

PROPOSED AMENDMENT

SENATE AMENDMENTS TO H.B. 2250

(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Delayed repeal

3 Section 15-994, Arizona Revised Statutes, is repealed from and after  
4 June 30, 2017.

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:  
8 definition

9 A. A tax credit is allowed against the premium tax liability incurred  
10 by an insurer THAT MEETS THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS  
11 DEFINED IN SECTION 41-1545, pursuant to section 20-224, 20-837, 20-1010,  
12 20-1060 or 20-1097.07 for net increases in FULL-TIME EMPLOYEES HIRED IN  
13 qualified employment positions ~~of residents of this state by an insurer that~~  
14 ~~is located in an enterprise zone established under title 41, chapter 10,~~  
15 ~~article 2~~ AS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT TO SECTION  
16 41-1525. A tax credit is not allowed for the portion of the tax payable to  
17 the fire fighters' relief and pension fund pursuant to section 20-224 or the  
18 portion of the tax payable to the public safety personnel retirement system  
19 pursuant to section 20-224.01. Subject to subsection D of this section, the  
20 amount of the tax credit is equal to: THREE THOUSAND DOLLARS FOR EACH  
21 FULL-TIME EMPLOYEE HIRED BY AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN  
22 SECTION 41-1545, FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT POSITION  
23 IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN FOUR  
24 HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

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

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

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

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

35 1. AN INSURER MUST:

36 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN  
37 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

38 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN  
39 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT  
40 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

41 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed  
42 must reside in this state.

1           ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a  
2 credit is claimed for the first year of employment must reside on the date of  
3 hire ~~in an enterprise zone that is located~~ in the same county in which the  
4 insurer is located. If an employee for whom a credit was allowed in the  
5 first year of employment leaves employment during the second or third year,  
6 the taxpayer may substitute another employee who meets the requirements of  
7 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as  
8 the original employee. ~~If the original employee was counted toward the~~  
9 ~~residency requirement under this paragraph, the substitute employee must also~~  
10 ~~have resided in a zone at the time the substitute was hired.~~

11           ~~3-~~ 4. A qualified employment position must meet all of the following  
12 requirements:

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

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

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

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

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

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

39           C. A credit is allowed for employment in the second and third year  
40 only for qualified employment positions for which a credit was allowed in the  
41 first year.

42           D. The net increase in the number of qualified employment positions is  
43 the lesser of the total number of filled qualified employment positions  
44 created ~~in the zone~~ during the tax year or the difference between the average  
45 number of full-time employees ~~in the zone~~ in the current tax year and the  
46 average number of full-time employees during the immediately preceding  
47 taxable year. The net increase in the number of qualified employment

1 positions computed under this subsection may not exceed two hundred qualified  
2 employment positions per taxpayer each year.

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

5 F. Pursuant to subsection A of this section, if the allowable tax  
6 credit exceeds the state premium tax liability, the amount of the claim not  
7 used as an offset against the state premium tax liability may be carried  
8 forward as a tax credit against subsequent years' state premium tax liability  
9 for the period, not to exceed ~~five~~ FIFTEEN taxable years. ~~, provided that~~  
10 ~~the insurer remains in an enterprise zone.~~

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

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

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

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

33 ~~1. Insurers that have employees in the second and third years of~~  
34 ~~employment in qualified employment positions under subsection A, paragraphs 2~~  
35 ~~and 3 of this section if the business remains in the location that was in the~~  
36 ~~enterprise zone.~~

37 ~~2. Amounts carried forward into subsequent taxable years under~~  
38 ~~subsection F of this section.~~

39 ~~K. J.~~ The department may adopt rules necessary for the administration  
40 of this section.

41 ~~L. K.~~ For the purposes of this section, "insurer" means any entity  
42 that is subject to premium tax liability pursuant to section 20-224, 20-837,  
43 20-1010, 20-1060 or 20-1097.07.

44 Sec. 3. Section 35-701, Arizona Revised Statutes, as amended by Laws  
45 2010, chapter 17, section 22, is amended to read:

46 35-701. Definitions

47 In this chapter, unless the context otherwise requires:

1           1. "Corporation" means any corporation organized as an authority as  
2 provided in this chapter.

3           2. "Designated area" means any area of this state which is either  
4 designated pursuant to section 36-1479 as a slum or blighted area as defined  
5 in section 36-1471, designated by regulation as a pocket of poverty or a  
6 neighborhood strategy area by the United States department of housing and  
7 urban development pursuant to title I of the housing and community  
8 development act of 1977 (P.L. 95-128; 42 United States Code sections 5301  
9 through 5320), as amended, and the department of housing and urban  
10 development act (P.L. 89-174; 42 United States Code section 3535(d)) or  
11 designated by the United States department of housing and urban development  
12 as an empowerment or enterprise zone pursuant to the federal omnibus budget  
13 reconciliation act of 1993 (P.L. 103-66; 26 United States Code section  
14 1391(g)) ~~or an area certified as an enterprise zone pursuant to section~~  
15 ~~41-1524, subsection B.~~

16           3. "Governing body" means:

17           (a) The board or body in which the general legislative powers of the  
18 municipality or the county are vested.

19           (b) The Arizona board of regents with respect to a corporation formed  
20 with the permission of the Arizona board of regents.

21           4. "Income" means gross earnings from wages, salary, commissions,  
22 bonuses or tips from all jobs, net earnings from such person's or family's  
23 own nonfarm business, professional practice or partnership, and net earnings  
24 from such person's or family's own farm. Income includes income, other than  
25 earnings, that consists of amounts received from social security or railroad  
26 retirement, interest, dividends, veterans payments, pensions and other  
27 regular payments, public assistance or welfare payments, including aid for  
28 dependent children, old age assistance and aid to the blind or totally  
29 disabled, but excluding separate payments for hospital or other medical care.

30           5. "Manufactured house" means a structure that is manufactured in a  
31 factory after June 15, 1976, that is delivered to a homesite in more than one  
32 section and that is placed on a permanent foundation. The dimensions of the  
33 completed house shall not be less than twenty feet by forty feet, the roof  
34 must be sloping, the siding and roofing must be the same as those found in  
35 site-built houses and the house must be eligible for thirty year real estate  
36 mortgage financing.

37           6. "Municipality" or "county" means the Arizona board of regents or  
38 any incorporated city or town, including charter cities, or any county in  
39 this state in which a corporation may be organized and in which it is  
40 contemplated the corporation will function.

41           7. "Persons of low and moderate income" means, for the purposes of  
42 financing owner-occupied single family dwelling units in areas which the  
43 municipality has found, pursuant to section 36-1479, to be slum or blighted  
44 areas, as defined in section 36-1471, persons and families whose income does  
45 not exceed two and one-half times the median family income of this state. In  
46 all other areas it means persons and families whose income does not exceed  
47 one and one-half times the median family income of this state.

1           8. "Project" means any land, any building or any other improvement and  
2 all real and personal properties, including machinery and equipment whether  
3 or not now in existence or under construction and whether located within or  
4 without this state or the municipality or county approving the formation of  
5 the corporation, that are suitable for any of the following:

6           (a) With respect to a corporation formed with the permission of a  
7 municipality or county other than the Arizona board of regents:

8           (i) Any enterprise for the manufacturing, processing or assembling of  
9 any agricultural or manufactured products.

10           (ii) Any commercial enterprise for the storing, warehousing,  
11 distributing or selling of products of agriculture, mining or industry, or of  
12 processes related thereto, including research and development.

13           (iii) Any office building or buildings for use as corporate or company  
14 headquarters or regional offices or the adaptive use for offices of any  
15 building within this state that is on the national register of historic  
16 places or rehabilitation of residential buildings located in registered  
17 historic neighborhoods.

18           (iv) A health care institution as defined in section 36-401.

19           (v) Residential real property for dwelling units located within the  
20 municipality or county approving the formation of the corporation and, in the  
21 case of a county, whether or not also within a municipality that is within  
22 the county.

23           (vi) Repairing or rehabilitating single family dwelling units or  
24 constructing or repairing residential fences and walls.

25           (vii) Convention or trade show facilities.

26           (viii) Airports, docks, wharves, mass commuting facilities, parking  
27 facilities or storage or training facilities directly related to any of the  
28 facilities as provided in this item.

29           (ix) Sewage or solid waste disposal facilities or facilities for the  
30 furnishing of electric energy, gas or water.

31           (x) Industrial park facilities.

32           (xi) Air or water pollution control facilities.

33           (xii) Any educational institution that is operated by a nonprofit  
34 educational organization that is exempt from taxation under section 501(c)(3)  
35 of the United States internal revenue code and that is not otherwise funded  
36 by state monies, any educational institution or organization that is  
37 established under title 15, chapter 1, article 8 and that is owned by a  
38 nonprofit organization, any private nonsectarian school or any private  
39 nonsectarian organization established for the purpose of funding a joint  
40 technical education school district.

41           (xiii) Research and development facilities.

42           (xiv) Commercial enterprises, including facilities for office,  
43 recreational, hotel, motel and service uses if the facilities authorized by  
44 this item are to be located in a designated area.

45           (xv) A child welfare agency, as defined in section 8-501, owned and  
46 operated by a nonprofit organization.

47           (xvi) A transportation facility constructed or operated pursuant to  
48 title 28, chapter 22.

1 (xvii) A museum operated by a nonprofit organization.

2 (xviii) Facilities owned or operated by a nonprofit organization  
3 described in section 501(c) of the United States internal revenue code of  
4 1986.

5 (xix) New or existing correctional facilities within this state.

6 (b) With respect to a corporation formed with the permission of the  
7 Arizona board of regents, any facility consisting of classrooms, lecture  
8 halls or conference centers or any facility for research and development or  
9 for manufacturing, processing, assembling, marketing, storing and  
10 transferring items developed through or connected with research and  
11 development or in which the results of such research and development are  
12 utilized, but only if the facility is located in an area designated as a  
13 research park by the Arizona board of regents.

14 9. "Property" means any land, improvements thereon, buildings and any  
15 improvements thereto, machinery and equipment of any and all kinds necessary  
16 to a project and any other personal properties deemed necessary in connection  
17 with a project.

18 10. "Research park" means an area of land that has been designated by  
19 the Arizona board of regents as a research park for a university and that, at  
20 the date of designation, is owned by this state or by the Arizona board of  
21 regents.

22 11. "Single family dwelling unit" includes any new, used or  
23 manufactured house that meets the insuring requirements of the federal  
24 housing administration, the veterans administration or any other insuring  
25 entity of the United States government or any private mortgage insurance or  
26 surety company that is approved by the federal home loan mortgage corporation  
27 or the federal national mortgage association.

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

29 41-1276. Truth in taxation levy for equalization assistance to  
30 school districts

31 A. On or before February 15 of each year, the joint legislative budget  
32 committee shall compute and transmit the truth in taxation rates for  
33 equalization assistance for school districts for the following fiscal year  
34 to:

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

37 2. The chairmen of the appropriations committees of the senate and the  
38 house of representatives or their successor committees.

39 B. The truth in taxation rates consist of the qualifying tax rate for  
40 a high school district or a common school district within a high school  
41 district that does not offer instruction in high school subjects pursuant to  
42 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a  
43 unified district, a common school district not within a high school district  
44 or a common school district within a high school district that offers  
45 instruction in high school subjects pursuant to section 15-971, subsection B,  
46 paragraph 2 and a state equalization assistance property tax rate pursuant to  
47 section 15-994 that will offset the change in net assessed valuation of  
48 property that was subject to tax in the prior year.

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

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

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

9 3. Divide the amount determined in paragraph 1 of this subsection by  
10 the amount determined in paragraph 2 of this subsection.

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

15 D. Except as provided in subsections E and G of this section, the  
16 qualifying tax rate 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, the qualifying tax rate for a unified school district, a common  
19 school district not within a high school district or a common school district  
20 within a high school district that offers instruction in high school subjects  
21 and the state equalization assistance property tax rate for the following  
22 fiscal year shall be the rate determined by the joint legislative budget  
23 committee pursuant to subsection C of this section. The committee shall  
24 transmit the rates to the superintendent of public instruction and the county  
25 boards of supervisors by March 15 each year.

26 E. If the legislature proposes either qualifying tax rates or a state  
27 equalization assistance property tax rate that exceeds the truth in taxation  
28 rate:

29 1. The house of representatives ways and means committee and the  
30 senate finance committee or their successor committees shall hold a joint  
31 hearing on or before February 28 and publish a notice of a truth in taxation  
32 hearing that meets the following requirements:

33 (a) The notice shall be published twice in a newspaper of general  
34 circulation in this state that is published at the state capital. The first  
35 publication shall be at least fourteen but not more than twenty days before  
36 the date of the hearing. The second publication shall be at least seven but  
37 not more than ten days before the date of the hearing.

38 (b) The notice shall be published in a location other than the  
39 classified or legal advertising section of the newspaper.

40 (c) The notice shall be at least one-fourth page in size and shall be  
41 surrounded by a solid black border at least one-eighth inch in width.

42 (d) The notice shall be in the following form, with the "truth in  
43 taxation hearing - notice of tax increase" headline in at least eighteen  
44 point type:

45 Truth in Taxation Hearing

46 Notice of Tax Increase

47 In compliance with section 41-1276, Arizona Revised  
48 Statutes, the state legislature is notifying property taxpayers

1 in Arizona of the legislature's intention to raise the property  
2 tax levy over last year's level.

3 The proposed tax increase will cause the taxes on a  
4 \$100,000 home to increase by \$\_\_\_\_\_.

5 All interested citizens are invited to attend a public  
6 hearing on the tax increase that is scheduled to be held  
7 \_\_\_\_\_ (date and time) at \_\_\_\_\_ (location).

8 (e) For purposes of computing the tax increase on a one hundred  
9 thousand dollar home as required by the notice, the joint meeting of the  
10 house of representatives ways and means committee and the senate finance  
11 committee or their successor committees shall consider the difference between  
12 the truth in taxation rate and the proposed increased rate.

13 2. The joint meeting of the house of representatives ways and means  
14 committee and the senate finance committee or their successor committees  
15 shall consider any motion to recommend the proposed tax rates to the full  
16 legislature by roll call vote.

17 F. In addition to publishing the truth in taxation notice under  
18 subsection E, paragraph 1 of this section, the joint meeting of the house of  
19 representatives ways and means committee and the senate finance committee or  
20 their successor committees shall issue a press release containing the truth  
21 in taxation notice.

22 G. Notwithstanding any other law, the legislature shall not adopt a  
23 state budget that provides for either qualifying tax rates pursuant to  
24 section 15-971 or a state equalization assistance property tax rate pursuant  
25 to section 15-994 that exceeds the truth in taxation rates computed pursuant  
26 to subsection A of this section unless the rates are adopted by a concurrent  
27 resolution approved by an affirmative roll call vote of two-thirds of the  
28 members of each house of the legislature before the legislature enacts the  
29 general appropriations bill. If the resolution is not approved by two-thirds  
30 of the members of each house of the legislature, the rates for the following  
31 fiscal year shall be the truth in taxation rates determined pursuant to  
32 subsection C of this section and shall be transmitted to the superintendent  
33 of public instruction and the county boards of supervisors.

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

40 I. Pursuant to subsection C of this section, the qualifying tax rate  
41 in tax year 2008 for a high school district or a common school district  
42 within a high school district that does not offer instruction in high school  
43 subjects as provided in section 15-447 is \$1.4622 and for a unified school  
44 district, a common school district not within a high school district or a  
45 common school district within a high school district that offers instruction  
46 in high school subjects as provided in section 15-447 is \$2.9244. The state  
47 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is  
48 zero. The state equalization assistance property tax rate in:

1           1. Tax ~~year~~ YEARS 2009 THROUGH 2013 shall be computed by annually  
2 adjusting the tax year 2005 rate of \$0.4358 as provided by this section  
3 through tax ~~year~~ YEARS 2009 THROUGH 2013, RESPECTIVELY.

4           2. TAX YEAR 2014 SHALL BE SEVENTY-FIVE PER CENT OF THE RATE COMPUTED  
5 FOR TAX YEAR 2010.

6           3. TAX YEAR 2015 SHALL BE FIFTY PER CENT OF THE RATE COMPUTED FOR TAX  
7 YEAR 2010.

8           4. TAX YEAR 2016 SHALL BE TWENTY-FIVE PER CENT OF THE RATE COMPUTED  
9 FOR TAX YEAR 2010.

10          5. TAX YEARS FOLLOWING 2016 SHALL BE ZERO.

11          Sec. 5. Heading change

12          The article heading of title 41, chapter 10, article 2, Arizona Revised  
13 Statutes, is changed from "ENTERPRISE ZONES" to "ARIZONA ENTERPRISE  
14 DEVELOPMENT PROGRAM".

15          Sec. 6. Repeal

16          Sections 41-1521, 41-1522, 41-1523 and 41-1524, Arizona Revised  
17 Statutes, are repealed.

18          Sec. 7. Section 41-1525, Arizona Revised Statutes, is amended to read:

19          41-1525. Tax incentives; definitions

20          A. The owner of a business or an insurer ~~located in an enterprise zone~~  
21 ~~before July 1, 2011~~ THAT MEETS THE REQUIREMENTS AS AN ARIZONA BASIC  
22 ENTERPRISE, AS DEFINED IN SECTION 41-1545, AND THAT FURTHER QUALIFIES UNDER  
23 THIS SECTION is eligible for an income tax credit under section 43-1074 or  
24 43-1161 or a premium tax credit under section 20-224.03 for net increases in  
25 qualified employment positions, except employment positions at a ~~zone~~  
26 location where more than ten per cent of the business conducted at the  
27 location consists of retail sales of tangible personal property, measured  
28 either by the number of employees assigned to retail sales or the square  
29 footage of the facility used for retail sales activities at the location ~~in~~  
30 ~~the zone~~. Retail sales and retail sales activities do not include:

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

33           2. Promotional products not available for sale and displaying the  
34 company logo or trademark.

35           3. Products sold to company employees.

36          B. TO QUALIFY UNDER THIS SECTION A BUSINESS OR INSURER MUST:

37           1. MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN  
38 SECTION 41-1545.

39           2. RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN  
40 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

41           3. CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN A  
42 CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT LEAST  
43 FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

44           4. COMPENSATE FULL-TIME EMPLOYEES AT THE LOCATION AT LEAST EQUAL TO  
45 ONE HUNDRED SEVENTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED  
46 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION  
47 DIVISION OR SUCCESSOR ADMINISTRATION.

1           5. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES FOR WHICH  
2 THE EMPLOYER PAYS AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP  
3 COST OR, IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST  
4 SIXTY-FIVE PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN  
5 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED  
6 CLAIMS.

7           6. OBTAIN AND SUBMIT TO THE DEPARTMENT A RESOLUTION OF THE GOVERNING  
8 BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE  
9 COUNTY IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR TOWN. THE RESOLUTION  
10 MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE REQUIREMENTS OF THIS  
11 SECTION AND LIST ANY INCENTIVES OFFERED TO THE BUSINESS BY THE CITY, TOWN OR  
12 COUNTY.

13           ~~B.~~ C. To ~~qualify for~~ CLAIM a tax credit, the owner must:

14           1. Certify to the department of revenue or the department of  
15 insurance, as applicable, on or before the due date of the tax return,  
16 including any extensions for the year for which the credit is claimed, in a  
17 form prescribed by the department of revenue including electronic media,  
18 information that the department of revenue may require, including the  
19 ownership interests of co-owners of the business if the business is a  
20 partnership, limited liability company or an S corporation, and the following  
21 information for each employee in the ~~zone~~ location:

22           (a) The date of initial employment.

23           (b) The number of hours worked during the year.

24           (c) Whether the position was full-time.

25           ~~(d) The residence of the employee.~~

26           ~~(e) Whether the residence was in or outside the zone.~~

27           ~~(f) If the residence was in the zone, where in the zone it is located.~~

28           ~~(g)~~ (d) The employee's annual compensation.

29           ~~(h)~~ (e) The total cost of health insurance for the employee and the  
30 cost paid by the employer.

31           ~~(i)~~ (f) If the employee had been previously employed, the last date  
32 of previous employment.

33           2. Report and certify to the department of commerce the following  
34 information, and provide supporting documentation, on a form and in a manner  
35 approved by the department of commerce and, as specified in subsection ~~C~~ D  
36 of this section, for each year in which the taxpayer earned and claimed or  
37 used credits or is carrying forward amounts from previously earned and  
38 claimed credits:

39           (a) The business name and mailing address and any other contact  
40 information requested by the department of commerce.

41           (b) The business location ~~and the name of the zone in which the~~  
42 ~~business is located.~~

43           (c) The average hourly wage and the total amount of compensation paid  
44 to employees qualified for the credit and for all employees at the ~~zone~~  
45 location.

46           (d) The total number of qualified employment positions and the amount  
47 of income tax or premium tax credits qualified for in the tax year.

1 (e) The estimated amount of tax credits to be used in the tax year to  
2 offset tax liability.

3 (f) The estimated amount of tax credits to be available for  
4 carryforward in the tax year and the tax year in which the credits expire.

5 (g) The number of jobs and the amount of credits earned and claimed on  
6 the prior year's income tax or insurance premium tax returns.

7 (h) The amount of credits used to offset tax liabilities on the prior  
8 year's income tax or insurance premium tax return.

9 (i) The amount of credits available for carryforward as reported on  
10 the prior year's tax return and the tax year the credits expire.

11 (j) Capital investment made ~~in the zone~~ AT THE LOCATION during the tax  
12 year and the preceding tax year.

13 (k) That each qualified employment position meets all of the following  
14 requirements:

15 (i) The position is at least one thousand seven hundred fifty hours  
16 per year of full-time permanent employment.

17 (ii) All credits that are being claimed are for wages for job duties  
18 performed primarily at the ~~zone~~ DESIGNATED locations of the business.

19 (iii) The employment includes health insurance coverage for the  
20 employee for which the employer pays at least ~~fifty~~ SIXTY-FIVE per cent of  
21 the premium or membership cost. If the taxpayer is self-insured, the  
22 employer pays at least ~~fifty~~ SIXTY-FIVE per cent of a predetermined fixed  
23 cost per employee for an insurance program that is payable whether or not the  
24 employee has filed claims.

25 (iv) The employer pays compensation at least equal to ONE HUNDRED  
26 SEVENTY-FIVE PER CENT OF the wage offer by county as computed annually by the  
27 department of economic security research administration division OR SUCCESSOR  
28 ADMINISTRATION.

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

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

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

38 ~~(a) That thirty five per cent of the employees with respect to whom a~~  
39 ~~credit is claimed for the first year of employment resided on the date of~~  
40 ~~employment in an enterprise zone that is located in the same county in which~~  
41 ~~the business is located.~~

42 ~~(b)~~ (a) That the increase in the number of qualified employment  
43 positions for which credit is sought is the least of:

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

46 (ii) The difference between the average number of full-time employees  
47 ~~at a zone location~~ in the current tax year and the average number of  
48 full-time employees during the immediately preceding tax year.

1 (iii) Two hundred qualified employment positions per taxpayer each  
2 year.

3 ~~(e)~~ (b) That all employees filling a qualified employment position  
4 were employed for at least ninety days during the first taxable year.

5 ~~(d)~~ (c) That none of the employees filling qualified employment  
6 positions were employed by the taxpayer during the twelve months before the  
7 current date of hire.

8 ~~(e)~~ (d) That all employees for whom second and third year credits are  
9 claimed are in qualified employment positions for which first year credits  
10 were allowed and claimed by the taxpayer on the original first and second  
11 year tax returns. For the purposes of this subsection, the requirement to  
12 claim the credit on the original tax return does not apply to qualified  
13 employment positions created before January 1, 2002 and certified to the  
14 department of commerce.

15 ~~(f)~~ (e) That all employees for whom credits are taken performed their  
16 job duties primarily at the ~~zone~~ DESIGNATED locations of the business.

17 ~~D.~~ D. To qualify for first year credits, the report and certification  
18 prescribed by subsection ~~B- C~~, paragraphs 2 and 3 of this section must be  
19 filed with the department of commerce by the earlier of six months after the  
20 end of the tax year in which the qualified employment positions were created  
21 or by the date the tax return is filed for the tax year in which the  
22 qualified employment positions were created. To qualify for second year  
23 credits, the report and certification prescribed by subsection ~~B- C~~,  
24 paragraph 2 of this section must be filed with the department of commerce by  
25 the earlier of six months after the end of the taxable year or the date the  
26 tax return is filed for the tax year in which the second year credits are  
27 allowable. To qualify for third year credits, the report and certification  
28 prescribed by subsection ~~B- C~~, paragraph 2 of this section must be filed with  
29 the department of commerce by the earlier of six months after the end of the  
30 tax year or the date the tax return is filed for the tax year in which the  
31 third year credits are allowable.

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

36 1. To the extent that the person or organization that provided the  
37 information consents to the disclosure.

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

39 ~~E.—Real and personal property within an enterprise zone which is owned  
40 or used by a small manufacturing business that is certified by the department  
41 pursuant to section 41-1525.01 before July 1, 2011 shall be assessed as class  
42 six property as provided by section 42-12006.~~

43 F. THE FOLLOWING PROPERTY THAT IS OWNED OR USED BY A QUALIFYING  
44 BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT PURSUANT TO SECTION 41-1525.01  
45 SHALL BE ASSESSED AS CLASS SIX PROPERTY AS PROVIDED BY SECTION 42-12006 OR AS  
46 CLASS NINE PROPERTY AS PROVIDED BY SECTION 42-12009:

47 1. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO  
48 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016.

1           2. REAL PROPERTY THAT IS OWNED BY THE QUALIFYING BUSINESS ON WHICH THE  
2 PERSONAL PROPERTY AND IMPROVEMENTS DESCRIBED IN PARAGRAPH 1 OF THIS  
3 SUBSECTION ARE LOCATED.

4           ~~F.~~ G. Documents filed with the department of commerce, the department  
5 of insurance and the department of revenue under subsection ~~B~~ C of this  
6 section shall contain either a sworn statement or certification, signed by an  
7 officer of the company under penalty of perjury, that the information  
8 contained is true and correct according to the best belief and knowledge of  
9 the person submitting the information after a reasonable investigation of the  
10 facts. If the document contains information that is materially false, the  
11 taxpayer is ineligible for the tax incentives under subsection A of this  
12 section and is subject to recovery of the amount of tax incentives allowed in  
13 preceding taxable years based on the false information, plus penalties and  
14 interest.

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

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

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

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

23           2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
24 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR  
25 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

26           ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to  
27 an ultimate consumer.

28           ~~3.~~ 4. "Retail sales activities" means all activities persons  
29 operating a retail business normally engage in, including taking orders,  
30 filling orders, billing orders, receiving and processing payment and  
31 shipping, stocking and delivering tangible personal property to the ultimate  
32 consumer, except drop shipments by a company acting on behalf of an unrelated  
33 company that has made a sale to a final consumer.

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

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

39           41-1525.01. Certification of business property for property tax  
40 classification; definitions

41           A. Through June 30, ~~2011~~ 2016, the department of commerce shall  
42 annually certify ~~small manufacturing or small commercial printing~~ businesses  
43 THAT MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN  
44 SECTION 41-1545, AND that FURTHER qualify for property tax incentives under  
45 THIS section ~~41-1525, subsection E~~. To qualify under this section:

46           1. THE BUSINESS MUST MEET THE REQUIREMENTS AS AN ARIZONA BASIC  
47 ENTERPRISE, AS DEFINED IN SECTION 41-1545.

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

3           ~~1.~~ 3. A ~~small manufacturing or small commercial printing~~ business  
4 must meet the minimum CAPITAL investment requirements WITHIN THREE YEARS  
5 AFTER FIRST BECOMING CERTIFIED AS prescribed by this paragraph. THE AMOUNT  
6 OF CAPITAL INVESTMENT DETERMINES THE TAX CLASSIFICATION AND THE NUMBER OF  
7 YEARS THE PROPERTY QUALIFIES FOR PROPERTY TAX INCENTIVES AS PRESCRIBED BY  
8 SECTIONS 42-12006 AND 42-12009. The investments may be cumulative. A ~~small~~  
9 ~~manufacturing or small commercial printing~~ business shall not include fixed  
10 assets purchased from ~~an enterprise zone manufacturing or small commercial~~  
11 ~~printing company~~ ANOTHER BUSINESS already certified under this section.  
12 Subject to subsection E of this section, certification is effective on  
13 January 1 of the valuation year, as defined in section 42-11001, following  
14 completion of the required investment. QUALIFYING PROPERTY UNDER THIS  
15 PARAGRAPH MAY INCLUDE PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED  
16 OR UNDERGO A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30,  
17 2016, NEWLY CONSTRUCTED IMPROVEMENTS TO REAL ESTATE OR NEWLY OCCUPIED  
18 IMPROVEMENTS THAT WERE FORMERLY VACANT AND REAL PROPERTY THAT IS OWNED BY THE  
19 QUALIFYING BUSINESS ON WHICH QUALIFYING PERSONAL PROPERTY AND IMPROVEMENTS  
20 ARE LOCATED. To qualify, the ~~small manufacturing or small commercial~~  
21 ~~printing~~ business must invest at least the following amount, as applicable,  
22 in fixed assets ~~in the zone~~ after December 31, ~~2000~~ 2010:

23           (a) IN A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR  
24 MORE, AT LEAST FIVE MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN THREE YEARS  
25 AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

26           (b) IN ANY OTHER LOCATION, AT LEAST TWO MILLION DOLLARS OF CAPITAL  
27 INVESTMENT WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

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

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

35           ~~(b) In all other counties, and for cities and towns located in~~  
36 ~~counties with a population of two hundred fifty thousand persons or more and~~  
37 ~~that have no portion of the corporate boundaries located within twenty five~~  
38 ~~air miles from the exterior corporate boundary of the largest city in the~~  
39 ~~county:~~

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

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

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

47           ~~2.~~ 4. A business initially applying for certification under this  
48 section must report the following with supporting documentation to the

1 department of commerce on a form and in a manner prescribed by the  
2 department:

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

5 (b) Business location ~~and the enterprise zone in which the business is~~  
6 ~~located.~~

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

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

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

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

15 (g) A statement of the ownership and description of operations of the  
16 ~~zone~~ business.

17 (h) Documentation of the required investment in fixed assets that  
18 identifies the fixed assets and establishes the cost of the fixed assets and  
19 the time of investment.

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

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

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

26 B. The department shall not certify any business for qualification for  
27 property tax incentives after June 30, ~~2011~~ 2016. However, certification  
28 under this section is valid for five years subject to annual recertification  
29 ~~regardless of whether under changing circumstances the business grows beyond~~  
30 ~~ninety-nine full-time employees at the zone location or gross annual receipts~~  
31 ~~of more than four million dollars and regardless of whether the enterprise~~  
32 ~~zone continues in existence~~ if it continues to meet the other eligibility  
33 requirements.

34 C. In order to be annually recertified pursuant to subsection B of  
35 this section, a ~~small manufacturing or small commercial printing~~ business  
36 must continue to meet all the eligibility requirements of this section and  
37 must annually report the following and provide supporting documentation to  
38 the department of commerce on a form and in a manner approved by the  
39 department:

40 1. Information required by subsection A, paragraph ~~2- 4~~, subdivisions  
41 (a), (b), (d), (e), (f), (i), (j) and (k) of this section.

42 2. Changes in location, ownership and operations of the business in  
43 the immediately preceding year.

44 3. The average number of full-time employees at the ~~zone~~ location for  
45 the immediately preceding year.

46 D. To ~~qualify for~~ RECEIVE classification as class six OR CLASS NINE  
47 property for tax purposes, the certified business must submit a copy of the  
48 department's initial certification, and each annual recertification, with a

1 written request to reclassify the property to the county assessor of the  
2 county in which the property is located by December 10 OF each year.

3 E. A ~~manufacturer or commercial printer~~ BUSINESS shall submit its  
4 application for initial certification or annual recertification to the  
5 department not later than October 1 of each year. The department shall  
6 notify the appropriate county assessors of all qualified ~~enterprise zone~~  
7 properties located within their county not later than December 1 of each  
8 year.

9 F. If a ~~manufacturer or commercial printer~~ BUSINESS moves from the  
10 originally certified location, it loses its eligibility. The ~~manufacturer or~~  
11 ~~commercial printer~~ BUSINESS may apply for certification at a new ~~zone~~  
12 location for the remainder of its five years if it meets the minimum  
13 investment requirements in fixed assets that were not moved from the prior  
14 ~~zone~~ location, meets all other eligibility requirements of this section and  
15 has not reached the five year eligibility limit.

16 G. Once a ~~manufacturer or commercial printer~~ BUSINESS establishes the  
17 basis for eligibility and the department certifies the ~~manufacturer or~~  
18 ~~commercial printer~~ BUSINESS, the business may change its basis of eligibility  
19 during the four remaining years of potential eligibility as long as the  
20 ~~manufacturer or commercial printer~~ BUSINESS meets the requirements for the  
21 new basis of eligibility.

22 H. If a certified ~~manufacturing or commercial printer~~ business is  
23 purchased by another entity or changes by more than twenty per cent of the  
24 ownership interest through reorganization, stock purchase or merger, the  
25 certification is terminated. The new ~~manufacturer or small commercial~~  
26 ~~printer~~ BUSINESS may apply for certification according to eligibility  
27 requirements of this section.

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

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

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

40 ~~L.~~ K. Documents filed with the department of commerce pursuant to  
41 this section shall contain either a sworn statement or certification, signed  
42 by an officer of the company under penalty of perjury, that the information  
43 contained is true and correct according to the best belief and knowledge of  
44 the person submitting the information after a reasonable investigation of the  
45 facts. If the document contains information that is materially false, the  
46 taxpayer is ineligible for the tax benefits under this section and is subject  
47 to recovery of the amount of tax benefits allowed in preceding years based on  
48 the false information, including penalties and interest.

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

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

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

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

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

16           ~~4.~~ 1. "Fixed assets" means property that is used in operating a  
17 business, such as furniture, land, buildings and machinery, and that is not  
18 ordinarily converted into cash after they are declared fixed assets.

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

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

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

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

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

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

45           ~~11.~~ 2. "Zone Location" has the same meaning prescribed in section  
46 41-1525.

1           Sec. 9. Section 41-1526, Arizona Revised Statutes, is amended to read:

2           41-1526. Duties of department

3           The department shall administer this article and shall:

4           1. Monitor the implementation and operation of this article and  
5 continually evaluate the progress made in ~~the enterprise zones~~ ATTRACTING NEW  
6 BUSINESSES.

7           2. Assist an employer or prospective employer ~~in a zone~~ to obtain the  
8 benefits of any incentive or inducement program authorized by law.

9           3. Submit an annual written report, evaluating the effectiveness of  
10 the program and presenting any suggestions to improve the program, to the  
11 governor no later than March 1 of each year.

12           4. Adopt rules as necessary to administer this article.

13           5. Provide information regarding ~~zones~~ THE BUSINESS INCENTIVES on  
14 request and conduct informational and instructional seminars and training.

15           Sec. 10. Section 41-1527, Arizona Revised Statutes, is amended to  
16 read:

17           41-1527. Annual reports; department of commerce; department of  
18           revenue

19           A. On or before September 30 of each year the department of commerce  
20 shall transmit a report to the governor, the president of the senate, the  
21 speaker of the house of representatives and the chairpersons of the senate  
22 finance committee and the house of representatives ways and means committee,  
23 or their successor committees, and shall provide a copy of this report to the  
24 secretary of state ~~and the director of the Arizona state library, archives~~  
25 ~~and public records~~. The report shall contain the following information:

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

28           ~~2.~~ 1. The business names, ~~AND~~ locations, number of employees and  
29 amount of compensation paid to employees qualifying for income tax credits as  
30 reported to the department pursuant to section 41-1525 ~~in each enterprise~~  
31 ~~zone~~.

32           ~~3.~~ 2. The amount of capital investment, ~~made during the preceding~~  
33 ~~fiscal year and cumulatively, in each enterprise zone~~.

34           ~~4.~~ 3. The number of ~~minority owned businesses, woman owned businesses~~  
35 ~~and other small manufacturing~~ businesses certified for property tax  
36 incentives pursuant to section 41-1525.01 in the preceding fiscal year and  
37 cumulatively, ~~in each enterprise zone~~, and for each such business:

38           (a) The name and location.

39           (b) The number of employees.

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

43           B. On or before September 30 of each year the department of revenue  
44 shall transmit a report to the governor, the president of the senate, the  
45 speaker of the house of representatives and the chairpersons of the senate  
46 finance committee and the house of representatives ways and means committee,  
47 or their successor committees, and shall provide a copy of this report to the

1 secretary of state ~~and the director of the Arizona state library, archives~~  
2 ~~and public records~~. The report shall contain the following information:

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

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

10 ~~3.~~ 3. The fiscal impact on each taxing jurisdiction for the current  
11 tax year of classifying property ~~in enterprise zones~~ as class six OR CLASS  
12 NINE rather than in the classification in which it would otherwise be  
13 classified.

14 ~~4.~~ 4. The total DOLLAR amount of income tax credits allowed for the  
15 preceding taxable year pursuant to sections 43-1074 and 43-1161.

16 Sec. 11. Repeal

17 Section 41-1528, Arizona Revised Statutes, is repealed.

18 Sec. 12. Title 41, chapter 10, Arizona Revised Statutes, is amended by  
19 adding articles 4.1, 5 and 5.1, to read:

20 ARTICLE 4.1. SUPPLEMENTAL JOB TRAINING

21 41-1545. Definitions

22 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

30 (b) IT IS THE NATIONAL OR REGIONAL CORPORATE HEADQUARTERS OF AN  
31 ARIZONA BASIC INDUSTRY OR THE CORPORATE OR REGIONAL HEADQUARTERS OF A  
32 MULTISTATE ENTERPRISE THAT IS PRIMARILY ENGAGED IN OUT-OF-STATE INDUSTRIAL  
33 ACTIVITIES.

34 (c) IT IS PRIMARILY ENGAGED IN DEVELOPING OR PRODUCING GOODS OR  
35 PROVIDING SERVICES FOR OUT-OF STATE SALE.

36 3. "ARIZONA BASIC INDUSTRY" MEANS:

37 (a) MINING.

38 (b) MANUFACTURING INDUSTRIES IDENTIFIED BY NORTH AMERICAN INDUSTRY  
39 CLASSIFICATION SYSTEM CODE SECTORS 31, 32 AND 33.

40 (c) PRODUCING GOODS OR SERVICES THAT DERIVE AT LEAST SIXTY-FIVE PER  
41 CENT OF REVENUE FROM OUT-OF-STATE SALES.

42 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR  
43 TECHNOLOGIES.

44 (e) NATIONAL OR REGIONAL HEADQUARTERS OR BACK-OFFICE OPERATIONS  
45 SUPPORTING A NATIONAL OR REGIONAL COMPANY.

46 (f) WAREHOUSE DISTRIBUTION OPERATIONS IDENTIFIED BY NORTH AMERICAN  
47 INDUSTRY CLASSIFICATION SYSTEM CODE SECTORS 42, 44 AND 45 IF FORTY PER CENT  
48 OF INVENTORY IS SHIPPED OUT OF STATE.

1 (g) OTHER INDUSTRIES DESIGNATED BY THE DIRECTOR AFTER CONSULTATION  
2 WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF  
3 REPRESENTATIVES.

4 4. "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.

5 5. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.

6 6. "EDUCATIONAL INSTITUTION" MEANS A STATE UNIVERSITY UNDER THE  
7 JURISDICTION OF THE ARIZONA BOARD OF REGENTS, A COMMUNITY COLLEGE IN THIS  
8 STATE, A PRIVATE POSTSECONDARY EDUCATIONAL INSTITUTION LICENSED BY THIS STATE  
9 OR A VOCATIONAL POSTSECONDARY SCHOOL WITH A CAMPUS IN THIS STATE.

10 7. "EMPLOYEE" MEANS A PERSON EMPLOYED IN A NEW JOB.

11 8. "EMPLOYER" MEANS AN ARIZONA BASIC ENTERPRISE PROVIDING NEW JOBS IN  
12 CONJUNCTION WITH A PROJECT, EXCEPT THAT THE FOLLOWING DO NOT QUALIFY FOR THE  
13 PURPOSES OF THIS ARTICLE:

14 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY CONDUCTING A BUSINESS  
15 IDENTIFIED BY ANY OF THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION  
16 SYSTEM CODE GROUPS, SECTORS OR SUBSECTORS:

17 (i) INDUSTRY GROUP 7132 OR 8131.

18 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.

19 (iii) SUBSECTOR 722.

20 (b) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT IS DELINQUENT IN  
21 THE PAYMENT OF ANY UNPROTESTED TAXES OR OTHER AMOUNTS DUE TO THE FEDERAL  
22 GOVERNMENT, THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS STATE.

23 (c) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT HAS FILED FOR OR  
24 HAS PUBLICLY ANNOUNCED ITS INTENTION TO FILE FOR BANKRUPTCY PROTECTION.

25 9. "FULL-TIME" MEANS PERMANENT EMPLOYMENT FOR AT LEAST ONE THOUSAND  
26 SEVEN HUNDRED FIFTY HOURS PER YEAR.

27 10. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE  
28 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,  
29 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR  
30 BUSINESS FUNCTIONS.

31 11. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY THE  
32 DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC  
33 ENTERPRISE.

34 12. "IMPACT PROJECT" OR "PROJECT" MEANS A TRAINING ARRANGEMENT THAT IS  
35 THE SUBJECT OF AN AGREEMENT AS PROVIDED BY THIS ARTICLE AND ENTERED INTO  
36 BETWEEN AN EDUCATIONAL INSTITUTION AND AN EMPLOYER TO PROVIDE PROGRAM  
37 SERVICES.

38 13. "NEW JOB" MEANS FULL-TIME EMPLOYMENT IN A NEW OR EXPANDING ARIZONA  
39 BASIC ENTERPRISE THAT PAYS AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED  
40 THIRTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE  
41 DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR  
42 ADMINISTRATION AND INCLUDES HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE  
43 EMPLOYER PAYS AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST,  
44 BUT NOT INCLUDING JOBS OF RECALLED WORKERS OR EXISTING JOBS THAT ARE VACANT  
45 OR OTHER JOBS THAT FORMERLY EXISTED IN THE ENTERPRISE IN THIS STATE.

46 14. "PRIMARILY ENGAGED" MEANS AT LEAST ONE-HALF OF THE GROSS INCOME OF  
47 THE ENTERPRISE IS DERIVED FROM THE ENGAGEMENT.

1           15. "PROGRAM COSTS" MEANS ALL NECESSARY AND INCIDENTAL COSTS OF  
2 PROVIDING PROGRAM SERVICES EXCEPT FOR:

3           (a) ANY WAGES PAID TO PERSONS RECEIVING EDUCATION OR TRAINING UNDER A  
4 PROJECT.

5           (b) ANY COSTS FOR PURCHASE OR LEASE OF TRAINING EQUIPMENT THAT EXCEED  
6 ONE-HALF OF TOTAL PROGRAM COSTS FOR THE PROJECT.

7           (c) ANY COSTS FOR ADMINISTRATIVE EXPENSES THAT EXCEED TEN PER CENT OF  
8 TOTAL PROGRAM COSTS FOR THE PROJECT.

9           (d) ANY COSTS FOR DIRECT INVESTMENTS IN EDUCATION AND RELATED  
10 WORKFORCE DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE  
11 DEVELOPMENT, HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE THAT EXCEED  
12 TEN PER CENT OF TOTAL PROGRAM COSTS.

13           16. "PROGRAM SERVICES" MEANS:

14           (a) NEW JOBS TRAINING, INCLUDING TRAINING DEVELOPMENT COSTS, FOR AN  
15 ACTUAL TRAINING PERIOD OF UP TO TWELVE MONTHS FROM THE DATE THE JOB IS FIRST  
16 FILLED BY AN EMPLOYEE.

17           (b) ADULT-BASED EDUCATION AND JOB-RELATED INSTRUCTION.

18           (c) VOCATIONAL AND SKILL-ASSESSMENT SERVICES AND TESTING.

19           (d) TRAINING EQUIPMENT AND ADMINISTRATIVE EXPENSES OF EDUCATIONAL  
20 INSTITUTIONS FOR NEW JOBS TRAINING PROGRAMS.

21           (e) MATERIALS AND SUPPLIES.

22           (f) SUBCONTRACTED SERVICES WITH EDUCATIONAL INSTITUTIONS OR FEDERAL,  
23 STATE OR LOCAL AGENCIES.

24           (g) CONTRACTED OR PROFESSIONAL SERVICE.

25           (h) DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE  
26 DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE DEVELOPMENT, HUMAN  
27 CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.

28           41-1545.01. Administration

29           A. THE DIRECTOR SHALL ADMINISTER THIS ARTICLE AND THE IMPACT PROGRAM.

30           B. THE DIRECTOR SHALL:

31           1. ENCOURAGE ARIZONA BASIC ENTERPRISES HAVING SIMILAR TRAINING NEEDS  
32 TO COOPERATE IN ESTABLISHING IMPACT PROJECTS.

33           2. COORDINATE THE IMPACT PROGRAM WITH OTHER JOB TRAINING PROGRAMS  
34 ADMINISTERED BY THE DEPARTMENT.

35           3. PROVIDE OPPORTUNITIES FOR COORDINATION AND COOPERATION OF IMPACT  
36 PROJECTS WITH OTHER JOB TRAINING ACTIVITIES IN THIS STATE.

37           4. ADOPT RULES PRESCRIBING REVIEW STANDARDS AND PRIORITIES FOR  
38 APPROVAL OF PROPOSED AGREEMENTS UNDER THIS ARTICLE, INCLUDING APPROPRIATE  
39 INCENTIVES FOR COOPERATION AMONG PROJECTS, IN ORDER TO MAXIMIZE THE NUMBER OF  
40 NEW JOBS CREATED WITH RESPECT TO INDIVIDUAL ARIZONA BASIC ENTERPRISES THAT  
41 WILL REMAIN IN THIS STATE.

42           5. ADOPT RULES PRESCRIBING LIMITS ON PROGRAM COSTS AND ON PROJECT AND  
43 PROGRAM SIZE IN RELATION TO THE NUMBER OF NEW JOBS CREATED AND WAGES OF NEW  
44 JOBS.

45           C. THE DIRECTOR MAY:

46           1. MAKE DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE  
47 DEVELOPMENT INSTITUTIONS TO PROMOTE IMPROVEMENTS IN WORKFORCE DEVELOPMENT,  
48 HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.

1           2. ON A CASE-BY-CASE BASIS, APPROVE PROJECT AGREEMENTS FOR THE PURPOSE  
2 OF PRESERVING AND RETAINING EXISTING JOBS IN AN ARIZONA BASIC ENTERPRISE.

3           3. ADOPT ADDITIONAL RULES THAT ARE REQUIRED TO ADMINISTER THIS  
4 ARTICLE.

5           D. THE DIRECTOR SHALL PROVIDE WRITTEN NOTICE OF THE APPROVAL OF EACH  
6 PROJECT AND PROGRAM TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER  
7 OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE COMMITTEE  
8 ON COMMERCE AND ECONOMIC DEVELOPMENT AND THE HOUSE OF REPRESENTATIVES  
9 COMMITTEE ON COMMERCE, OR THEIR SUCCESSOR COMMITTEES.

10           41-1545.02. Project agreements between educational institutions  
11   and employers

12           A. SUBJECT TO THE DIRECTOR'S APPROVAL, AN EDUCATIONAL INSTITUTION MAY  
13 ENTER INTO AN AGREEMENT TO ESTABLISH AN IMPACT PROJECT AND PROVIDE PROGRAM  
14 SERVICES TO AN EMPLOYER. AS SOON AS POSSIBLE AFTER INITIAL CONTACT BETWEEN  
15 THE EDUCATIONAL INSTITUTION AND EMPLOYER, THE EDUCATIONAL INSTITUTION SHALL  
16 INFORM THE DIRECTOR ABOUT THE POTENTIAL PROJECT. THE DIRECTOR MAY ALSO ENTER  
17 DIRECTLY INTO AGREEMENTS WITH EMPLOYERS FOR BENEFITS UNDER THIS ARTICLE.

18           B. THE DIRECTOR SHALL NOT APPROVE ANY AGREEMENT THAT PROVIDES FOR  
19 PROGRAM COSTS OF A PROJECT OF MORE THAN FIFTY PER CENT OF AN AMOUNT EQUAL TO  
20 THE ESTIMATED WITHHOLDING TAX APPLIED TO THE ESTIMATED AMOUNT OF GROSS WAGES  
21 OF ALL NEW JOBS UNDER THE PROJECT OVER A TEN-YEAR PERIOD.

22           C. THE DIRECTOR SHALL NOT APPROVE ANY AGREEMENT WITH AN EMPLOYER THAT  
23 IS RECEIVING BENEFITS UNDER THE ARIZONA QUALITY JOBS PROGRAM PURSUANT TO  
24 ARTICLE 5.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION  
25 IN BOTH AN IMPACT PROJECT UNDER THIS ARTICLE AND THE ARIZONA QUALITY JOBS  
26 PROGRAM WOULD GENERATE, OVER THE TERM OF THE AGREEMENT, AN ECONOMIC AND  
27 FISCAL IMPACT IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX  
28 ALLOCATED TO BOTH PROGRAMS.

29           D. A PROJECT AGREEMENT MUST INCLUDE PROVISIONS:

30                 1. REQUIRING EACH EMPLOYER PARTICIPATING IN THE AGREEMENT TO BEAR AT  
31 LEAST TWENTY-FIVE PER CENT OF THE PROGRAM COSTS, INCLUDING DEFERRED COSTS.

32                 2. REGARDING PAYMENT OF THE REMAINING PROGRAM COSTS, INCLUDING  
33 DEFERRED COSTS, WHICH MAY BE PAID FROM ONE OR MORE OF THE FOLLOWING SOURCES:

34                     (a) THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND.

35                     (b) TUITION, STUDENT FEES OR SPECIAL CHARGES ASSESSED BY THE  
36 EDUCATIONAL INSTITUTION TO DEFRAY ALL OR PART OF THE PROGRAM COSTS.

37                     (c) GRANTS OR DONATIONS AVAILABLE FROM FEDERAL SOURCES OR OTHER PUBLIC  
38 OR PRIVATE SOURCES.

39                 3. REQUIRING EACH EMPLOYER PARTICIPATING IN THE AGREEMENT TO SUBMIT  
40 INFORMATION TO THE DIRECTOR REGARDING THE NUMBER AND WAGES OF, AND  
41 WITHHOLDING TAXES PAID FROM, NEW JOBS.

42                 4. ESTABLISHING ANY TUITION AND FEES TO BE PAID FROM PROGRAM COSTS.

43                 5. ADDRESSING ANY ADDITIONAL ISSUES DETERMINED TO BE NECESSARY.

44           E. THE AGREEMENT SHALL SPECIFY THAT IF THE EMPLOYER FAILS TO COMPLY  
45 WITH THE TERMS AND CONDITIONS IN THE AGREEMENT OR FAILS TO COMPLY WITH THIS  
46 ARTICLE:

1 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

3 (a) THE EMPLOYER IS NOT ENTITLED TO ANY FURTHER INCENTIVE PAYMENTS  
4 UNDER SECTION 41-1545.04.

5 (b) THE EMPLOYER MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE  
6 INCENTIVE PAYMENTS ALREADY PAID TO THE EMPLOYER UNDER SECTION 41-1545.04.

7 F. ANY PAYMENT REQUIRED TO BE PAID BY AN EMPLOYER UNDER A PROJECT  
8 AGREEMENT IS A LIEN ON THE EMPLOYER'S BUSINESS PROPERTY UNTIL PAID THAT HAS  
9 EQUAL PRECEDENCE WITH ORDINARY TAXES AND THAT SHALL NOT BE DIVESTED BY A  
10 JUDICIAL OR NONJUDICIAL SALE. PROPERTY SUBJECT TO THE LIEN MAY BE SOLD FOR  
11 SUMS DUE AND DELINQUENT AT A TAX SALE, WITH THE SAME FORFEITURES, PENALTIES  
12 AND CONSEQUENCES AS FOR NONPAYMENT OF TAXES. PURCHASERS AT THE SALE TAKE THE  
13 PROPERTY SUBJECT TO THE REMAINING PAYMENTS.

14 G. THE PAYMENT OF PROGRAM COSTS INCURRED UNDER ANY PROJECT AGREEMENT  
15 SHALL NOT BE DEFERRED FOR A PERIOD LONGER THAN TEN YEARS FROM THE DATE OF THE  
16 COMMENCEMENT OF THE PROJECT.

17 41-1545.03. Review of proposed project agreement

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

25 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT ARE  
26 THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING LEVELS  
27 TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA DEVELOPMENT  
28 AUTHORITY.

29 41-1545.04. Payments to employers participating in project  
30 agreements

31 A. AN EMPLOYER THAT PARTICIPATES IN AN IMPACT PROJECT AGREEMENT MAY  
32 APPLY TO THE DIRECTOR TO RECEIVE QUARTERLY INCENTIVE PAYMENTS FOR UP TO SEVEN  
33 YEARS FROM THE IMPACT PROGRAM FUND. THE AMOUNT OF PAYMENTS IS:

34 1. FOR ARIZONA BASIC ENTERPRISES THAT OWN PROPERTY QUALIFYING FOR TAX  
35 CLASSIFICATION PURSUANT TO SECTION 42-12009, SUBSECTION A, PARAGRAPH 6, AN  
36 AMOUNT UP TO ONE HUNDRED PER CENT OF THE STATE WITHHOLDING TAX ON  
37 COMPENSATION PAID BY THE EMPLOYER WITH RESPECT TO THE NEW JOBS IN EACH  
38 CALENDAR QUARTER, AS DETERMINED BY THE DIRECTOR.

39 2. FOR ALL OTHER EMPLOYERS, AN AMOUNT EQUAL TO FIFTY PER CENT OF THE  
40 STATE WITHHOLDING TAX ON COMPENSATION PAID BY THE EMPLOYER WITH RESPECT TO  
41 THE NEW JOBS IN EACH CALENDAR QUARTER.

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

44 C. TO QUALIFY FOR INCENTIVE PAYMENTS THE EMPLOYER MUST HAVE AN ANNUAL  
45 GROSS PAYROLL FOR NEW JOBS OF AT LEAST TWO MILLION DOLLARS WITHIN TWELVE  
46 MONTHS OF THE FIRST COMPLETE CALENDAR QUARTER AFTER THE START DATE.

1           41-1545.05. Certification of program funding rates; allocation  
2   of withholding tax revenues

3           A. THE DIRECTOR SHALL DETERMINE THE AMOUNT OF MONIES TO BE CREDITED  
4 TO:

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

8                 2. THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER TO  
9 FINANCE PROGRAM COSTS THAT ARE NOT FINANCED BY THE GREATER ARIZONA  
10 DEVELOPMENT AUTHORITY.

11           B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE SHALL CERTIFY THE  
12 COMBINED AMOUNTS UNDER SUBSECTION A OF THIS SECTION TO THE DIRECTOR OF THE  
13 DEPARTMENT OF REVENUE. EACH MONTH, THE DIRECTOR OF THE DEPARTMENT OF REVENUE  
14 SHALL TRANSFER THAT AMOUNT TO THE IMPACT PROGRAM FUND FROM THE JOB RECOVERY  
15 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

16           41-1545.06. Impact program fund; program repayment account;  
17   program services account

18           A. THE IMPACT PROGRAM FUND IS ESTABLISHED CONSISTING OF THE PROGRAM  
19 SERVICES ACCOUNT AND THE PROGRAM REPAYMENT ACCOUNT. THE DIRECTOR SHALL  
20 ADMINISTER THE FUND. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL  
21 INVEST AND DIVEST MONIES IN THE RESPECTIVE ACCOUNTS IN THE FUND AS PROVIDED  
22 BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE  
23 STATE GENERAL FUND. MONIES IN THE FUND ARE:

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

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

27           B. MONIES CREDITED TO THE PROGRAM SERVICES ACCOUNT SHALL BE FOR ALL OR  
28 PART OF THE PROGRAM COSTS OF PROJECTS. MONIES IN THE ACCOUNT THAT ARE NOT  
29 REQUIRED FOR THOSE PURPOSES MAY BE TRANSFERRED TO THE ARIZONA OPPORTUNITY  
30 FUND ESTABLISHED BY SECTION 41-1546. ALL EXPENDITURES FROM THE ACCOUNT SHALL  
31 BE PURSUANT TO VOUCHERS APPROVED BY THE DIRECTOR. THE DIRECTOR SHALL REMIT  
32 ALL MONIES RECEIVED UNDER THIS ARTICLE, INCLUDING FINANCIAL ASSISTANCE FROM  
33 THE GREATER ARIZONA DEVELOPMENT AUTHORITY FOR THE PURPOSES OF THIS ARTICLE TO  
34 THE STATE TREASURER FOR CREDIT TO THE PROGRAM SERVICES ACCOUNT.

35           C. MONIES CREDITED TO THE PROGRAM REPAYMENT ACCOUNT SHALL BE FOR  
36 PAYMENTS TO THE GREATER ARIZONA DEVELOPMENT AUTHORITY FOR COSTS RELATING TO  
37 DEBT SERVICE ON FINANCIAL ASSISTANCE APPROVED BY THE DIRECTOR UNDER THIS  
38 ARTICLE, INCLUDING PRINCIPAL, INTEREST AND ISSUANCE AND REDEMPTION COSTS.  
39 ALL EXPENDITURES FROM THE ACCOUNT SHALL BE PURSUANT TO VOUCHERS APPROVED BY  
40 THE DIRECTOR. AT THE END OF EACH FISCAL YEAR, ANY UNENCUMBERED BALANCE IN  
41 THE PROGRAM REPAYMENT ACCOUNT SHALL BE TRANSFERRED TO THE STATE GENERAL FUND.

42           41-1545.07. Approval of impact program activities for purposes  
43   of financing with greater Arizona development  
44   authority bonds

45           THE ACTIVITIES OF THE DIRECTOR UNDER THIS ARTICLE AND THE COSTS OF  
46 APPROVED IMPACT PROGRAMS ARE APPROVED PURPOSES FOR FINANCING THROUGH ISSUANCE  
47 OF BONDS BY THE GREATER ARIZONA DEVELOPMENT AUTHORITY.



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

3           41-1546.01. Grants from the Arizona opportunity fund;  
4                                   eligibility; grant agreements; economic and  
5                                   fiscal impact statement

6           A. THE GOVERNOR AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY  
7 NEGOTIATE ON BEHALF OF THIS STATE REGARDING AWARDING, BY GRANT, MONIES FROM  
8 THE ARIZONA OPPORTUNITY FUND FOR THE PURPOSES OF ATTRACTING ARIZONA BASIC  
9 ENTERPRISES, AS DEFINED IN SECTION 41-1545, ECONOMIC DEVELOPMENT,  
10 INFRASTRUCTURE DEVELOPMENT AND COMMUNITY DEVELOPMENT. MONIES SHALL NOT BE  
11 AWARDED FROM THE ARIZONA OPPORTUNITY FUND EXCEPT FOR THE SOLE PURPOSE OF  
12 COMPETING FOR ECONOMIC DEVELOPMENT PROSPECTS THAT HAVE SIMILAR RECRUITMENT  
13 OFFERS FROM OTHER STATES.

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

16           1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE  
17 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY  
18 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS  
19 PERTAINING TO ENTITIES OR OTHER ORGANIZATIONS FORMED UNDER THE LAWS OF THAT  
20 STATE.

21           2. OWE NO DELINQUENT TAXES TO A TAXING JURISDICTION IN THIS STATE.

22           3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION  
23 41-1545.

24           4. PAY AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED EIGHTY-FIVE PER  
25 CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF  
26 ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR  
27 ADMINISTRATION.

28           5. INCLUDE HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE APPLICANT PAYS  
29 AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST.

30           6. DEMONSTRATE BY INDEPENDENT ANALYSES THAT ESTIMATED INCOME, PROPERTY  
31 AND TRANSACTION PRIVILEGE TAX AND GOVERNMENT FEE REVENUES IN THIS STATE WILL  
32 EXCEED STATE TAX CREDIT AND INCENTIVES BY A PAYBACK RATIO OF AT LEAST FOUR TO  
33 ONE OVER A TEN-YEAR PERIOD.

34           C. BEFORE AWARDING A GRANT FROM THE FUND UNDER THIS SECTION, THE  
35 GOVERNOR MUST ENTER INTO A WRITTEN AGREEMENT WITH THE APPLICANT SPECIFYING  
36 THAT:

37           1. A REASONABLE PERCENTAGE OF THE TOTAL AMOUNT OF THE GRANT MAY BE  
38 WITHHELD UNTIL THE RECIPIENT MEETS SPECIFIED PERFORMANCE TARGETS.

39           2. IF THE GOVERNOR FINDS THAT THE GRANT RECIPIENT HAS NOT MET EACH OF  
40 THE PERFORMANCE TARGETS SPECIFIED IN THE AGREEMENT AS OF A DATE STATED IN THE  
41 AGREEMENT:

42           (a) THE RECIPIENT MUST REPAY THE GRANT AND ANY RELATED INTEREST TO  
43 THIS STATE AT AN AGREED RATE AND ON AGREED TERMS. THE REPAYMENT MAY BE  
44 PRORATED TO REFLECT PARTIAL ATTAINMENT OF PERFORMANCE TARGETS.

45           (b) THE GOVERNOR SHALL NOT DISBURSE ANY REMAINING GRANT MONEY TO THE  
46 RECIPIENT UNDER THE AGREEMENT.

47           (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT  
48 FOR NONCOMPLIANCE.

1           3. IF ANY PART OF THE GRANT IS USED TO BUILD A CAPITAL IMPROVEMENT,  
2 THIS STATE MAY:

3           (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN  
4 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE  
5 IMPROVEMENT.

6           (b) REQUIRE THE RECIPIENT, IF THE IMPROVEMENT IS SOLD, TO:

7           (i) REPAY TO THIS STATE THE GRANT MONIES USED TO PAY FOR THE  
8 IMPROVEMENT, WITH INTEREST AT A RATE AND ACCORDING TO TERMS STATED IN THE  
9 AGREEMENT.

10          (ii) SHARE WITH THIS STATE A PROPORTIONATE AMOUNT OF ANY PROFIT  
11 REALIZED FROM THE SALE.

12          4. IF AS OF A DATE STATED IN THE AGREEMENT THE RECIPIENT HAS NOT USED  
13 GRANT MONEY FOR THE PURPOSES FOR WHICH IT WAS INTENDED, THE RECIPIENT MUST  
14 REPAY THAT AMOUNT AND ANY RELATED INTEREST TO THIS STATE AND THE AGREED RATE  
15 AND ON AGREED TERMS.

16          D. BEFORE AWARDING GRANTS FROM THE FUND UNDER THIS SECTION, THE  
17 GOVERNOR MUST TRANSMIT COPIES OF THE GRANT AGREEMENTS, ECONOMIC AND FISCAL  
18 IMPACT ANALYSES FOR EACH PROPOSAL AND PROPOSED PERFORMANCE MEASURES TO:

19           1. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF  
20 REPRESENTATIVES.

21           2. THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR ITS REVIEW AND  
22 EVALUATION.

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

25           1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH  
26 GRANT AGREEMENT.

27           2. IF THE GRANT AGREEMENT INCLUDES WITHHOLDING A PERCENTAGE OF THE  
28 GRANT UNTIL THE RECIPIENT MEETS THE PERFORMANCE TARGETS, THE PERCENTAGE OF  
29 THE GRANT MONEY TO BE WITHHELD.

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

34           1. FOR THE PERIOD COVERED BY THE GRANT:

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

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

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

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

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





1           1. FIVE YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO  
2 AT LEAST TWO HUNDRED PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED  
3 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION  
4 DIVISION OR SUCCESSOR ADMINISTRATION.

5           2. SIX YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO  
6 AT LEAST TWO HUNDRED TEN PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED  
7 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION  
8 DIVISION OR SUCCESSOR ADMINISTRATION.

9           3. SEVEN YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO  
10 AT LEAST TWO HUNDRED TWENTY PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED  
11 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION  
12 DIVISION OR SUCCESSOR ADMINISTRATION.

13           41-1547.02. Application and agreement for benefits; Arizona  
14   quality jobs fund

15           A. A QUALIFIED COMPANY THAT MEETS THE REQUIREMENTS PRESCRIBED BY  
16 SECTION 41-1547.01 MAY APPLY TO THE DIRECTOR FOR BENEFITS UNDER THIS ARTICLE.  
17 A QUALIFIED COMPANY THAT IS ALREADY RECEIVING BENEFITS UNDER THIS ARTICLE MAY  
18 APPLY TO THE DIRECTOR FOR ADDITIONAL BENEFITS IF THE COMPANY MEETS THE  
19 REQUIREMENTS PRESCRIBED BY SECTION 41-1547.01. THE AMOUNT OF BENEFIT  
20 PAYMENTS IS EQUAL TO FIFTY PER CENT OF THE STATE WITHHOLDING TAX ON  
21 COMPENSATION PAID BY THE QUALIFIED COMPANY WITH RESPECT TO THE NEW EMPLOYEES  
22 IN EACH CALENDAR QUARTER.

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

25           C. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE THE QUALIFIED COMPANY  
26 MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW EMPLOYEES OF AT LEAST TWO MILLION  
27 DOLLARS WITHIN TWELVE MONTHS OF THE FIRST COMPLETE CALENDAR QUARTER AFTER THE  
28 START DATE.

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

33           E. ON APPROVING AN APPLICATION, THE DIRECTOR MAY ENTER INTO AN  
34 AGREEMENT WITH THE QUALIFIED COMPANY FOR PAYMENT OF BENEFITS UNDER THIS  
35 ARTICLE FROM THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY THIS SECTION. THE  
36 AGREEMENT SHALL COMMIT THE DIRECTOR OF THE DEPARTMENT OF COMMERCE TO CERTIFY  
37 TO THE DIRECTOR OF THE DEPARTMENT OF REVENUE:

38           1. THAT THE QUALIFIED COMPANY IS ELIGIBLE TO RECEIVE BENEFITS UNDER  
39 THIS ARTICLE.

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

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

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

46           1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

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

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

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

8 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS  
9 UNDER THIS ARTICLE.

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

12 H. THE DIRECTOR SHALL NOT APPROVE THE APPLICATION OF A QUALIFIED  
13 COMPANY THAT IS A PARTY TO AN IMPACT PROJECT AGREEMENT PURSUANT TO ARTICLE  
14 4.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION IN BOTH  
15 THE IMPACT PROJECT AND THE ARIZONA QUALITY JOBS PROGRAM WOULD GENERATE, OVER  
16 THE PERIOD OF THE BENEFITS UNDER THIS ARTICLE, AN ECONOMIC AND FISCAL IMPACT  
17 IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX ALLOCATED TO BOTH  
18 PROGRAMS.

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

22 41-1547.03. Withholding tax report to department of revenue

23 A QUALIFYING COMPANY THAT RECEIVES BENEFITS UNDER THIS ARTICLE MUST  
24 COMPLETE AND SUBMIT TO THE DEPARTMENT OF REVENUE A MONTHLY REPORT OF THE  
25 AMOUNT OF WITHHOLDING TAX PAID WITH RESPECT TO EACH NEW EMPLOYEE PURSUANT TO  
26 THIS ARTICLE. THE REPORT SHALL BE SUBMITTED ON A FORM, IN A MANNER AND  
27 ACCORDING TO A SCHEDULE PRESCRIBED BY THE DEPARTMENT OF REVENUE.

28 41-1547.04. Annual review of qualified company activities

29 A. THE DIRECTOR SHALL CONDUCT AN ANNUAL REVIEW OF THE ACTIVITIES  
30 UNDERTAKEN BY EACH QUALIFIED COMPANY PURSUANT TO THIS ARTICLE TO ENSURE THAT  
31 THE COMPANY IS IN COMPLIANCE WITH THIS ARTICLE AND RULES ADOPTED PURSUANT TO  
32 THIS ARTICLE AND THE BENEFIT AGREEMENT UNDER SECTION 41-1547.02. THE  
33 QUALIFIED COMPANY MUST MAKE AVAILABLE FOR INSPECTION BY THE DIRECTOR, OR THE  
34 DIRECTOR'S AGENT, ITS BOOKS AND RECORDS CONCERNING EMPLOYMENT, WAGES AND  
35 WITHHOLDING TAXES OF ANY EMPLOYEES FOR WHICH THE COMPANY HAS PAID WITHHOLDING  
36 TAXES.

37 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE  
38 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY FOR PURPOSES OF  
39 COMPLIANCE WITH THIS ARTICLE.

40 41-1547.05. Annual report

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

- 44 1. THE NAMES OF QUALIFIED COMPANIES.  
45 2. THE TYPES OF QUALIFIED COMPANIES USING THIS ARTICLE.  
46 3. THE LOCATION OF QUALIFIED COMPANIES AND THE LOCATION OF THE  
47 BUSINESS OPERATIONS IN THIS STATE.  
48 4. THE NUMBER OF NEW EMPLOYEES HIRED.

- 1           5. THE WAGES PAID FOR THE NEW EMPLOYEES.
- 2           6. THE ANNUAL AMOUNT OF BENEFITS PROVIDED UNDER THIS ARTICLE.
- 3           7. THE ESTIMATED NET STATE FISCAL IMPACT, INCLUDING THE DIRECT AND
- 4       INDIRECT NEW STATE TAXES DERIVED FROM THE NEW EMPLOYEES.
- 5           8. AN ESTIMATE OF THE MULTIPLIER EFFECT ON THE ECONOMY OF THIS STATE
- 6       FROM THE BENEFITS RECEIVED UNDER THIS ARTICLE.
- 7           B. THE DIRECTOR SHALL TRANSMIT COPIES OF THE REPORT TO:
- 8           1. THE GOVERNOR.
- 9           2. THE CHAIRPERSONS OF THE SENATE COMMITTEES ON COMMERCE AND ECONOMIC
- 10       DEVELOPMENT AND FINANCE, OR THEIR SUCCESSOR COMMITTEES.
- 11           3. THE CHAIRPERSONS OF THE HOUSE OF REPRESENTATIVES COMMITTEES ON
- 12       COMMERCE AND WAYS AND MEANS, OR THEIR SUCCESSOR COMMITTEES.
- 13           4. THE SECRETARY OF STATE.
- 14       41-1547.06. Program termination
- 15       THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
- 16       TO SECTION 41-3102.

17       Sec. 13. Section 41-1554.01, Arizona Revised Statutes, is amended to

18       read:

- 19       41-1554.01. Greater Arizona development authority; board;
- 20                               staff; conflict of interest prohibited;
- 21                               violation; classification
- 22       A. The greater Arizona development authority is established. The
  - 23       authority shall be governed by a board of directors consisting of the
  - 24       following members:
    - 25           1. The director of the department of commerce or the director's
    - 26           designee who shall serve as the chairperson.
    - 27           2. The director of the department of environmental quality or the
    - 28           director's designee.
    - 29           3. The director of the department of transportation or the director's
    - 30           designee.
    - 31           4. The state treasurer or the state treasurer's designee.
    - 32           5. Five members, one of whom is a representative of a tribal nation of
    - 33           Arizona, appointed by the governor pursuant to section 38-211. All appointed
    - 34           members shall reside in different counties, and no more than three members
    - 35           may be members of the same political party.
  - 36       B. Members appointed by the governor serve staggered five year terms.
  - 37       C. Members of the board are not eligible to receive compensation for
  - 38       their services but are eligible for reimbursement of expenses pursuant to
  - 39       title 38, chapter 4, article 2.
  - 40       D. Members of the board are public officers for purposes of title 38,
  - 41       chapter 3, article 8 and the authority is a public body for purposes of title
  - 42       38, chapter 3, article 3.1. **THE DIRECTOR OF THE DEPARTMENT OF COMMERCE OR**
  - 43       **THE DIRECTOR'S DESIGNEE SHALL NOT PARTICIPATE IN ANY CONSIDERATION OR VOTE ON**
  - 44       **FINANCIAL ASSISTANCE FOR IMPACT PROGRAMS PURSUANT TO ARTICLE 4.1 OF THIS**
  - 45       **CHAPTER.**
  - 46       E. No appointed member may serve more than two consecutive terms,
  - 47       except that service for a partial term of less than three years shall not be
  - 48       counted toward the two term limitation.

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. 14. 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 SUPPLEMENTAL JOB TRAINING  
36 PURSUANT TO ARTICLE 4.1 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.

45 3. Approve loan repayment agreements entered into with political  
46 subdivisions, special districts and Indian tribes.

47 D. The authority may impose administrative fees and penalties that are  
48 necessary to recover the costs incurred in connection with entering into or

1 enforcing a loan repayment agreement or providing financial or technical  
2 assistance.

3 E. The board shall deposit, pursuant to sections 35-146 and 35-147,  
4 any monies received pursuant to subsection B, paragraph ~~5~~ 6 of this section  
5 in the fund.

6 Sec. 15. Section 41-1554.03, Arizona Revised Statutes, is amended to  
7 read:

8 41-1554.03. Greater Arizona development authority revolving  
9 fund

10 A. The greater Arizona development authority revolving fund is  
11 established consisting of:

12 1. Monies appropriated by the legislature.

13 2. Monies received from the United States government to carry out this  
14 article.

15 3. Monies received from political subdivisions, Indian tribes, tribal  
16 subdivisions and special districts as loan repayments, technical assistance  
17 repayments, interest, administrative fees and penalties.

18 4. MONIES RECEIVED FROM THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT  
19 PROGRAM FUND PURSUANT TO SECTION 41-1545.05.

20 ~~4.~~ 5. Interest and other income received from investing monies in the  
21 fund.

22 ~~5.~~ 6. Gifts, grants and donations received from any public or private  
23 source to carry out this article.

24 ~~6.~~ 7. Any other monies received by the authority.

25 B. The board shall administer the fund in compliance with the  
26 requirements of this article. The board shall separately account for monies  
27 received from each source listed in subsection A of this section. Monies  
28 received pursuant to subsection A, paragraph 1 of this section shall not be  
29 used for any purpose except securing bonds issued by the authority and  
30 providing assistance under technical assistance repayment agreements if the  
31 amount used for providing this assistance is not more than eight hundred  
32 thousand dollars. This subsection does not limit the power of the authority  
33 to pledge other monies in the fund to secure bonds issued by the authority or  
34 to provide assistance under technical assistance repayment agreements.

35 C. The board may establish accounts and subaccounts as necessary to  
36 properly account for and use monies received by the authority.

37 D. Monies in the fund may be used for securing bonds of the authority.

38 E. Monies in the fund received pursuant to subsection A, paragraphs 2,  
39 3, 4, 5, ~~and~~ 6 AND 7 of this section may be used for:

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

42 2. Providing financial assistance to political subdivisions, special  
43 districts and Indian tribes.

44 3. PROVIDING FINANCING FOR IMPACT PROGRAMS FOR SUPPLEMENTAL JOB  
45 TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER.

46 ~~3.~~ 4. Paying the compensation and employment related expenses  
47 associated with the employees hired pursuant to section 41-1554.01,  
48 subsection G.

1           ~~4.~~ 5. Paying the costs to operate the authority, to administer the  
2 fund and to carry out the requirements of this article.

3           ~~5.~~ 6. Paying the costs of professional assistance hired by the  
4 authority pursuant to section 41-1554.02, subsection B, paragraph ~~6~~ 7.

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

8           G. If the monies pledged to secure the bonds become insufficient to  
9 pay the principal and interest on the bonds, the board may direct the state  
10 treasurer to divest monies in the fund as may be necessary and may apply  
11 those proceeds to make current all payments then due on the bonds. The state  
12 treasurer shall immediately notify the attorney general and auditor general  
13 of the insufficiency. The auditor general shall audit the circumstances  
14 surrounding the depletion of the fund and shall report these findings to the  
15 attorney general. The attorney general shall conduct an investigation and  
16 report these findings to the governor and the legislature.

17           Sec. 16. Section 41-1554.06, Arizona Revised Statutes, is amended to  
18 read:

19           41-1554.06. Financial assistance

20           A. The authority may provide financial assistance to political  
21 subdivisions, special districts and Indian tribes in developing, acquiring,  
22 constructing, improving, equipping or refinancing infrastructure. The  
23 financial assistance shall include:

24           1. Loans as provided in this section.

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

27           B. THE AUTHORITY MAY PROVIDE LOAN FINANCING FOR IMPACT PROGRAMS FOR  
28 SUPPLEMENTAL JOB TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER. ANY  
29 FINANCING AGREEMENT MUST INCLUDE A LEGALLY BINDING ACKNOWLEDGEMENT THAT ALL  
30 REPAYMENT OBLIGATIONS ARE FROM MONIES IN THE PROGRAM REPAYMENT ACCOUNT OF THE  
31 IMPACT PROGRAM FUND UNDER SECTION 41-1545.06, SUBSECTION C AND ARE NOT  
32 GENERAL OR SPECIAL OBLIGATIONS OF THE STATE GENERAL FUND.

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

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

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

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

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

1           3. Shall be repayable in at least annual principal installments and at  
2 least semiannual interest installments.

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

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

11           6. Shall be either:

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

15           (b) For an Indian tribe, conditioned on the establishment of a  
16 dedicated revenue source under the control of a tribally chartered  
17 corporation or other tribal entity that is subject to suit by the attorney  
18 general to enforce the loan contract or be secured by assets that, in the  
19 event of default of the loan contract, are subject to execution by the  
20 attorney general.

21           ~~F.~~ F. The authority shall prescribe the rate or rates of interest on  
22 loans made under this section, but the rate or rates shall not exceed the  
23 prevailing market rate for similar types of loans. A political subdivision  
24 or special district may negotiate the sale of its bonds to or a loan  
25 repayment agreement with the authority without complying with any public or  
26 accelerated bidding requirements imposed by any other law for the sale of its  
27 bonds.

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

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

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

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

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

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

1           ~~+~~ M. If a political subdivision fails to make any payment due to the  
2 authority under its loan repayment agreement or bonds, the authority shall  
3 certify to the state treasurer and notify the governing body of the  
4 defaulting political subdivision that the political subdivision has failed to  
5 make the required payment and direct a withholding of state shared revenues  
6 as provided in subsection ~~M~~- N of this section. The certificate of default  
7 shall be in the form determined by the authority, provided the certificate  
8 specifies the amount required to satisfy the unpaid payment obligation of the  
9 political subdivision.

10           ~~M~~- N. On receipt of a certificate of default from the authority, the  
11 state treasurer, to the extent not otherwise expressly prohibited by law,  
12 shall withhold the monies from the next succeeding distribution of monies  
13 pursuant to section 42-5029 due to the defaulting political subdivision. In  
14 the case of a city or town, the state treasurer shall also withhold from the  
15 next succeeding distribution of monies pursuant to section 43-206 due to the  
16 defaulting city or town the amount specified in the certificate of default  
17 and immediately deposit the amount withheld in the fund. The state treasurer  
18 shall continue to withhold and deposit the monies until the authority  
19 certifies to the state treasurer that the default has been cured. In no  
20 event shall the state treasurer withhold any amount that is necessary, as  
21 certified by the defaulting political subdivision to the state treasurer and  
22 the authority, to make any required deposits then due for the payment of  
23 principal and interest on bonds of the political subdivision that were issued  
24 prior to the date of the loan repayment agreement or bonds and that have been  
25 secured by a pledge of distributions made pursuant to sections 42-5029 and  
26 43-206.

27           Sec. 17. Section 42-1116, Arizona Revised Statutes, is amended to  
28 read:

29           42-1116. Disposition of tax revenues

30           A. The department shall promptly deposit, pursuant to sections 35-146  
31 and 35-147, all monies it collects from the taxes administered pursuant to  
32 this article except the telecommunication services excise tax, separately  
33 accounting for each type of tax and each tax classification within each type  
34 of tax. At the same time the department of revenue shall also furnish copies  
35 of the transmittal schedules to the director of the department of  
36 administration.

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

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

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

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

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

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

3           6. AMOUNTS COLLECTED AS WITHHOLDING TAX SUFFICIENT TO MEET THE  
4 REQUIREMENTS OF TITLE 41, CHAPTER 10, ARTICLES 4.1 AND 5.1 TO THE JOB  
5 RECOVERY WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

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

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

12           Sec. 18. Section 42-2003, Arizona Revised Statutes, is amended to  
13 read:

14           42-2003. Authorized disclosure of confidential information

15           A. Confidential information relating to:

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

20           2. A corporate taxpayer may be disclosed to any principal officer, any  
21 person designated by a principal officer or any person designated in a  
22 resolution by the corporate board of directors or other similar governing  
23 body.

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

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

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

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

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

41           B. Confidential information may be disclosed to:

42           1. Any employee of the department whose official duties involve tax  
43 administration.

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

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

7           4. Other state tax officials whose official duties require the  
8 disclosure for proper tax administration purposes if the information is  
9 sought in connection with an investigation or any other proceeding conducted  
10 by the official. Any disclosure is limited to information of a taxpayer who  
11 is being investigated or who is a party to a proceeding conducted by the  
12 official.

13           5. The following agencies, officials and organizations, if they grant  
14 substantially similar privileges to the department for the type of  
15 information being sought, pursuant to statute and a written agreement between  
16 the department and the foreign country, agency, state, Indian tribe or  
17 organization:

18           (a) The United States internal revenue service, alcohol and tobacco  
19 tax and trade bureau of the United States treasury, United States bureau of  
20 alcohol, tobacco, firearms and explosives of the United States department of  
21 justice, United States drug enforcement agency and federal bureau of  
22 investigation.

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

24           (c) An organization of states, federation of tax administrators or  
25 multistate tax commission that operates an information exchange for tax  
26 administration purposes.

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

30           (e) An agency, official or organization of an Indian tribal government  
31 with responsibilities comparable to the responsibilities of the agencies,  
32 officials or organizations identified in subdivision (a), (b) or (c) of this  
33 paragraph.

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

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

38           (a) The processing, storage, transmission, destruction and  
39 reproduction of the information.

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

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

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

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

1           9. The United States treasury inspector general for tax administration  
2 for the purpose of reporting a violation of internal revenue code section  
3 7213A (26 United States Code section 7213A), unauthorized inspection of  
4 returns or return information.

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

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

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

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

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

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

18           (d) Fulfilling its annual reporting responsibility pursuant to section  
19 41-1511, subsections T and U and section 41-1517, subsections S and T.

20           (e) **ADMINISTERING THE BENEFITS UNDER TITLE 41, CHAPTER 10, ARTICLES**  
21 **4.1, 5 AND 5.1 THAT ARE BASED ON WITHHOLDING TAX REVENUES.**

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

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

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

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

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

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

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

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

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

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

44           E. The department, upon the request of any person, shall provide the  
45 names and addresses of bingo licensees as defined in section 5-401, verify  
46 whether or not a person has a privilege license and number, a distributor's  
47 license and number or a withholding license and number or disclose the  
48 information to be posted on the department's ~~web-site~~ **WEBSITE** or otherwise

1 publicly accessible pursuant to section 42-1124, subsection F and section  
2 42-3201, subsection A.

3 F. A department employee, in connection with the official duties  
4 relating to any audit, collection activity or civil or criminal  
5 investigation, may disclose return information to the extent that disclosure  
6 is necessary to obtain information which is not otherwise reasonably  
7 available. These official duties include the correct determination of and  
8 liability for tax, the amount to be collected or the enforcement of other  
9 state tax revenue laws.

10 G. If an organization is exempt from this state's income tax as  
11 provided in section 43-1201 for any taxable year, the name and address of the  
12 organization and the application filed by the organization upon which the  
13 department made its determination for exemption together with any papers  
14 submitted in support of the application and any letter or document issued by  
15 the department concerning the application are open to public inspection.

16 H. Confidential information relating to transaction privilege tax, use  
17 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may  
18 be disclosed to any county, city or town tax official if the information  
19 relates to a taxpayer who is or may be taxable by the county, city or town.  
20 Any taxpayer information released by the department to the county, city or  
21 town:

22 1. May only be used for internal purposes.

23 2. May not be disclosed to the public in any manner that does not  
24 comply with confidentiality standards established by the department. The  
25 county, city or town shall agree in writing with the department that any  
26 release of confidential information that violates the confidentiality  
27 standards adopted by the department will result in the immediate suspension  
28 of any rights of the county, city or town to receive taxpayer information  
29 under this subsection.

30 I. The department may disclose statistical information gathered from  
31 confidential information if it does not disclose confidential information  
32 attributable to any one taxpayer. In order to comply with the requirements  
33 of section 42-5029, subsection A, paragraph 3, the department may disclose to  
34 the state treasurer statistical information gathered from confidential  
35 information, even if it discloses confidential information attributable to a  
36 taxpayer.

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

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

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

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

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

9 O. This section does not prohibit the disclosure by the department of  
10 any information or documents submitted to the department by a bingo licensee.  
11 Before disclosing the information the department shall obtain the name and  
12 address of the person requesting the information.

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

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

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

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

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

38 U. For proceedings before the department, the office of administrative  
39 hearings, the board of tax appeals or any state or federal court involving  
40 penalties that were assessed against a return preparer or electronic return  
41 preparer pursuant to section 42-1103.02 or 42-1125.01, confidential  
42 information may be disclosed only before the judge or administrative law  
43 judge adjudicating the proceeding, the parties to the proceeding and the  
44 parties' representatives in the proceeding prior to its introduction into  
45 evidence in the proceeding. The confidential information may be introduced  
46 as evidence in the proceeding only if the taxpayer's name, the names of any  
47 dependents listed on the return, all social security numbers, the taxpayer's

1 address, the taxpayer's signature and any attachments containing any of the  
2 foregoing information are redacted and if either:

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

5 2. Such return or return information relates or may relate to a  
6 transactional relationship between a person who is a party to the proceeding  
7 and the taxpayer which directly affects the resolution of an issue in the  
8 proceeding.

9 V. The department may disclose to the attorney general confidential  
10 information received under section 44-7111 and requested by the attorney  
11 general for purposes of determining compliance with and enforcing section  
12 44-7111. The department and attorney general shall share with each other the  
13 information received under section 44-7111, and may share the information  
14 with other federal, state or local agencies only for the purposes of  
15 enforcement of section 44-7101, section 44-7111 or corresponding laws of  
16 other states.

17 W. The department may provide the name and address of qualifying  
18 hospitals and qualifying health care organizations, as defined in section  
19 42-5001, to a business classified and reporting transaction privilege tax  
20 under the utilities classification.

21 Sec. 19. Section 42-12006, Arizona Revised Statutes, is amended to  
22 read:

23 42-12006. Class six property

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

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

27 2. Real and personal property that is located within the area of a  
28 foreign trade zone or subzone established under 19 United States Code section  
29 81 and title 44, chapter 18, that is activated for foreign trade zone use by  
30 the district director of the United States customs service pursuant to  
31 19 Code of Federal Regulations section 146.6 and that is valued at full cash  
32 value. Property that is classified under this paragraph shall not thereafter  
33 be classified under paragraph 7 of this section.

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

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

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

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

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

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

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

8           4. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO  
9 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, AND  
10 REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE LOCATED AND  
11 OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT  
12 TO SECTION 41-1525.01, AND VALUED AT FULL CASH VALUE AS FOLLOWS:

13           (a) FOR PROPERTY LOCATED IN A CITY OR TOWN WITH A POPULATION OF FIFTY  
14 THOUSAND PERSONS OR MORE, A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST  
15 FIVE MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER  
16 SECTION 41-1525.01, AND EMPLOYING AT LEAST TWENTY-FIVE NEW EMPLOYEES, THE  
17 PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

18           (b) FOR PROPERTY LOCATED IN ANY OTHER LOCATION, A BUSINESS MAKING A  
19 CAPITAL INVESTMENT OF AT LEAST ONE MILLION DOLLARS WITHIN THREE YEARS AFTER  
20 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST  
21 FIFTEEN NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH  
22 FOR UP TO TEN TAX YEARS.

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

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

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

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

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

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

39           6. That portion of real and personal property that is used on or after  
40 January 1, 1999 specifically and solely for remediation of the environment by  
41 an action that has been determined to be reasonable and necessary to respond  
42 to the release or threatened release of a hazardous substance by the  
43 department of environmental quality pursuant to section 49-282.06 or pursuant  
44 to its corrective action authority under rules adopted pursuant to section  
45 49-922, subsection B, paragraph 4 or by the United States environmental  
46 protection agency pursuant to the national contingency plan (40 Code of  
47 Federal Regulations part 300) and that is valued at full cash value.  
48 Property that is not being used specifically and solely for the remediation

1 objectives described in this paragraph shall not be classified under this  
2 paragraph. For the purposes of this paragraph, "remediation of the  
3 environment" means one or more of the following actions:

4 (a) Monitoring, assessing or evaluating the release or threatened  
5 release.

6 (b) Excavating, removing, transporting, treating and disposing of  
7 contaminated soil.

8 (c) Pumping and treating contaminated water.

9 (d) Treatment, containment or removal of contaminants in groundwater  
10 or soil.

11 7. Real and personal property and improvements constructed or  
12 installed from and after December 31, 2004 through December 31, 2010 and  
13 owned by a qualified business under section 41-1516 and used solely for the  
14 purpose of harvesting, transporting or the initial processing of qualifying  
15 forest products removed from qualifying projects as defined in section  
16 41-1516. The classification under this paragraph is subject to the following  
17 terms and conditions:

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

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

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

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

28 8. Real and personal property and improvements to the property that  
29 are used specifically and solely to manufacture from and after December 31,  
30 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent  
31 biodiesel and its by-products and that are valued at full cash value. This  
32 paragraph applies only to the portion of property that is used specifically  
33 for manufacturing and processing one hundred per cent biodiesel fuel, or its  
34 related by-products, from raw feedstock obtained from off-site sources,  
35 including necessary on-site storage facilities that are intrinsically  
36 associated with the manufacturing process. Any other commercial or  
37 industrial use disqualifies the entire property from classification under  
38 this paragraph.

39 9. Real and personal property and improvements that are certified  
40 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for  
41 renewable energy manufacturing or headquarters operations as provided by  
42 section 42-12057. This paragraph applies only to property that is used in  
43 manufacturing and headquarters operations of renewable energy companies,  
44 including necessary on-site research and development, testing and storage  
45 facilities that are associated with the manufacturing process. Up to ten per  
46 cent of the aggregate full cash value of the property may be derived from  
47 uses that are ancillary to and intrinsically associated with the  
48 manufacturing process or headquarters operation. Any additional ancillary

1 property is not qualified for classification under this paragraph. No new  
2 properties may be classified pursuant to this paragraph from and after  
3 December 31, 2014. Classification under this paragraph is limited to the  
4 time periods determined by the department of commerce pursuant to section  
5 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is  
6 classified under this paragraph shall not thereafter be classified under any  
7 other paragraph of this section.

8 Sec. 20. Section 42-12009, Arizona Revised Statutes, is amended to  
9 read:

10 42-12009. Class nine property

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

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

14 (a) The improvements become the property of the federal, state, county  
15 or municipal owner of the property on termination of the leasehold interest  
16 in the property.

17 (b) Both the improvements and the property are used primarily for  
18 athletic, recreational, entertainment, artistic, cultural or convention  
19 activities.

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

22 (a) The improvements become the property of the federal, state, county  
23 or municipal owner of the property on termination of the leasehold interest  
24 in the property.

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

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

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

32 3. Property that is defined as "contractor-acquired property" or  
33 "government-furnished property" in the federal acquisition regulations  
34 (48 Code of Federal Regulations section 45.101) and that is leased to or  
35 acquired by the government and used to perform a government contract.

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

43 5. Real property and improvements, including land, buildings,  
44 furniture and equipment, regardless of ownership, that are leased for the  
45 entire valuation year to, and used exclusively by, a nonprofit organization  
46 that is recognized under section 501(c)(3) of the internal revenue code and  
47 that operates on the premises as a charter school pursuant to section 15-183.  
48 If only part of a parcel of real property or improvements to real property is

1 leased for operation of a charter school as provided by this paragraph, only  
2 the portion so leased qualifies for classification under this section. A  
3 property owner who leases property to a charter school shall file an  
4 affidavit with the county assessor stating that the charter school shall be  
5 the sole beneficiary of the change in property tax classification pursuant to  
6 this section and that the lease rate that is charged to the charter school is  
7 consistent with the lease rates that are charged to other tenants of the  
8 property or a fair market rate.

9 6. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO  
10 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, AND  
11 REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE LOCATED AND  
12 OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT  
13 TO SECTION 41-1525.01 AND THAT IS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO  
14 HUNDRED FIFTY MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED  
15 UNDER SECTION 41-1525.01 AND EMPLOYING AT LEAST ONE HUNDRED FIFTY NEW  
16 EMPLOYEES. THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN  
17 TAX YEARS. PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT  
18 THEREAFTER BE CLASSIFIED UNDER SECTION 42-12006.

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

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

23 Sec. 21. Section 42-13054, Arizona Revised Statutes, is amended to  
24 read:

25 42-13054. Taxable value of personal property; depreciated  
26 values of personal property in class one and class  
27 two (P)

28 A. The taxable value of personal property that is valued by the county  
29 assessor is the result of acquisition cost less any appropriate depreciation  
30 as prescribed by tables adopted by the department. The taxable value shall  
31 not exceed the market value.

32 B. Except as provided in subsection C of this section and  
33 notwithstanding any other statute, the assessor shall adjust the depreciation  
34 schedules prescribed by the department as follows to determine the valuation  
35 of personal property:

36 1. For personal property that is initially classified during tax year  
37 1994 through tax year 2007 as class one, paragraph 8, 9, 10 or 13 pursuant to  
38 section 42-12001 and personal property that is initially classified during  
39 tax year 1995 through tax year 2007 as class two (P) pursuant to section  
40 42-12002:

41 (a) For the first tax year of assessment, the assessor shall use  
42 thirty-five per cent of the scheduled depreciated value.

43 (b) For the second tax year of assessment, the assessor shall use  
44 fifty-one per cent of the scheduled depreciated value.

45 (c) For the third tax year of assessment, the assessor shall use  
46 sixty-seven per cent of the scheduled depreciated value.

47 (d) For the fourth tax year of assessment, the assessor shall use  
48 eighty-three per cent of the scheduled depreciated value.

1 (e) For the fifth and subsequent tax years of assessment, the assessor  
2 shall use the scheduled depreciated value as prescribed in the department's  
3 guidelines.

4 2. For personal property that is initially classified during ~~or after~~  
5 tax year 2008 THROUGH TAX YEAR 2010 as class one, paragraph 8, 9, 10 or 13  
6 pursuant to section 42-12001 and personal property that is initially  
7 classified during ~~or after~~ tax year 2008 THROUGH TAX YEAR 2010 as class two  
8 (P) pursuant to section 42-12002:

9 (a) For the first tax year of assessment, the assessor shall use  
10 thirty per cent of the scheduled depreciated value.

11 (b) For the second tax year of assessment, the assessor shall use  
12 forty-six per cent of the scheduled depreciated value.

13 (c) For the third tax year of assessment, the assessor shall use  
14 sixty-two per cent of the scheduled depreciated value.

15 (d) For the fourth tax year of assessment, the assessor shall use  
16 seventy-eight per cent of the scheduled depreciated value.

17 (e) For the fifth tax year of assessment, the assessor shall use  
18 ninety-four per cent of the scheduled depreciated value.

19 (f) For the sixth and subsequent tax years of assessment, the assessor  
20 shall use the scheduled depreciated value as prescribed in the department's  
21 guidelines.

22 3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER  
23 TAX YEAR 2011 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION  
24 42-12001 AND PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER  
25 TAX YEAR 2011 AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

26 (a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
27 TWENTY-FIVE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

28 (b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
29 FORTY-ONE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

30 (c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
31 FIFTY-SEVEN PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

32 (d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
33 SEVENTY-THREE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

34 (e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE  
35 EIGHTY-NINE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

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

39 C. The additional depreciation prescribed in subsection B of this  
40 section:

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

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

1           Sec. 22. 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:

6           1. FOR THE PURPOSES OF ASSESSING AND LEVYING PRIMARY PROPERTY TAXES  
7 AND SECONDARY PROPERTY TAXES, OTHER THAN SECONDARY PROPERTY TAXES DESCRIBED  
8 IN PARAGRAPH 2 OF THIS SECTION, the following percentage of its full cash  
9 value or limited valuation, as applicable:

10           ~~1.~~ (a) Twenty-five per cent through December 31, 2005.

11           ~~2.~~ (b) Twenty-four and one-half per cent beginning from and after  
12 December 31, 2005 through December 31, 2006.

13           ~~3.~~ (c) Twenty-four per cent beginning from and after December 31,  
14 2006 through December 31, 2007.

15           ~~4.~~ (d) Twenty-three per cent beginning from and after December 31,  
16 2007 through December 31, 2008.

17           ~~5.~~ (e) Twenty-two per cent beginning from and after December 31, 2008  
18 through December 31, 2009.

19           ~~6.~~ (f) Twenty-one per cent beginning from and after December 31, 2009  
20 through December 31, 2010.

21           ~~7.~~ (g) Twenty per cent beginning from and after December 31, 2010.

22           2. FOR TAX YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011, FOR THE  
23 PURPOSES OF ASSESSING SECONDARY PROPERTY TAXES LEVIED BY COUNTIES, CITIES,  
24 TOWNS, COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS FOR THE PAYMENT OF  
25 PRINCIPAL, INTEREST AND REDEMPTION CHARGES ON BONDED INDEBTEDNESS OR OTHER  
26 LAWFUL LONG-TERM OBLIGATIONS AUTHORIZED BY THE VOTERS FROM AND AFTER DECEMBER  
27 31, 2011 AND FOR THE PAYMENT OF COSTS APPROVED BY AN OVERRIDE ELECTION HELD  
28 FROM AND AFTER DECEMBER 31, 2011, SIXTEEN PER CENT. THE ASSESSED VALUATION  
29 DETERMINED PURSUANT TO THIS PARAGRAPH DOES NOT APPLY FOR THE PURPOSES OF  
30 COMPUTING DEBT LIMITATIONS PURSUANT TO ARTICLE IX, SECTIONS 8 AND 8.1,  
31 CONSTITUTION OF ARIZONA, OR THE LIMITATION ON CLASS B BONDED INDEBTEDNESS  
32 PURSUANT TO SECTION 15-1021.

33           Sec. 23. Section 43-206, Arizona Revised Statutes, is amended to read:

34           43-206. Urban revenue sharing fund; allocation; distribution

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

46           B. Each city or town shall share in the urban revenue sharing fund in  
47 the proportion that the population of each bears to the population of all.  
48 Except as provided by sections 42-5033 and 42-5033.01, the population of a

1 city or town as determined by the most recent United States decennial census  
2 plus any revisions to the decennial census certified by the United States  
3 bureau of the census shall be used as the basis for apportioning monies  
4 pursuant to this subsection.

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

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

13 E. On receipt of a certificate of default from the greater Arizona  
14 development authority pursuant to section 41-1554.06 or 41-1554.07, the state  
15 treasurer, to the extent not otherwise expressly prohibited by law, shall  
16 withhold from the next succeeding distribution of monies pursuant to this  
17 section due to the city or town the amount specified in the certificate of  
18 default and immediately deposit the amount withheld in the greater Arizona  
19 development authority revolving fund. The state treasurer shall continue to  
20 withhold and deposit the monies until the authority certifies to the state  
21 treasurer that the default has been cured. In no event shall the state  
22 treasurer withhold any amount that is necessary, as certified by the  
23 defaulting political subdivision to the state treasurer and the authority, to  
24 make any required deposits then due for the payment of principal and interest  
25 on bonds of the political subdivision that were issued prior to the date of  
26 the loan repayment agreement or bonds and that have been secured by a pledge  
27 of distributions made pursuant to this section.

28 Sec. 24. Section 43-222, Arizona Revised Statutes, is amended to read:

29 43-222. Income tax credit review schedule

30 The joint legislative income tax credit review committee shall review  
31 the following income tax credits:

32 1. For years ending in 0 and 5, sections 43-1074, 43-1075, 43-1075.01,  
33 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1161, 43-1163, 43-1163.01,  
34 43-1167.01, 43-1175 and 43-1182.

35 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,  
36 43-1164 and 43-1183.

37 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,  
38 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176  
39 and 43-1181.

40 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,  
41 43-1170 and 43-1178.

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

44 Sec. 25. Title 43, chapter 4, article 1, Arizona Revised Statutes, is  
45 amended by adding section 43-409, to read:

46 43-409. Job recovery withholdings clearing fund

47 A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED  
48 CONSISTING OF UP TO ONE HUNDRED PER CENT OF WITHHOLDING TAX REVENUES ON NEW

1 JOBS CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 4.1 AND NEW EMPLOYEES  
2 HIRED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 5.1. ON NOTICE FROM THE  
3 DIRECTOR OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH MONTH, THE  
4 DIRECTOR OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND SUFFICIENT  
5 MONIES EACH MONTH TO MEET THE REQUIREMENTS OF THE SUPPLEMENTAL JOB TRAINING,  
6 ARIZONA OPPORTUNITY FUND AND ARIZONA QUALITY JOBS PROGRAMS.

7 B. ON THE LAST DAY OF EACH MONTH, THE DEPARTMENT OF REVENUE SHALL  
8 NOTIFY THE STATE TREASURER TO TRANSFER MONIES FROM THE JOB RECOVERY  
9 WITHHOLDINGS CLEARING FUND TO THE IMPACT PROGRAM FUND ESTABLISHED BY SECTION  
10 41-1545.06, THE ARIZONA OPPORTUNITY FUND ESTABLISHED BY SECTION 41-1546 AND  
11 THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY SECTION 41-1547.02.

12 Sec. 26. Section 43-1022, Arizona Revised Statutes, is amended to  
13 read:

14 43-1022. Subtractions from Arizona gross income

15 In computing Arizona adjusted gross income, the following amounts shall  
16 be subtracted from Arizona gross income:

- 17 1. The amount of exemptions allowed by section 43-1023.
- 18 2. Benefits, annuities and pensions in an amount totaling not more  
19 than two thousand five hundred dollars received from one or more of the  
20 following:

21 (a) The United States government service retirement and disability  
22 fund, retired or retainer pay of the uniformed services of the United States,  
23 the United States foreign service retirement and disability system and any  
24 other retirement system or plan established by federal law.

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

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

35 4. The amount of any distributions from an individual retirement  
36 account as provided for in section 408 of the internal revenue code or from a  
37 qualified retirement plan of a self-employed individual as provided for in  
38 section 401 of the internal revenue code to the extent that total adjustments  
39 made pursuant to this paragraph in all tax years do not exceed the total of  
40 all contributions made by the taxpayer to such plans prior to December 31,  
41 1975, which were included in computing Arizona taxable income.

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

46 6. Interest income received on obligations of the United States, less  
47 any interest on indebtedness, or other related expenses, and deducted in

1 arriving at Arizona gross income, which were incurred or continued to  
2 purchase or carry such obligations.

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

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

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

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

15 11. The amount by which the adjusted basis of property described in  
16 this paragraph and computed pursuant to this title and the income tax act of  
17 1954, as amended, exceeds the adjusted basis of such property computed  
18 pursuant to the internal revenue code. This paragraph shall apply to all  
19 property which is held for the production of income and which is sold or  
20 otherwise disposed of during the taxable year other than depreciable property  
21 used in a trade or business.

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

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

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

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

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

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

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

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

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

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

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

22           (a) An eligible individual may subtract:

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

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

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

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

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

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

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

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

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

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

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

17           31. For taxable years beginning from and after December 31, 2007  
18 through December 31, 2012, the amount contributed during the taxable year to  
19 college savings plans established pursuant to section 529 of the internal  
20 revenue code to the extent that the contributions were not deducted in  
21 computing federal adjusted gross income. The amount subtracted shall not  
22 exceed:

23           (a) Seven hundred fifty dollars for a single individual or a head of  
24 household.

25           (b) One thousand five hundred dollars for a married couple filing a  
26 joint return. In the case of a husband and wife who file separate returns,  
27 the subtraction may be taken by either taxpayer or may be divided between  
28 them, but the total subtractions allowed both husband and wife shall not  
29 exceed one thousand five hundred dollars.

30           32. To the extent not already excluded from Arizona gross income under  
31 the internal revenue code, the amount authorized by section 43-1032 for  
32 displaced pupils choice grants.

33           33. THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED  
34 GROSS INCOME FOR THE TAXABLE YEAR DERIVED FROM INVESTMENT BY THE TAXPAYER IN  
35 A SMALL BUSINESS IN THIS STATE THAT EMPLOYED FEWER THAN ONE HUNDRED FULL-TIME  
36 EMPLOYEES, OR THAT HAD GROSS ANNUAL RECEIPTS OF LESS THAN TEN MILLION  
37 DOLLARS, IN ITS LAST FISCAL YEAR.

38           Sec. 27. Section 43-1074, Arizona Revised Statutes, is amended to  
39 read:

40           43-1074. Credit for new employment; definitions

41           A. A credit is allowed against the taxes imposed by this title for net  
42 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~  
43 ~~residents of this state by a business located in an enterprise zone~~  
44 ~~established under title 41, chapter 10, article 2~~ AS CERTIFIED BY THE  
45 DEPARTMENT OF COMMERCE PURSUANT TO SECTION 41-1525, except employment  
46 positions at a ~~zone~~ location where more than ten per cent of the business  
47 conducted at the location consists of retail sales of tangible personal  
48 property, measured by either the number of employees assigned to retail sales

1 or the square footage of the facility used for retail sales activities at the  
2 location ~~in the zone~~. Retail sales and retail sales activities do not  
3 include:

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

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

8 3. Products sold to company employees.

9 B. Subject to subsection E of this section, the amount of the credit  
10 is equal to: ~~THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN~~  
11 ~~ARIZONA BASIC ENTERPRISE, AS DEFINED IN SECTION 41-1545, FOR THE FULL TAXABLE~~  
12 ~~YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF~~  
13 ~~EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.~~

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

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

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

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

24 1. A TAXPAYER MUST:

25 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN  
26 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

27 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN  
28 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT  
29 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

30 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed  
31 must reside in this state.

32 ~~2.~~ 3. Thirty-five per cent of the employees with respect to whom a  
33 credit is claimed for the first year of employment must reside on the date of  
34 employment ~~in an enterprise zone that is located~~ in the same county in which  
35 the business is located. If an employee for whom a credit was allowed in the  
36 first year of employment leaves employment during the second or third year,  
37 the taxpayer may substitute another employee who meets the requirements of  
38 paragraph ~~3~~ 4 of this subsection and who was hired during the same year as  
39 the original employee. ~~If the original employee was counted toward the~~  
40 ~~residency requirement under this paragraph, the substitute employee must also~~  
41 ~~have resided in a zone at the time the substitute was hired.~~

42 ~~3.~~ 4. A qualified employment position must meet all of the following  
43 requirements:

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

46 (b) The job duties must be performed primarily at the ~~zone~~ locations  
47 of the business. If an eligible employee in a qualified employment position  
48 is transferred or assigned to work in the taxpayer's workplace at a different

1 location ~~that is also located in an enterprise zone and qualifies as a zone~~  
2 ~~location~~, it may be considered to be continuous employment if it continues to  
3 meet all qualified employment position requirements.

4 (c) The employment must include health insurance coverage for the  
5 employee for which the employer pays at least ~~fifty~~ SIXTY-FIVE per cent of  
6 the premium or membership cost. If the taxpayer is self-insured, the  
7 taxpayer must pay at least ~~fifty~~ SIXTY-FIVE per cent of a predetermined fixed  
8 cost per employee for an insurance program that is payable whether or not the  
9 employee has filed claims.

10 (d) The employer must pay compensation at least equal to ONE HUNDRED  
11 SEVENTY-FIVE PER CENT OF the wage offer by county as computed annually by the  
12 department of economic security research administration division OR SUCCESSOR  
13 ADMINISTRATION.

14 (e) The employee must have been employed for at least ninety days  
15 during the first taxable year. An employee who is hired during the last  
16 ninety days of the taxable year shall be considered a new employee during the  
17 next taxable year. A qualified employment position that is filled during the  
18 last ninety days of the taxable year is considered to be a new qualified  
19 employment position for the next taxable year.

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

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

28 E. The net increase in the number of qualified employment positions is  
29 the lesser of the total number of filled qualified employment positions  
30 created ~~in the zone~~ during the tax year or the difference between the average  
31 number of full-time employees ~~in the zone~~ in the current tax year and the  
32 average number of full-time employees during the immediately preceding  
33 taxable year. The net increase in the number of qualified employment  
34 positions computed under this subsection shall not exceed ~~two~~ FOUR hundred  
35 qualified employment positions per taxpayer each year.

36 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or  
37 43-1083.01 shall not claim a credit under this section with respect to the  
38 same employment positions.

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

45 H. Co-owners of a business, including partners in a partnership and  
46 shareholders of an S corporation, as defined in section 1361 of the internal  
47 revenue code, may each claim only the pro rata share of the credit allowed  
48 under this section based on the ownership interest. The total of the credits

1 allowed all such owners of the business may not exceed the amount that would  
2 have been allowed for a sole owner of the business.

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

14 J. A failure to timely report and certify to the department of  
15 commerce and the department of revenue the information prescribed by section  
16 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed  
17 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit  
18 under this section. The department of revenue shall require written evidence  
19 of the timely report to the department of commerce.

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

22 ~~1. Taxpayers who have employees in the second and third years of  
23 employment in qualified employment positions under subsections A, B and C of  
24 this section if the business remains in the location that was in the  
25 enterprise zone.~~

26 ~~2. Amounts carried forward into subsequent taxable years under  
27 subsection G of this section.~~

28 ~~L.~~ K. The department may adopt rules necessary for the administration  
29 of this section.

30 ~~M.~~ L. For the purposes of this section:

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

33 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
34 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR  
35 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

36 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to  
37 an ultimate consumer.

38 ~~3.~~ 4. "Retail sales activities" means all activities persons  
39 operating a retail business normally engage in, including taking orders,  
40 filling orders, billing orders, receiving and processing payment and  
41 shipping, stocking and delivering tangible personal property to the ultimate  
42 consumer, except drop shipments by a company acting on behalf of an unrelated  
43 company that has made a sale to a final consumer.

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

1           Sec. 28. Section 43-1139, Arizona Revised Statutes, is amended to  
2 read:

3           43-1139. Allocation of business income

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

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

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

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

14           2. December 31, 2007 through December 31, 2008 by either:

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

18           (b) Multiplying the income by a fraction, the numerator of which is  
19 one and one-half times the property factor plus one and one-half times the  
20 payroll factor plus seven times the sales factor, and the denominator of  
21 which is ten.

22           3. December 31, 2008 THROUGH DECEMBER 31, 2014 by either:

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

26           (b) Multiplying the income by a fraction, the numerator of which is  
27 the property factor plus the payroll factor plus eight times the sales  
28 factor, and the denominator of which is ten.

29           4. DECEMBER 31, 2014 THROUGH DECEMBER 31, 2015 BY EITHER:

30           (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS  
31 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,  
32 AND THE DENOMINATOR OF WHICH IS FOUR.

33           (b) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS  
34 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS EIGHTEEN TIMES THE SALES  
35 FACTOR, AND THE DENOMINATOR OF WHICH IS TWENTY.

36           5. DECEMBER 31, 2015 BY EITHER:

37           (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS  
38 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,  
39 AND THE DENOMINATOR OF WHICH IS FOUR.

40           (b) MULTIPLYING THE INCOME SOLELY BY THE SALES FACTOR.

41           B. All business income of a taxpayer engaged in air commerce shall be  
42 apportioned to this state by multiplying the income by a fraction, the  
43 numerator of which is the revenue aircraft miles flown within this state for  
44 flights beginning or ending in this state and the denominator of which is the  
45 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.  
46 This subsection applies to each taxpayer, including a combined group filing a  
47 combined return or an affiliated group electing to file a consolidated return

1 under section 43-947, if fifty per cent or more of that taxpayer's gross  
2 income is derived from air commerce. For the purposes of this subsection:

3 1. "Air commerce" means transporting persons or property for hire by  
4 aircraft in interstate, intrastate or international transportation.

5 2. "Revenue aircraft miles flown" has the same meaning prescribed by  
6 the United States department of transportation uniform system of accounts and  
7 reports for large certificated air carriers (14 Code of Federal Regulations  
8 part 241).

9 Sec. 29. Section 43-1161, Arizona Revised Statutes, is amended to  
10 read:

11 43-1161. Credit for new employment; definitions

12 A. A credit is allowed against the taxes imposed by this title for net  
13 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~  
14 ~~residents of this state by a business located in an enterprise zone~~  
15 ~~established under title 41, chapter 10, article 2 AS CERTIFIED BY THE~~  
16 ~~DEPARTMENT OF COMMERCE PURSUANT TO SECTION 41-1525~~, except employment  
17 positions at a ~~zone~~ location where more than ten per cent of the business  
18 conducted at the location consists of retail sales of tangible personal  
19 property, measured by either the number of employees assigned to retail sales  
20 or the square footage of the facility used for retail sales activities at the  
21 location ~~in the zone~~. Retail sales and retail sales activities do not  
22 include:

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

25 2. Promotional products not available for sale and displaying the  
26 company logo or trademark.

27 3. Products sold to company employees.

28 B. Subject to subsection E of this section, the amount of the credit  
29 is equal to ~~+~~ THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN  
30 ARIZONA BASIC ENTERPRISE, AS DEFINED IN SECTION 41-1545, FOR THE FULL TAXABLE  
31 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF  
32 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

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

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

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

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

43 1. A TAXPAYER MUST:

44 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN  
45 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

46 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN  
47 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT  
48 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

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~~ SIXTY-FIVE per cent of  
25 the premium or membership cost. If the taxpayer is self-insured, the  
26 taxpayer must pay at least ~~fifty~~ SIXTY-FIVE per cent of a predetermined fixed  
27 cost per employee for an insurance program that is payable whether or not the  
28 employee has filed 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 ~~OR SUCCESSOR~~  
32 ~~ADMINISTRATION.~~

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

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

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

47           E. The net increase in the number of qualified employment positions is  
48 the lesser of the total number of filled qualified employment positions

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

7 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or  
8 43-1167 may not claim a credit under this section with respect to the same  
9 employment positions.

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

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

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

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

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

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

44 ~~2. Amounts carried forward into subsequent taxable years under~~  
45 ~~subsection G of this section.~~

46 ~~L. K.~~ The department may adopt rules necessary for the administration  
47 of this section.

48 ~~M.~~ L. 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. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
4 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR  
5 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

6           ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to  
7 an ultimate consumer.

8           ~~3.~~ 4. "Retail sales activities" means all activities persons  
9 operating a retail business normally engage in, including taking orders,  
10 filling orders, billing orders, receiving and processing payment and  
11 shipping, stocking and delivering tangible personal property to the ultimate  
12 consumer, except drop shipments by a company acting on behalf of an unrelated  
13 company that has made a sale to a final consumer.

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

17           Sec. 30. Laws 1996, chapter 344, section 12, as amended by Laws 2001,  
18 chapter 370, section 8 and Laws 2006, chapter 387, section 5, is amended to  
19 read:

20           Sec. 12. Delayed repeal

21           Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections  
22 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from  
23 and after June 30, ~~2011~~ 2016.

24           Sec. 31. Short title

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

27           Sec. 32. Legislative intent

28           It is the intent of the legislature that:

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

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

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

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

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

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

43           5. This act not be construed to constitute a guarantee or assumption  
44 by this state of any debt of an individual, company, corporation or  
45 association or to authorize the credit of this state to be given, pledged or  
46 loaned to any individual, company, corporation or association.

1           Sec. 33. Continuation of enterprise zone tax incentives from  
2                           prior law

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

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

12           2. Insurers and taxpayers who have employees in the second and third  
13 years of employment in qualified employment positions under section  
14 20-224.03, subsection A, paragraphs 2 and 3, Arizona Revised Statutes,  
15 section 43-1074, subsections A, B and C, Arizona Revised Statutes, and  
16 section 43-1161, subsections A, B and C, Arizona Revised Statutes, including  
17 any excess credit amounts carried forward from prior taxable years."

18 Amend title to conform

JACK W. HARPER

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