3.74% of the excess over \$25,000 |
| 9 | \$50,001 - \$150,000 | \$1,702, plus 4.72% of the excess over \$50,000 |
| 10 | \$150,001 and over | \$6,422, plus 5.04% of the excess over \$150,000 |

11 (b) In the case of a married couple filing a joint return or a single
12 person who is a head of a household:

| 13 | <u>If taxable income is:</u> | <u>The tax is:</u> |
|----|------------------------------|---|
| 14 | \$0 - \$20,000 | 2.87% of taxable income |
| 15 | \$20,001 - \$50,000 | \$574, plus 3.20% of the excess over \$20,000 |
| 16 | \$50,001 - \$100,000 | \$1,534, plus 3.74% of the excess over \$50,000 |
| 17 | \$100,001 - \$300,000 | \$3,404, plus 4.72% of the excess over \$100,000 |
| 18 | \$300,001 and over | \$12,844, plus 5.04% of the excess over \$300,000 |

19 4. For taxable years beginning from and after December 31, 2005
20 through December 31, 2006:

21 (a) In the case of a single person or a married person filing
22 separately:

| 23 | <u>If taxable income is:</u> | <u>The tax is:</u> |
|----|------------------------------|--|
| 24 | \$0 - \$10,000 | 2.73% of taxable income |
| 25 | \$10,001 - \$25,000 | \$273, plus 3.04% of the excess over \$10,000 |
| 26 | \$25,001 - \$50,000 | \$729, plus 3.55% of the excess over \$25,000 |
| 27 | \$50,001 - \$150,000 | \$1,617, plus 4.48% of the excess over \$50,000 |
| 28 | \$150,001 and over | \$6,097, plus 4.79% of the excess over \$150,000 |

29 (b) In the case of a married couple filing a joint return or a single
30 person who is a head of a household:

| 31 | <u>If taxable income is:</u> | <u>The tax is:</u> |
|----|------------------------------|---|
| 32 | \$0 - \$20,000 | 2.73% of taxable income |
| 33 | \$20,001 - \$50,000 | \$546, plus 3.04% of the excess over \$20,000 |
| 34 | \$50,001 - \$100,000 | \$1,458, plus 3.55% of the excess over \$50,000 |
| 35 | \$100,001 - \$300,000 | \$3,233, plus 4.48% of the excess over \$100,000 |
| 36 | \$300,001 and over | \$12,193, plus 4.79% of the excess over \$300,000 |

37 5. For taxable years beginning from and after December 31, 2006
38 THROUGH DECEMBER 31, 2010:

39 (a) In the case of a single person or a married person filing
40 separately:

| 41 | <u>If taxable income is:</u> | <u>The tax is:</u> |
|----|------------------------------|---|
| 42 | \$0 - \$10,000 | 2.59% of taxable income |
| 43 | \$10,001 - \$25,000 | \$259, plus 2.88% of the excess over \$10,000 |
| 44 | \$25,001 - \$50,000 | \$691, plus 3.36% of the excess over \$25,000 |
| 45 | \$50,001 - \$150,000 | \$1,531, plus 4.24% of the excess over \$50,000 |

1 \$150,001 and over \$5,771, plus 4.54% of the excess over \$150,000
2 (b) In the case of a married couple filing a joint return or a single
3 person who is a head of a household:
4 If taxable income is: The tax is:
5 \$0 - \$20,000 2.59% of taxable income
6 \$20,001 - \$50,000 \$518, plus 2.88% of the excess over \$20,000
7 \$50,001 - \$100,000 \$1,382, plus 3.36% of the excess over \$50,000
8 \$100,001 - \$300,000 \$3,062, plus 4.24% of the excess over \$100,000
9 \$300,001 and over \$11,542, plus 4.54% of the excess over \$300,000

10 6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
11 THROUGH DECEMBER 31, 2011:

12 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
13 SEPARATELY:

14 IF TAXABLE INCOME IS: THE TAX IS:
15 \$0 - \$10,000 2.53% OF TAXABLE INCOME
16 \$10,001 - \$25,000 \$253, PLUS 2.81% OF THE EXCESS OVER \$10,000
17 \$25,001 - \$50,000 \$674, PLUS 3.28% OF THE EXCESS OVER \$25,000
18 \$50,001 - \$150,000 \$1,443, PLUS 4.13% OF THE EXCESS OVER \$50,000
19 \$150,001 AND OVER \$5,627, PLUS 4.43% OF THE EXCESS OVER \$150,000

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

22 IF TAXABLE INCOME IS: THE TAX IS:
23 \$0 - \$20,000 2.53% OF TAXABLE INCOME
24 \$20,001 - \$50,000 \$505, PLUS 2.81% OF THE EXCESS OVER \$20,000
25 \$50,001 - \$100,000 \$1,347, PLUS 3.28% OF THE EXCESS OVER \$50,000
26 \$100,001 - \$300,000 \$2,985, PLUS 4.13% OF THE EXCESS OVER \$100,000
27 \$300,001 AND OVER \$11,253, PLUS 4.43% OF THE EXCESS OVER \$300,000

28 7. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011
29 THROUGH DECEMBER 31, 2012:

30 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
31 SEPARATELY:

32 IF TAXABLE INCOME IS: THE TAX IS:
33 \$0 - \$10,000 2.46% OF TAXABLE INCOME
34 \$10,001 - \$25,000 \$246, PLUS 2.74% OF THE EXCESS OVER \$10,000
35 \$25,001 - \$50,000 \$657, PLUS 3.19% OF THE EXCESS OVER \$25,000
36 \$50,001 - \$150,000 \$1,455, PLUS 4.03% OF THE EXCESS OVER \$50,000
37 \$150,001 AND OVER \$5,486, PLUS 4.32% OF THE EXCESS OVER \$150,000

38 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
39 PERSON WHO IS A HEAD OF A HOUSEHOLD:

40 IF TAXABLE INCOME IS: THE TAX IS:
41 \$0 - \$20,000 2.46% OF TAXABLE INCOME
42 \$20,001 - \$50,000 \$492, PLUS 2.74% OF THE EXCESS OVER \$20,000
43 \$50,001 - \$100,000 \$1,314, PLUS 3.19% OF THE EXCESS OVER \$50,000
44 \$100,001 - \$300,000 \$2,911, PLUS 4.03% OF THE EXCESS OVER \$100,000

1 \$300,001 AND OVER \$10,972, PLUS 4.32% OF THE EXCESS OVER \$300,000
2 8. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
3 THROUGH DECEMBER 31, 2013:

4 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
5 SEPARATELY:

| 6 | <u>IF TAXABLE INCOME IS:</u> | <u>THE TAX IS:</u> |
|----|------------------------------|--|
| 7 | \$0 - \$10,000 | 2.40% OF TAXABLE INCOME |
| 8 | \$10,001 - \$25,000 | \$240, PLUS 2.67% OF THE EXCESS OVER \$10,000 |
| 9 | \$25,001 - \$50,000 | \$640, PLUS 3.11% OF THE EXCESS OVER \$25,000 |
| 10 | \$50,001 - \$150,000 | \$1,419, PLUS 3.93% OF THE EXCESS OVER \$50,000 |
| 11 | \$150,001 AND OVER | \$5,349, PLUS 4.21% OF THE EXCESS OVER \$150,000 |

12 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
13 PERSON WHO IS A HEAD OF A HOUSEHOLD:

| 14 | <u>IF TAXABLE INCOME IS:</u> | <u>THE TAX IS:</u> |
|----|------------------------------|---|
| 15 | \$0 - \$20,000 | 2.40% OF TAXABLE INCOME |
| 16 | \$20,001 - \$50,000 | \$480, PLUS 2.67% OF THE EXCESS OVER \$20,000 |
| 17 | \$50,001 - \$100,000 | \$1,281, PLUS 3.11% OF THE EXCESS OVER \$50,000 |
| 18 | \$100,001 - \$300,000 | \$2,838, PLUS 3.93% OF THE EXCESS OVER \$100,000 |
| 19 | \$300,001 AND OVER | \$10,698, PLUS 4.21% OF THE EXCESS OVER \$300,000 |

20 9. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013:

21 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
22 SEPARATELY:

| 23 | <u>IF TAXABLE INCOME IS:</u> | <u>THE TAX IS:</u> |
|----|------------------------------|--|
| 24 | \$0 - \$10,000 | 2.34% OF TAXABLE INCOME |
| 25 | \$10,001 - \$25,000 | \$234, PLUS 2.60% OF THE EXCESS OVER \$10,000 |
| 26 | \$25,001 - \$50,000 | \$624, PLUS 3.04% OF THE EXCESS OVER \$25,000 |
| 27 | \$50,001 - \$150,000 | \$1,384, PLUS 3.83% OF THE EXCESS OVER \$50,000 |
| 28 | \$150,001 AND OVER | \$5,215, PLUS 4.10% OF THE EXCESS OVER \$150,000 |

29 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
30 PERSON WHO IS A HEAD OF A HOUSEHOLD:

| 31 | <u>IF TAXABLE INCOME IS:</u> | <u>THE TAX IS:</u> |
|----|------------------------------|---|
| 32 | \$0 - \$20,000 | 2.34% OF TAXABLE INCOME |
| 33 | \$20,001 - \$50,000 | \$468, PLUS 2.60% OF THE EXCESS OVER \$20,000 |
| 34 | \$50,001 - \$100,000 | \$1,249, PLUS 3.04% OF THE EXCESS OVER \$50,000 |
| 35 | \$100,001 - \$300,000 | \$2,767, PLUS 3.83% OF THE EXCESS OVER \$100,000 |
| 36 | \$300,001 AND OVER | \$10,430, PLUS 4.10% OF THE EXCESS OVER \$300,000 |

37 Sec. 24. Section 43-1074, Arizona Revised Statutes, is amended to
38 read:

39 43-1074. Credit for new jobs in enterprise zones; definitions

40 A. A credit is allowed against the taxes imposed by this title for net
41 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~
42 ~~residents of this state~~ by a business located in an enterprise zone
43 ~~established under title 41, chapter 10, article 2~~ AND QUALIFYING UNDER
44 SECTION 41-1525, except employment positions at a zone location where more
45 than ten per cent of the business conducted at the location consists of

1 retail sales of tangible personal property, measured by either the number of
2 employees assigned to retail sales or the square footage of the facility used
3 for retail sales activities at the location in the zone. Retail sales and
4 retail sales activities do not include:

5 1. Food and beverage for consumption on the premises solely by
6 employees and occasional guests of employees at the location.

7 2. Promotional products not available for sale and displaying the
8 company logo or trademark.

9 3. Products sold to company employees.

10 B. Subject to subsection E of this section, the amount of the credit
11 is equal to:

12 1. THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN
13 ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1541, FOR THE FULL TAXABLE
14 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF
15 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

16 2. ONE THOUSAND FIVE HUNDRED DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED
17 BY ANY OTHER TAXPAYER FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT
18 POSITION IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN
19 FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

20 ~~1. One-fourth of the taxable wages paid to an employee in a qualified~~
21 ~~employment position, not to exceed five hundred dollars, in the first year or~~
22 ~~partial year of employment.~~

23 ~~2. One-third of the taxable wages paid to an employee in a qualified~~
24 ~~employment position, not to exceed one thousand dollars per qualified~~
25 ~~employment position, in the second year of continuous employment.~~

26 ~~3. One-half of the taxable wages paid to an employee in a qualified~~
27 ~~employment position, not to exceed one thousand five hundred dollars per~~
28 ~~qualified employment position, in the third year of continuous employment.~~

29 C. To qualify for a credit under this section:

30 1. A TAXPAYER MUST:

31 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE INTO AN ENTERPRISE
32 ZONE OR EXPAND ITS IN-STATE OPERATION TO A LOCATION IN AN ENTERPRISE ZONE.

33 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
34 AN URBAN ZONE LOCATION WITH A POPULATION OF EIGHTY THOUSAND PERSONS OR MORE
35 OR AT LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN A ZONE LOCATION
36 WITH A POPULATION OF LESS THAN EIGHTY THOUSAND PERSONS.

37 ~~1-~~ 2. All of the employees with respect to whom a credit is claimed
38 must reside in this state.

39 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
40 credit is claimed for the first year of employment must reside on the date of
41 employment in an enterprise zone that is located in the same county in which
42 the business is located. If an employee for whom a credit was allowed in the
43 first year of employment leaves employment during the second or third year,
44 the taxpayer may substitute another employee who meets the requirements of
45 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as

1 the original employee. If the original employee was counted toward the
2 residency requirement under this paragraph, the substitute employee must also
3 have resided in a zone at the time the substitute was hired.

4 ~~3-~~ 4. A qualified employment position must meet all of the following
5 requirements:

6 (a) The position must be a minimum of one thousand seven hundred fifty
7 hours per year of full-time and permanent employment.

8 (b) The job duties must be performed primarily at the zone locations
9 of the business. If an eligible employee in a qualified employment position
10 is transferred or assigned to work in the taxpayer's workplace at a different
11 location that is also located in an enterprise zone and qualifies as a zone
12 location, it may be considered to be continuous employment if it continues to
13 meet all qualified employment position requirements.

14 (c) The employment must include health insurance coverage for the
15 employee for which the employer pays at least fifty per cent of the premium
16 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
17 at least fifty per cent of a predetermined fixed cost per employee for an
18 insurance program that is payable whether or not the employee has filed
19 claims.

20 (d) The employer must pay compensation at least equal to **ONE HUNDRED**
21 **SEVENTY-FIVE PER CENT OF** the wage offer by county as computed annually by the
22 department of economic security research administration division.

23 (e) The employee must have been employed for at least ninety days
24 during the first taxable year. An employee who is hired during the last
25 ninety days of the taxable year shall be considered a new employee during the
26 next taxable year. A qualified employment position that is filled during the
27 last ninety days of the taxable year is considered to be a new qualified
28 employment position for the next taxable year.

29 (f) The employee must not have been previously employed by the
30 taxpayer within twelve months before the current date of hire.

31 D. A credit is allowed for employment in the second and third year
32 only for qualified employment positions for which a credit was allowed and
33 claimed by the taxpayer on the original first and second year tax returns.
34 ~~For the purposes of this subsection, the requirement to claim the credit on~~
35 ~~the original tax return does not apply to qualified employment positions~~
36 ~~created before January 1, 2002 and certified to the department of commerce.~~

37 E. The net increase in the number of qualified employment positions is
38 the lesser of the total number of filled qualified employment positions
39 created in the zone during the tax year or the difference between the average
40 number of full-time employees in the zone in the current tax year and the
41 average number of full-time employees during the immediately preceding
42 taxable year. The net increase in the number of qualified employment
43 positions computed under this subsection shall not exceed ~~two~~ **FOUR** hundred
44 qualified employment positions per taxpayer each year.

1 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
2 43-1083.01 shall not claim a credit under this section with respect to the
3 same employment positions.

4 G. If the allowable tax credit exceeds the income taxes otherwise due
5 on the claimant's income, or if there are no state income taxes due on the
6 claimant's income, the amount of the claim not used as an offset against
7 income taxes may be carried forward as a tax credit against subsequent
8 taxable years' income tax liability, not to exceed ~~five~~ FIFTEEN taxable
9 years, provided the business remains in an enterprise zone.

10 H. Co-owners of a business, including partners in a partnership and
11 shareholders of an S corporation, as defined in section 1361 of the internal
12 revenue code, may each claim only the pro rata share of the credit allowed
13 under this section based on the ownership interest. The total of the credits
14 allowed all such owners of the business may not exceed the amount that would
15 have been allowed for a sole owner of the business.

16 I. If a person purchases a business in a zone or changes ownership
17 through reorganization, stock purchase or merger, the new taxpayer may claim
18 first year credits only for one or more qualified employment positions that
19 it created and filled with an eligible employee after the purchase or
20 reorganization was complete. If a person purchases a taxpayer that had
21 qualified for first or second year credits or changes ownership through
22 reorganization, stock purchase or merger, the new taxpayer may claim the
23 second or third year credits if it meets other eligibility requirements of
24 this section. Credits for which a taxpayer qualified before the changes
25 described in this subsection are terminated and lost at the time the changes
26 are implemented.

27 J. A failure to timely report and certify to the department of
28 commerce and the department of revenue the information prescribed by section
29 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
30 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
31 under this section. The department of revenue shall require written evidence
32 of the timely report to the department of commerce.

33 K. The termination of an enterprise zone does not affect the credit
34 under this section with respect to:

35 1. Taxpayers who have employees in the second and third years of
36 employment in qualified employment positions under subsections A, B and C of
37 this section if the business remains in the location that was in the
38 enterprise zone.

39 2. Amounts carried forward into subsequent taxable years under
40 subsection G of this section.

41 L. The department may adopt rules necessary for the administration of
42 this section.

43 M. For the purposes of this section:

1 1. "Assigned to retail" means working more than twenty-five per cent
2 of an employee's time in one or more retail sales activities.

3 2. "Retail sales" means the sale of tangible personal property to an
4 ultimate consumer.

5 3. "Retail sales activities" means all activities persons operating a
6 retail business normally engage in, including taking orders, filling orders,
7 billing orders, receiving and processing payment and shipping, stocking and
8 delivering tangible personal property to the ultimate consumer, except drop
9 shipments by a company acting on behalf of an unrelated company that has made
10 a sale to a final consumer.

11 4. "Zone location" means a single parcel or contiguous parcels of
12 owned or leased land, the structures and personal property contained on the
13 land or any part of the structures occupied by a taxpayer.

14 Sec. 25. Section 43-1111, Arizona Revised Statutes, is amended to
15 read:

16 43-1111. Tax rates for corporations

17 There shall be levied, collected and paid for each taxable year ~~upon~~ ON
18 the entire Arizona taxable income of every corporation, unless exempt under
19 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
20 taxes in an amount of ~~6.968 per cent of net income or fifty dollars,~~
21 ~~whichever is greater.~~ THE GREATER OF FIFTY DOLLARS OR:

22 1. FOR TAXABLE YEARS BEGINNING THROUGH DECEMBER 31, 2010, 6.968 PER
23 CENT OF NET INCOME.

24 2. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
25 THROUGH DECEMBER 31, 2011, 6.476 PER CENT OF NET INCOME.

26 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011
27 THROUGH DECEMBER 31, 2012, 5.984 PER CENT OF NET INCOME.

28 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
29 THROUGH DECEMBER 31, 2013, 5.492 PER CENT OF NET INCOME.

30 5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013, FIVE
31 PER CENT OF NET INCOME.

32 Sec. 26. Section 43-1139, Arizona Revised Statutes, is amended to
33 read:

34 43-1139. Allocation of business income

35 A. Except as provided in subsection B of this section, the taxpayer
36 shall elect to apportion all business income to this state for taxable years
37 beginning from and after:

38 1. December 31, 2006 through December 31, 2007 by either:

39 (a) Multiplying the income by a fraction, the numerator of which is
40 the property factor plus the payroll factor plus two times the sales factor,
41 and the denominator of which is four.

42 (b) Multiplying the income by a fraction, the numerator of which is
43 two times the property factor plus two times the payroll factor plus six
44 times the sales factor, and the denominator of which is ten.

- 1 2. December 31, 2007 through December 31, 2008 by either:
2 (a) Multiplying the income by a fraction, the numerator of which is
3 the property factor plus the payroll factor plus two times the sales factor,
4 and the denominator of which is four.
5 (b) Multiplying the income by a fraction, the numerator of which is
6 one and one-half times the property factor plus one and one-half times the
7 payroll factor plus seven times the sales factor, and the denominator of
8 which is ten.
- 9 3. December 31, 2008 THROUGH DECEMBER 31, 2014 by either:
10 (a) Multiplying the income by a fraction, the numerator of which is
11 the property factor plus the payroll factor plus two times the sales factor,
12 and the denominator of which is four.
13 (b) Multiplying the income by a fraction, the numerator of which is
14 the property factor plus the payroll factor plus eight times the sales
15 factor, and the denominator of which is ten.
- 16 4. DECEMBER 31, 2014 THROUGH DECEMBER 31, 2015 BY EITHER:
17 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
18 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,
19 AND THE DENOMINATOR OF WHICH IS FOUR.
20 (b) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
21 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS EIGHTEEN TIMES THE SALES
22 FACTOR, AND THE DENOMINATOR OF WHICH IS TWENTY.
- 23 5. DECEMBER 31, 2015 BY EITHER:
24 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
25 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,
26 AND THE DENOMINATOR OF WHICH IS FOUR.
27 (b) MULTIPLYING THE INCOME SOLELY BY THE SALES FACTOR.
- 28 B. All business income of a taxpayer engaged in air commerce shall be
29 apportioned to this state by multiplying the income by a fraction, the
30 numerator of which is the revenue aircraft miles flown within this state for
31 flights beginning or ending in this state and the denominator of which is the
32 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
33 This subsection applies to each taxpayer, including a combined group filing a
34 combined return or an affiliated group electing to file a consolidated return
35 under section 43-947, if fifty per cent or more of that taxpayer's gross
36 income is derived from air commerce. For the purposes of this subsection:
37 1. "Air commerce" means transporting persons or property for hire by
38 aircraft in interstate, intrastate or international transportation.
39 2. "Revenue aircraft miles flown" has the same meaning prescribed by
40 the United States department of transportation uniform system of accounts and
41 reports for large certificated air carriers (14 Code of Federal Regulations
42 part 241).

1 Sec. 27. Section 43-1161, Arizona Revised Statutes, is amended to
2 read:

3 43-1161. Credit for new jobs in enterprise zones; definitions

4 A. A credit is allowed against the taxes imposed by this title for net
5 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~
6 ~~residents of this state~~ by a business located in an enterprise zone
7 ~~established under title 41, chapter 10, article 2~~ AND QUALIFYING UNDER
8 SECTION 41-1525, except employment positions at a zone location where more
9 than ten per cent of the business conducted at the location consists of
10 retail sales of tangible personal property, measured by either the number of
11 employees assigned to retail sales or the square footage of the facility used
12 for retail sales activities at the location in the zone. Retail sales and
13 retail sales activities do not include:

- 14 1. Food and beverage for consumption on the premises solely by
15 employees and occasional guests of employees at the location.
- 16 2. Promotional products not available for sale and displaying the
17 company logo or trademark.
- 18 3. Products sold to company employees.

19 B. Subject to subsection E of this section, the amount of the credit
20 is equal to:

21 1. THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN
22 ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1541, FOR THE FULL TAXABLE
23 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF
24 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

25 2. ONE THOUSAND FIVE HUNDRED DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED
26 BY ANY OTHER TAXPAYER FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT
27 POSITION IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN
28 FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

29 ~~1. One fourth of the taxable wages paid to an employee in a qualified~~
30 ~~employment position, not to exceed five hundred dollars, in the first year or~~
31 ~~partial year of employment.~~

32 ~~2. One third of the taxable wages paid to an employee in a qualified~~
33 ~~employment position, not to exceed one thousand dollars per qualified~~
34 ~~employment position, in the second year of continuous employment.~~

35 ~~3. One half of the taxable wages paid to an employee in a qualified~~
36 ~~employment position, not to exceed one thousand five hundred dollars per~~
37 ~~qualified employment position, in the third year of continuous employment.~~

38 C. To qualify for a credit under this section:

39 1. A TAXPAYER MUST:

40 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE INTO AN ENTERPRISE
41 ZONE OR EXPAND ITS IN-STATE OPERATION TO A LOCATION IN AN ENTERPRISE ZONE.

42 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
43 AN URBAN ZONE LOCATION WITH A POPULATION OF EIGHTY THOUSAND PERSONS OR MORE
44 OR AT LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN A ZONE LOCATION
45 WITH A POPULATION OF LESS THAN EIGHTY THOUSAND PERSONS.

1 ~~1-~~ 2. All of the employees with respect to whom a credit is claimed
2 must reside in this state.

3 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
4 credit is claimed for the first year of employment must reside on the date of
5 hire in an enterprise zone that is located in the same county in which the
6 business is located. If an employee for whom a credit was allowed in the
7 first year of employment leaves employment during the second or third year,
8 the taxpayer may substitute another employee who meets the requirements of
9 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
10 the original employee. If the original employee was counted toward the
11 residency requirement under this paragraph, the substitute employee must also
12 have resided in a zone at the time the substitute was hired.

13 ~~3-~~ 4. A qualified employment position must meet all of the following
14 requirements:

15 (a) The position must be a minimum of one thousand seven hundred fifty
16 hours per year of full-time and permanent employment.

17 (b) The job duties must be performed primarily at the zone locations
18 of the business. If an eligible employee in a qualified employment position
19 is transferred or assigned to work in the taxpayer's workplace at a different
20 location that is also located in an enterprise zone and qualifies as a zone
21 location, it may be considered to be continuous employment if it continues to
22 meet all qualified employment position requirements.

23 (c) The employment must include health insurance coverage for the
24 employee for which the employer pays at least fifty per cent of the premium
25 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
26 at least fifty per cent of a predetermined fixed cost per employee for an
27 insurance program that is payable whether or not the employee has filed
28 claims.

29 (d) The employer must pay compensation at least equal to **ONE HUNDRED**
30 **SEVENTY-FIVE PER CENT OF** the wage offer by county as computed annually by the
31 department of economic security research administration division.

32 (e) The employee must have been employed for at least ninety days
33 during the first taxable year. An employee who is hired during the last
34 ninety days of the taxable year shall be considered a new employee during the
35 next taxable year. A qualified employment position that is filled during the
36 last ninety days of the taxable year is considered to be a new qualified
37 employment position for the next taxable year.

38 (f) The employee must not have been previously employed by the
39 taxpayer within twelve months before the current date of hire.

40 D. A credit is allowed for employment in the second and third year
41 only for qualified employment positions for which a credit was allowed and
42 claimed by the taxpayer on the original first and second year tax returns.
43 ~~For the purposes of this subsection, the requirement to claim the credit on~~
44 ~~the original tax return does not apply to qualified employment positions~~
45 ~~created before January 1, 2002 and certified to the department of commerce.~~

1 E. The net increase in the number of qualified employment positions is
2 the lesser of the total number of filled qualified employment positions
3 created in the zone during the tax year or the difference between the average
4 number of full-time employees in the zone in the current tax year and the
5 average number of full-time employees during the immediately preceding
6 taxable year. The net increase in the number of qualified employment
7 positions computed under this subsection may not exceed ~~two~~ FOUR hundred
8 qualified employment positions per taxpayer each year.

9 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
10 43-1167 may not claim a credit under this section with respect to the same
11 employment positions.

12 G. If the allowable tax credit exceeds the income taxes otherwise due
13 on the claimant's income, or if there are no state income taxes due on the
14 claimant's income, the amount of the claim not used as an offset against
15 income taxes may be carried forward as a tax credit against subsequent years'
16 income tax liability for the period, not to exceed ~~five~~ FIFTEEN taxable
17 years, provided the business remains in an enterprise zone.

18 H. Co-owners of a business, including partners in a partnership, may
19 each claim only the pro rata share of the credit allowed under this section
20 based on the ownership interest. The total of the credits allowed all such
21 owners of the business may not exceed the amount that would have been allowed
22 for a sole owner of the business.

23 I. If a person purchases a business in a zone or changes ownership
24 through reorganization, stock purchase or merger, the new taxpayer may claim
25 first year credits only for one or more qualified employment positions that
26 it created and filled with an eligible employee after the purchase or
27 reorganization was complete. If a person purchases a taxpayer that had
28 qualified for first or second year credits or changes ownership through
29 reorganization, stock purchase or merger, the new taxpayer may claim the
30 second or third year credits if it meets other eligibility requirements of
31 this section. Credits for which a taxpayer qualified before the changes
32 described in this subsection are terminated and lost at the time the changes
33 are implemented.

34 J. A failure to timely report and certify to the department of
35 commerce and the department of revenue the information prescribed by section
36 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
37 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
38 under this section. The department of revenue shall require written evidence
39 of the timely report to the department of commerce.

40 K. The termination of an enterprise zone does not affect the credit
41 under this section with respect to:

42 1. Taxpayers that have employees in the second and third years of
43 employment in qualified employment positions under subsections A, B and C of
44 this section if the business remains in the location that was in the
45 enterprise zone.

1 2. Amounts carried forward into subsequent taxable years under
2 subsection G of this section.

3 L. The department may adopt rules necessary for the administration of
4 this section.

5 M. For the purposes of this section:

6 1. "Assigned to retail" means working more than twenty-five per cent
7 of an employee's time in one or more retail sales activities.

8 2. "Retail sales" means the sale of tangible personal property to an
9 ultimate consumer.

10 3. "Retail sales activities" means all activities persons operating a
11 retail business normally engage in, including taking orders, filling orders,
12 billing orders, receiving and processing payment and shipping, stocking and
13 delivering tangible personal property to the ultimate consumer, except drop
14 shipments by a company acting on behalf of an unrelated company that has made
15 a sale to a final consumer.

16 4. "Zone location" means a single parcel or contiguous parcels of
17 owned or leased land, the structures and personal property contained on the
18 land or any part of the structures occupied by a taxpayer.

19 Sec. 28. Laws 1996, chapter 344, section 12, as amended by Laws 2001,
20 chapter 370, section 8 and Laws 2006, chapter 387, section 5, is amended to
21 read:

22 Sec. 12. Delayed repeal

23 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections
24 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from
25 and after June 30, ~~2011~~ 2016.

26 Sec. 29. Short title

27 This act shall be known as the "Arizona's Economic and Job Recovery
28 Act".

29 Sec. 30. Legislative intent

30 It is the intent of the legislature that:

31 1. This state provide appropriate incentives to support establishment
32 of basic industries that hold the promise of significant development of the
33 economy of this state.

34 2. The amount of incentives provided pursuant to this act in
35 connection with a particular business:

36 (a) Be directly related to jobs created as a result of the business
37 locating or expanding in this state.

38 (b) Not exceed the estimated net direct state benefits that will
39 accrue to the state as a result of the business locating or expanding in this
40 state.

41 3. The department of commerce and the department of revenue implement
42 the provisions of this act and exercise all powers as authorized by this act.

43 4. The incentives and benefits authorized by this act are enacted with
44 the goal of accomplishing essential public purposes.

1 5. This act not be construed to constitute a guarantee or assumption
2 by this state of any debt of an individual, company, corporation or
3 association or to authorize the credit of this state to be given, pledged or
4 loaned to any individual, company, corporation or association.

5 Sec. 31. Continuation of enterprise zone tax incentives from prior law

6 The changes made by this act to the requirements for qualifying for tax
7 incentives for investment and employment in enterprise zones do not affect
8 the prior qualification under previous law with respect to:

9 1. Property classified as class six pursuant to section 42-12006,
10 paragraph 4, Arizona Revised Statutes, as in effect before the effective date
11 of this act. Property that previously qualified for classification under
12 that provision may maintain that classification for the original term of up
13 to five tax years if it continues to meet the original terms of
14 qualification.

15 2. Insurers and taxpayers who have employees in the second and third
16 years of employment in qualified employment positions under section
17 20-224.03, subsection A, paragraphs 2 and 3, Arizona Revised Statutes,
18 section 43-1074, subsections A, B and C, Arizona Revised Statutes, and
19 section 43-1161, subsections A, B and C, Arizona Revised Statutes, including
20 any excess credit amounts carried forward from prior taxable years.