

HARPER FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1186
(Reference to Senate engrossed bill)

1 Page 4, between lines 14 and 15, insert:

2 "Sec. 3. Section 20-224.03, Arizona Revised Statutes, as added by Laws
3 2011, second special session, chapter 1, section 10, is amended to read:

4 20-224.03. Premium tax credit for new employment

5 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER JUNE 30, 2011, a credit
6 is allowed against the premium tax liability imposed pursuant to section
7 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07 for net increases in full-time
8 employees RESIDING IN THIS STATE AND hired in qualified employment positions
9 IN THIS STATE as COMPUTED, AND certified by the Arizona commerce authority,
10 pursuant to section 41-1525. A tax credit is not allowed against the portion
11 of the tax payable to the fire fighters' relief and pension fund pursuant to
12 section 20-224 or the portion of the tax payable to the public safety
13 personnel retirement system pursuant to section 20-224.01.

14 B. Subject to subsection E of this section, the amount of the tax
15 credit is equal to three thousand dollars for each full-time employee hired
16 ~~for the full~~ DURING THE taxable year in a qualified employment position in
17 each of the first three years of employment, but not more than four hundred
18 employees in any taxable year. EMPLOYEES HIRED IN THE LAST NINETY DAYS OF
19 THE TAXABLE YEAR ARE EXCLUDED FOR THAT TAXABLE YEAR AND ARE CONSIDERED TO BE
20 NEW EMPLOYEES IN THE FOLLOWING TAXABLE YEAR.

21 C. To qualify for a credit under this section, the insurer and the
22 employment positions must meet the requirements prescribed by section
23 41-1525.

24 D. A credit is allowed for employment in the second and third year
25 only for qualified employment positions for which a credit was claimed and
26 allowed in the first year.

27 E. The net increase in the number of qualified employment positions AT
28 EACH BUSINESS LOCATION is the lesser of the total number of filled qualified
29 employment positions AT THE BUSINESS LOCATION created during the taxable year
30 or the difference between the average number of full-time employees AT THE
31 BUSINESS LOCATION in the current tax year and the average number of full-time

1 employees AT THE BUSINESS LOCATION during the immediately preceding taxable
2 year. AN EMPLOYEE WHO IS TRANSFERRED BY THE SAME EMPLOYER FROM ONE LOCATION
3 IN THIS STATE TO ANOTHER LOCATION IN THIS STATE SHALL NOT BE INCLUDED IN THE
4 AVERAGE NUMBER OF FULL-TIME EMPLOYEES IN THAT TAXABLE YEAR AT THE NEW
5 LOCATION, BUT IN THE FOLLOWING TAXABLE YEAR THE EMPLOYEE SHALL BE INCLUDED IN
6 THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES FOR THE PRIOR TAXABLE YEAR FOR THE
7 NEW LOCATION. The net increase in the number of qualified employment
8 positions computed under this subsection may not exceed four hundred
9 qualified employment positions per taxpayer each year.

10 F. A taxpayer who claims a credit under section 20-224.04 shall not
11 claim a credit under this section with respect to the same employment
12 positions.

13 G. If the allowable tax credit exceeds the state premium tax
14 liability, the amount of the claim not used as an offset against the state
15 premium tax liability may be carried forward as a tax credit against
16 subsequent years' state premium tax liability for a period not exceeding five
17 taxable years.

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

29 I. An insurer that claims a tax credit against state premium tax
30 liability is not required to pay any additional retaliatory tax imposed
31 pursuant to section 20-230 as a result of claiming that tax credit.

32 J. A failure to timely report and certify to the Arizona commerce
33 authority the information prescribed by section 41-1525, subsection D and in
34 the manner prescribed by section 41-1525, subsection E disqualifies the
35 insurer from the credit under this section. The department of insurance
36 shall require written evidence of the timely report to the Arizona commerce
37 authority.

1 K. A tax credit under this section is subject to recovery for a
2 violation described in section 41-1525, subsection G.

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

5 Renumber to conform

6 Page 18, after line 44, insert:

7 "Sec. 12. Section 41-1525, Arizona Revised Statutes, as added by Laws
8 2011, second special session, chapter 1, section 45, is amended to read:

9 41-1525. Arizona quality jobs incentives; tax credits for new
10 employment; qualifications; definitions

11 A. ~~The owner of~~ A business ~~or an insurer located~~ WITH A LOCATION in
12 this state before July 2017 is eligible for income tax credits under section
13 43-1074 or 43-1161 or an insurance premium tax credit under section 20-224.03
14 for net increases in FULL-TIME EMPLOYEES RESIDING IN THIS STATE AND HIRED IN
15 qualified employment positions IN THIS STATE.

16 B. To qualify under this section, AND SUBJECT TO PREAPPROVAL BY THE
17 AUTHORITY, the ~~owner~~ BUSINESS must MEET EITHER OF THE FOLLOWING REQUIREMENTS
18 in the first taxable year FOR EACH LOCATION OF THE BUSINESS FOR WHICH it
19 claims a tax credit:

20 1. Invest at least five million dollars of capital investment and
21 create at least twenty-five new qualified employment positions AT A LOCATION
22 within the exterior boundaries of a city or town that has a population of
23 fifty thousand persons or more and that is located in a county that has a
24 population of eight hundred thousand persons or more.

25 2. Invest at least one million dollars of capital investment and
26 create at least five qualified employment positions in any other location.

27 C. No more than four hundred new jobs per employer qualify for first
28 year credits each year, and no more than ten thousand new jobs for all
29 employers qualify for first year credits each year.

30 D. To claim a tax credit, the ~~owner~~ BUSINESS must:

31 1. Certify to the department of revenue or the department of
32 insurance, as applicable, on or before the due date of the tax return,
33 including any extensions for the year for which the credit is claimed, in a
34 form prescribed by the department, including electronic media, information
35 that the department may require, including the ownership interests of
36 co-owners of the business if the business is a partnership, limited liability
37 company or an S corporation, and the following information for each employee
38 in the location:

- 1 (a) The date of initial employment.
- 2 (b) The number of hours worked during the year.
- 3 (c) Whether the position was full-time.
- 4 (d) The employee's annual compensation.
- 5 (e) The total cost of health insurance for the employee and the cost
- 6 paid by the employer.
- 7 (f) Other information required by the department.

8 2. Report and certify to the authority the following information, and
9 provide supporting documentation, on a form and in a manner approved by the
10 authority, and as specified in subsection E of this section, for each year in
11 which the taxpayer earned and claimed or used credits or is carrying forward
12 amounts from previously earned and claimed credits:

- 13 (a) The business name and mailing address and any other contact
- 14 information requested by the authority.
- 15 (b) The physical address of the business location.
- 16 (c) The average hourly wage and the total amount of compensation paid
- 17 to employees qualified for the credit and for all employees.
- 18 (d) The total number of qualified employment positions and the amount
- 19 of income tax or premium tax credits qualified for in the taxable year.
- 20 (e) The estimated amount of tax credits to be used in the taxable year
- 21 to offset tax liability.
- 22 (f) The estimated amount of tax credits to be available for
- 23 carryforward in the taxable year and the year in which the credits expire.
- 24 (g) The number of jobs and the amount of credits earned and claimed on
- 25 the prior year's tax return.
- 26 (h) The amount of credits used to offset tax liabilities on the prior
- 27 year's tax return.
- 28 (i) The amount of credits available for carryforward as reported on
- 29 the prior year's tax return and the year the credits expire.
- 30 (j) Capital investment made during the taxable year and the preceding
- 31 taxable year.
- 32 (k) Other information necessary for the management and reporting of
- 33 the incentives under this section.

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

1 (a) That the increase in the number of qualified employment positions
2 for which credit is sought is the least of:

3 (i) The total number of filled qualified employment positions created
4 at the location during the taxable year.

5 (ii) The difference between the average number of full-time employees
6 **IN THIS STATE** in the current taxable year and the average number of full-time
7 employees **IN THIS STATE** during the immediately preceding taxable year. **AN**
8 **EMPLOYEE WHO IS TRANSFERRED BY THE SAME EMPLOYER FROM ONE LOCATION IN THIS**
9 **STATE TO ANOTHER LOCATION IN THIS STATE SHALL NOT BE INCLUDED IN THE AVERAGE**
10 **NUMBER OF FULL-TIME EMPLOYEES IN THAT TAXABLE YEAR AT THE NEW LOCATION, BUT**
11 **IN THE FOLLOWING TAXABLE YEAR THE EMPLOYEE SHALL BE INCLUDED IN THE AVERAGE**
12 **NUMBER OF FULL-TIME EMPLOYEES FOR THE PRIOR TAXABLE YEAR FOR THE NEW**
13 **LOCATION.**

14 (iii) Four hundred qualified employment positions per taxpayer each
15 year.

16 (b) That all employees filling a qualified employment position were
17 employed for at least ninety days during the first taxable year. **EMPLOYEES**
18 **HIRED IN THE LAST NINETY DAYS OF THE TAXABLE YEAR ARE EXCLUDED FOR THAT**
19 **TAXABLE YEAR AND ARE CONSIDERED TO BE NEW EMPLOYEES IN THE FOLLOWING TAXABLE**
20 **YEAR BUT QUALIFIED EMPLOYMENT POSITIONS ARE CONSIDERED TO BE CREATED FOR THE**
21 **PURPOSES OF SUBSECTION B OF THIS SECTION IN THE YEAR THE EMPLOYEE IS ACTUALLY**
22 **HIRED.**

23 (c) That none of the employees filling qualified employment positions
24 were employed by the taxpayer during the twelve months before the current
25 date of hire except for those relocating to this state.

26 (d) That all employees for whom second and third year credits are
27 claimed are in qualified employment positions for which first year credits
28 were allowed and claimed by the taxpayer on the original first and second
29 year tax returns.

30 (e) That all employees for whom credits are taken performed their job
31 duties primarily at the designated locations of the business.

32 E. To qualify for first year credits, the report and certification
33 prescribed by subsection D, paragraphs 2 and 3 of this section must be filed
34 with the authority by the earlier of six months after the end of the taxable
35 year in which the qualified employment positions were created or by the date
36 the tax return is filed for the taxable year in which the qualified
37 employment positions were created. To qualify for second year credits, the
38 report and certification prescribed by subsection D, paragraph 2 of this

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

8 F. Any information submitted to the authority under subsection D,
9 paragraph 2, subdivisions (e) through (j) of this section is exempt from
10 title 39, chapter 1, article 2 and considered to be confidential and is not
11 subject to disclosure except:

12 1. To the extent that the person or organization that provided the
13 information consents to the disclosure.

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

15 G. Documents filed with the authority, the department of insurance and
16 the department of revenue under subsection D of this section shall contain
17 either a sworn statement or certification, signed by an officer of the
18 company under penalty of perjury, that the information contained is true and
19 correct according to the best belief and knowledge of the person submitting
20 the information after a reasonable investigation of the facts. If the
21 document contains information that is materially false, the taxpayer is
22 ineligible for the tax credits described under subsection A of this section
23 and is subject to recovery of the amount of tax credits allowed in preceding
24 taxable years based on the false information, plus penalties and interest.

25 H. The authority may make site visits to a taxpayer's facilities if it
26 is necessary to further document or clarify reported information. The
27 taxpayer must freely provide the access.

28 I. The authority by rule may prescribe [PREAPPROVAL REQUIREMENTS AND](#)
29 additional reporting requirements for taxpayers who claim tax credits
30 pursuant to this section.

31 J. On or before September 30 of each year, the authority shall
32 transmit a report to the governor, the president of the senate, the speaker
33 of the house of representatives and the chairpersons of the senate finance
34 committee and the house of representatives ways and means committee and
35 provide a copy of the report to the secretary of state. The report shall
36 include the following information.

1 1. The business names, locations, number of employees and amount of
2 compensation paid to employees qualifying for income tax credits as reported
3 to the authority.

4 2. The amount of capital investment, made during the preceding fiscal
5 year and cumulatively.

6 3. The total amount of income tax credits allowed for the preceding
7 taxable year and the number of qualified employment positions for which
8 credits were claimed pursuant to sections 43-1074 and 43-1161.

9 K. For the purposes of this section:

10 1. "Capital investment" means an expenditure to acquire, lease or
11 improve property that is used in operating a business, including land,
12 buildings, machinery and fixtures.

13 ~~2. "Primarily" means more than seventy-five per cent of the square
14 footage of the location or locations.~~

15 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR
16 LEASED LAND IN THIS STATE, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON
17 THE LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY THE OWNER. PARCELS THAT
18 ARE SEPARATED ONLY BY A PUBLIC THOROUGHFARE OR RIGHT-OF-WAY ARE CONSIDERED TO
19 BE CONTIGUOUS BUT PARCELS THAT ARE IN LOCATIONS RESPECTIVELY DESCRIBED BY
20 SUBSECTION B, PARAGRAPHS 1 AND 2 OF THIS SECTION ARE NOT CONSIDERED TO BE
21 CONTIGUOUS.

22 3. "Qualified employment position" means employment that meets the
23 following requirements:

24 (a) The position consists of at least one thousand seven hundred fifty
25 hours per year of full-time permanent employment.

26 (b) The job duties are performed primarily at the location or
27 locations of the business IN THIS STATE.

28 (c) The employment provides health insurance coverage for the employee
29 for which the employer pays at least sixty-five per cent of the premium or
30 membership cost. If the business is self-insured, the employer pays at least
31 sixty-five per cent of a predetermined fixed cost per employee for an
32 insurance program that is payable whether or not the employee has filed
33 claims.

34 (d) The employer pays compensation at least equal to the median wage
35 by county as computed annually by the authority."

36 Renumber to conform

37 Page 44, lines 18 and 19, strike "for use by such government outside of this state"

38 Page 78, lines 39 and 40, strike "for use by such government outside of this state"

1 Page 89, after line 44, insert:

2 "Sec. 31. Section 42-12052, Arizona Revised Statutes, as amended by
3 Laws 2011, second special session, chapter 1, section 80, is amended to read:

4 42-12052. Review and verification of class three property;
5 owner's affidavit and notice; civil penalty;
6 appeals

7 A. Each county assessor shall review assessment information, on a
8 continuing basis, to ensure proper classification of residential dwellings.
9 The assessor may enter into intergovernmental agreements with the department
10 for an exchange of information to ensure a coordinated and comprehensive
11 review and identification of property that may be rented while classified as
12 class three pursuant to section 42-12003.

13 B. Beginning in ~~2012~~ 2013 and each ~~even-numbered~~ ODD-NUMBERED
14 VALUATION year thereafter the county assessor shall include with the notice
15 of full cash value sent to owners of class three property pursuant to section
16 42-15101 an affidavit, in a form prescribed by the department, on which the
17 owner must declare, under penalty of perjury, whether the property is the
18 owner's primary residence, or leased or rented to a relative of the owner, as
19 provided by section 42-12053, and used as the relative's primary residence,
20 in the current ~~valuation~~ TAX year. The owner must return the completed
21 affidavit form to the county assessor within sixty days. If the owner
22 indicates on the affidavit that the property is not the owner's or relative's
23 primary residence, if the owner indicates on more than one affidavit that
24 more than one parcel is the owner's primary residence, or if the owner fails
25 to return the affidavit timely to the assessor, the assessor shall reclassify
26 the property as class four pursuant to section 42-12004 or in another
27 classification according to the property's use and within fifteen days notify
28 the owner of the reclassification and of the owner's the right to appeal the
29 reclassification. If for any reason an owner believes that reclassification
30 pursuant to this subsection is erroneous, the owner may file a notice of
31 claim with the assessor pursuant to section 42-16254 to resolve the correct
32 classification.

33 C. If the assessor has reason to believe that a parcel of property
34 that is classified as class three pursuant to section 42-12003 is not used as
35 the owner's primary residence or is being rented, the assessor shall notify
36 the owner, in a form prescribed by the department as provided by subsection D
37 of this section, and request that the owner respond as to whether the
38 property is occupied as the owner's primary residence, is a secondary

1 residence or is used as a rental property. If the owner responds that the
2 property is not the owner's primary residence, or if the owner fails to
3 respond to the assessor within thirty days after the notice is mailed, the
4 assessor shall mail the owner a final notice within thirty days requesting
5 that the owner provide information as to whether or not the property is the
6 owner's primary residence, a secondary residence or used as a rental
7 property. If the owner fails to respond to the assessor within fifteen days
8 after the final notice is mailed, the assessor shall:

9 1. Reclassify the property as class four. In addition to other appeal
10 procedures provided by law, the owner of the property that is reclassified as
11 class four under this paragraph may appeal the reclassification to the county
12 board of supervisors within thirty days after the notice of classification is
13 mailed. If the owner proves to the board's satisfaction that the property is
14 occupied as the owner's primary residence, the board shall order the property
15 to be reclassified as class three property pursuant to section 42-12003.

16 2. Notify the county treasurer who shall assess a civil penalty
17 against the property equal to twice the amount of additional state aid paid
18 pursuant to section 15-972 with respect to the property in the preceding tax
19 year. The owner of the property shall pay a penalty under this paragraph to
20 the county treasurer within thirty days after the notice of the penalty is
21 mailed. The owner may appeal the penalty to the county board of supervisors
22 within the time required for payment. If the owner proves to the board's
23 satisfaction that the property is occupied by the owner, the board shall
24 waive the penalty, and the property shall be listed as class three pursuant
25 to section 42-12003. Until paid or waived, the penalty constitutes a lien
26 against the property. The county treasurer shall deposit all revenue
27 received from penalties assessed under this paragraph in the county general
28 fund.

29 D. The department shall:

30 1. Prescribe all forms used to notify property owners under this
31 section. The forms shall contain information as to criteria for the
32 reclassification of property and the civil penalties that may result if the
33 owner fails to respond to the notice.

34 2. Monitor and review the procedures and practices used by assessors
35 and treasurers to accomplish the verification of class three property and the
36 assessment and collection of penalties prescribed by this section and propose
37 suggested improvements to establish uniform processes and performance among
38 the counties.

1 E. The department may inspect the records of county assessors and
2 county treasurers to determine compliance with the requirements of this
3 section and the accuracy of the classification of owner-occupied residential
4 property and rental property.

5 Sec. 32. Section 42-13353, Arizona Revised Statutes, is amended to
6 read:

7 42-13353. Depreciated values of personal property of
8 manufacturers, assemblers and fabricators

9 A. Except as provided in subsection ~~E~~ D and notwithstanding any other
10 statute, the department shall adjust depreciation schedules for use by the
11 assessors to determine the valuation of personal property valued under this
12 article that was or is initially assessed during tax year 1994 through tax
13 year 2007 as follows:

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

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

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

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

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

25 B. Except as provided in subsection ~~E~~ D and notwithstanding any other
26 law, the department shall adjust depreciation schedules for use by the
27 assessors to determine the valuation of personal property valued under this
28 article that was or is initially assessed during ~~or after~~ tax year 2008
29 **THROUGH TAX YEAR 2011** as follows:

30 1. For the first tax year of assessment, the assessor shall use thirty
31 per cent of the scheduled depreciated value.

32 2. For the second tax year of assessment, the assessor shall use
33 forty-six per cent of the scheduled depreciated value.

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

36 4. For the fourth tax year of assessment, the assessor shall use
37 seventy-eight per cent of the scheduled depreciated value.

1 5. For the fifth tax year of assessment, the assessor shall use
2 ninety-four per cent of the scheduled depreciated value.

3 6. For the sixth and subsequent tax years of assessment, the assessor
4 shall use the scheduled depreciated value as prescribed in the department's
5 guidelines.

6 C. EXCEPT AS PROVIDED IN SUBSECTION D AND NOTWITHSTANDING ANY OTHER
7 LAW, THE DEPARTMENT SHALL ADJUST DEPRECIATION SCHEDULES FOR USE BY THE
8 ASSESSORS TO DETERMINE THE VALUATION OF PERSONAL PROPERTY VALUED UNDER THIS
9 ARTICLE THAT WAS OR IS INITIALLY ASSESSED DURING OR AFTER TAX YEAR 2012 AS
10 FOLLOWS:

11 1. FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
12 TWENTY-FIVE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

13 2. FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
14 FORTY-ONE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

15 3. FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
16 FIFTY-SEVEN PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

17 4. FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
18 SEVENTY-THREE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

19 5. FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
20 EIGHTY-NINE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

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

24 ~~C.~~ D. The additional depreciation prescribed in ~~subsection A~~ THIS
25 SECTION shall not reduce the valuation below the minimum value prescribed by
26 the department for property in use.

27 Sec. 33. Section 42-15006, Arizona Revised Statutes, is amended to
28 read:

29 42-15006. Assessed valuation of class six property

30 The assessed valuation of class six property described in section
31 42-12006 is ~~based on the following percentages to~~ FIVE PER CENT OF the full
32 cash value or limited valuation of class six property, as applicable. ~~+~~

33 ~~1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,~~
34 ~~7, 8 and 9, five per cent.~~

35 ~~2. Property described in section 42-12006, paragraph 4:~~

36 ~~(a) For primary property tax purposes, five per cent.~~

37 ~~(b) Except as provided in subdivision (c), for secondary property tax~~
38 ~~purposes.~~

~~(i) Twenty five per cent through December 31, 2006.~~

~~(ii) Twenty four per cent beginning from and after December 31, 2006 through December 31, 2007.~~

~~(iii) Twenty three per cent beginning from and after December 31, 2007 through December 31, 2008.~~

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

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

~~(vi) Twenty per cent beginning from and after December 31, 2010.~~

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

Sec. 34. Section 42-15103, Arizona Revised Statutes, as amended by Laws 2011, second special session, chapter 1, section 87, is amended to read:

42-15103. Contents of notice form

The notice form shall:

1. Prominently display a statement:

(a) In ~~even~~ ODD-numbered valuation years informing property owners that if the parcel of property is listed on the notice as class three pursuant to section 42-12003, the owner must complete and return the enclosed affidavit to the county assessor declaring whether the property is the owner's residence, or leased or rented to a relative of the owner, as provided by section 42-12053, and used as the relative's primary residence, for the current TAX year. The statement shall include the following text in at least twelve point type:

If your property qualifies as your primary residence, you may receive a reduction on your property taxes up to \$600.

(b) Informing property owners that if a parcel of property is used as a rental unit and the property is listed on the notice as class three pursuant to section 42-12003, the owner must notify the county assessor of the rental use of the property or be subject to a civil penalty prescribed by section 42-12052.

2. Include with each notice for property classified as class three an affidavit form described by section 42-12052, subsection B, with simplified instructions, for the owner to declare whether the property is the owner's primary residence.

3. Include a form with instructions on the procedure and deadlines for appealing the assessed valuation shown on the notice. The appeal form for

1 property that is listed as class three pursuant to section 42-12003 shall
2 contain simplified instructions and shall be separate from the appeal form
3 for other classes of property.

4 4. Provide in a separate addendum a statement informing owners of
5 property that is used for residential rental purposes that:

6 (a) The parcel must be listed on the notice as class four, and the
7 owner must register the residential rental property with the county assessor
8 pursuant to section 33-1902 or the owner may be subject to a penalty.

9 (b) If the owner is required to register the rental property with the
10 county assessor and fails to do so after receipt of this notice, the city or
11 town may impose a civil penalty payable to the city or town in the amount of
12 one hundred fifty dollars per day for each day of violation, and the city or
13 town may impose enhanced inspection and enforcement measures on the property.

14 (c) If the city or town in which the property is located requires the
15 lessor to pay transaction privilege tax on residential rent, a notice of
16 applicable requirements imposed by the city or town and that failure to pay
17 the applicable tax could result in a penalty or fine by the city or town.

18 (d) Residential rental properties are required to comply with the
19 landlord tenant law pursuant to title 33, chapters 10 and 11."

20 Renumber to conform

21 Page 96, between lines 8 and 9, insert:

22 "Sec. 41. Section 43-1074, Arizona Revised Statutes, as added by Laws
23 2011, second special session, chapter 1, section 95, is amended to read:

24 43-1074. Credit for new employment

25 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER JUNE 30, 2011, a credit
26 is allowed against the taxes imposed by this title for net increases in
27 full-time employees RESIDING IN THIS STATE AND hired in qualified employment
28 positions IN THIS STATE as COMPUTED, AND certified by the Arizona commerce
29 authority, pursuant to section 41-1525.

30 B. Subject to subsection E of this section, the amount of the credit
31 is equal to three thousand dollars for each full-time employee hired ~~for the~~
32 ~~full~~ DURING THE taxable year in a qualified employment position in each of
33 the first three years of employment, but not more than four hundred employees
34 in any taxable year. EMPLOYEES HIRED IN THE LAST NINETY DAYS OF THE TAXABLE
35 YEAR ARE EXCLUDED FOR THAT TAXABLE YEAR AND ARE CONSIDERED TO BE NEW
36 EMPLOYEES IN THE FOLLOWING TAXABLE YEAR.

1 C. To qualify for a credit under this section, the taxpayer and the
2 employment positions must meet the requirements prescribed by section
3 41-1525.

4 D. A credit is allowed for employment in the second and third year
5 only for qualified employment positions for which a credit was claimed and
6 allowed in the first year.

7 E. The net increase in the number of qualified employment positions **AT**
8 **EACH BUSINESS LOCATION** is the lesser of the total number of filled qualified
9 employment positions **AT THE BUSINESS LOCATION** created during the taxable year
10 or the difference between the average number of full-time employees **AT THE**
11 **BUSINESS LOCATION** in the current tax year and the average number of full-time
12 employees **AT THE BUSINESS LOCATION** during the immediately preceding taxable
13 year. **AN EMPLOYEE WHO IS TRANSFERRED BY THE SAME EMPLOYER FROM ONE LOCATION**
14 **IN THIS STATE TO ANOTHER LOCATION IN THIS STATE SHALL NOT BE INCLUDED IN THE**
15 **AVERAGE NUMBER OF FULL-TIME EMPLOYEES IN THAT TAXABLE YEAR AT THE NEW**
16 **LOCATION, BUT IN THE FOLLOWING TAXABLE YEAR THE EMPLOYEE SHALL BE INCLUDED IN**
17 **THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES FOR THE PRIOR TAXABLE YEAR FOR THE**
18 **NEW LOCATION.** The net increase in the number of qualified employment
19 positions computed under this subsection may not exceed four hundred
20 qualified employment positions per taxpayer each year.

21 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
22 43-1083.01 shall not claim a credit under this section with respect to the
23 same employment positions.

24 G. If the allowable tax credit exceeds the income taxes otherwise due
25 on the claimant's income, or if there are no state income taxes due on the
26 claimant's income, the amount of the claim not used as an offset against the
27 income taxes may be carried forward as a tax credit against subsequent years'
28 income tax liability for a period not exceeding five taxable years.

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

35 I. If the business is sold or changes ownership through
36 reorganization, stock purchase or merger, the new taxpayer may claim first
37 year credits only for the qualified employment positions that it created and
38 filled with an eligible employee after the purchase or reorganization was

1 complete. If a person purchases a taxpayer that had qualified for first or
2 second year credits or changes ownership through reorganization, stock
3 purchase or merger, the new taxpayer may claim the second or third year
4 credits if it meets other eligibility requirements of this section. Credits
5 for which a taxpayer qualified before the changes described in this
6 subsection are terminated and lost at the time the changes are implemented.

7 J. A failure to timely report and certify to the Arizona commerce
8 authority the information prescribed by section 41-1525, subsection D, and in
9 the manner prescribed by section 41-1525, subsection E disqualifies the
10 taxpayer from the credit under this section. The department shall require
11 written evidence of the timely report to the Arizona commerce authority.

12 K. A tax credit under this section is subject to recovery for a
13 violation described in section 41-1525, subsection G.

14 Sec. 42. Section 43-1074.01, Arizona Revised Statutes, as amended by
15 Laws 2011, second special session, chapter 1, section 96, is amended to read:

16 43-1074.01. Credit for increased research activities

17 A. A credit is allowed against the taxes imposed by this title in an
18 amount determined pursuant to section 41 of the internal revenue code, except
19 that:

20 1. The amount of the credit is based on the excess, if any, of the
21 qualified research expenses for the taxable year over the base amount as
22 defined in section 41(c) of the internal revenue code and is computed as
23 follows:

24 (a) If the excess is two million five hundred thousand dollars or
25 less, the credit is equal to twenty-four per cent of that amount.

26 (b) If the excess is over two million five hundred thousand dollars,
27 the credit is equal to six hundred thousand dollars plus fifteen per cent of
28 any amount exceeding two million five hundred thousand dollars, except that:

29 (i) For taxable years beginning from and after December 31, 2000
30 through December 31, 2001, the credit shall not exceed one million five
31 hundred thousand dollars.

32 (ii) For taxable years beginning from and after December 31, 2001
33 through December 31, 2002, the credit shall not exceed two million five
34 hundred thousand dollars.

35 (c) For taxable years beginning from and after December 31, 2011, an
36 additional credit amount is allowed if the taxpayer made basic research
37 payments during the taxable year to a university under the jurisdiction of
38 the Arizona board of regents. The additional credit amount is equal to ten

1 per cent of the EXCESS, IF ANY, OF THE basic research payments ~~that~~
2 ~~constitute excess expenses for the taxable year~~ over the QUALIFIED
3 ORGANIZATION base PERIOD amount FOR THE TAXABLE YEAR. The department shall
4 not allow credit amounts under this subdivision and section 43-1168,
5 subsection A, paragraph 1, subdivision (d) that exceed, in the aggregate, a
6 combined total of ten million dollars in any calendar year. Subject to that
7 limit, on application by the taxpayer, the department shall preapprove credit
8 amounts under this subdivision and section 43-1168, subsection A, paragraph
9 1, subdivision (d) based on priority placement established by the date that
10 the taxpayer filed the application. THE ADDITIONAL CREDIT AMOUNT UNDER THIS
11 SUBDIVISION SHALL NOT EXCEED THE AMOUNT ALLOWED BASED ON ACTUAL BASIC
12 RESEARCH PAYMENTS OR THE DEPARTMENT'S PREAPPROVAL, WHICHEVER IS LESS. IF AN
13 APPLICATION, IF PREAPPROVED IN FULL, WOULD EXCEED THE TEN MILLION DOLLAR
14 LIMIT, THE DEPARTMENT SHALL PREAPPROVE ONLY AN AMOUNT WITHIN THAT LIMIT.
15 AFTER THE LIMIT IS ATTAINED, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT
16 APPLICATIONS REGARDLESS OF WHETHER OTHER PREAPPROVED AMOUNTS ARE NOT ACTUALLY
17 CLAIMED AS A CREDIT OR OTHER TAXPAYERS FAIL TO QUALIFY TO ACTUALLY CLAIM
18 PREAPPROVED AMOUNTS. Notwithstanding subsections B and C of this section,
19 any amount of the additional credit under this subdivision that exceeds the
20 taxes otherwise due under this title is not refundable, but may be carried
21 forward to the next five consecutive taxable years. For the purposes of this
22 subdivision, "basic research payments" ~~has~~ AND "QUALIFIED ORGANIZATION BASE
23 PERIOD AMOUNT" HAVE the same ~~meaning~~ MEANINGS prescribed by section 41(e) of
24 the internal revenue code without regard TO whether the taxpayer is or is not
25 a corporation.

26 2. Qualified research includes only research conducted in this state
27 including research conducted at a university in this state and paid for by
28 the taxpayer.

29 3. If two or more taxpayers, including partners in a partnership and
30 shareholders of an S corporation, as defined in section 1361 of the internal
31 revenue code, share in the eligible expenses, each taxpayer is eligible to
32 receive a proportionate share of the credit.

33 4. The credit under this section applies only to expenses incurred
34 from and after December 31, 2000.

35 5. The termination provisions of section 41 of the internal revenue
36 code do not apply.

37 B. Except as provided by subsection C of this section, if the
38 allowable credit under this section exceeds the taxes otherwise due under

1 this title on the claimant's income, or if there are no taxes due under this
2 title, the amount of the credit not used to offset taxes may be carried
3 forward to the next fifteen consecutive taxable years. The amount of credit
4 carryforward from taxable years beginning from and after December 31, 2000
5 through December 31, 2002 that may be used in any taxable year may not exceed
6 the taxpayer's tax liability under this title or five hundred thousand
7 dollars, whichever is less, minus the credit under this section for the
8 current taxable year's qualified research expenses. The amount of credit
9 carryforward from taxable years beginning from and after December 31, 2002
10 that may be used in any taxable year may not exceed the taxpayer's tax
11 liability under this title minus the credit under this section for the
12 current taxable year's qualified research expenses. A taxpayer who carries
13 forward any amount of credit under this subsection may not thereafter claim a
14 refund of any amount of the credit under subsection C of this section.

15 C. For taxable years beginning from and after December 31, 2009, if a
16 taxpayer who claims a credit under this section employs fewer than one
17 hundred fifty persons in the taxpayer's trade or business and if the
18 allowable credit under this section exceeds the taxes otherwise due under
19 this title on the claimant's income, or if there are no taxes due under this
20 title, in lieu of carrying the excess amount of credit forward to subsequent
21 taxable years under subsection B of this section, the taxpayer may elect to
22 receive a refund as follows:

23 1. The taxpayer must apply to the ~~department of commerce~~ ARIZONA
24 COMMERCE AUTHORITY for qualification for the refund pursuant to section
25 41-1507 and submit a copy of the ~~department of commerce's~~ AUTHORITY'S
26 certificate of qualification to the department of revenue with the taxpayer's
27 income tax return.

28 2. The amount of the refund is limited to seventy-five per cent of the
29 amount by which the allowable credit under this section exceeds the
30 taxpayer's tax liability under this title for the taxable year. The
31 remainder of the excess amount of the credit is waived.

32 3. The refund shall be paid in the manner prescribed by section
33 42-1118.

34 4. The refund is subject to setoff under section 42-1122.

35 5. If the department determines that a credit refunded pursuant to
36 this subsection is incorrect or invalid, the excess credit issued may be
37 treated as a tax deficiency pursuant to section 42-1108.

1 D. A taxpayer that claims a credit for increased research and
2 development activity under this section shall not claim a credit under
3 section 43-1085.01 for the same expenses.

4 Sec. 43. Section 43-1074.01, Arizona Revised Statutes, as amended by
5 Laws 2011, second special session, chapter 1, section 97, is amended to read:

6 43-1074.01. Credit for increased research activities

7 A. A credit is allowed against the taxes imposed by this title in an
8 amount determined pursuant to section 41 of the internal revenue code, except
9 that:

10 1. The amount of the credit is based on the excess, if any, of the
11 qualified research expenses for the taxable year over the base amount as
12 defined in section 41(c) of the internal revenue code and is computed as
13 follows:

14 (a) If the excess is two million five hundred thousand dollars or
15 less, the credit is equal to twenty per cent of that amount.

16 (b) If the excess is over two million five hundred thousand dollars,
17 the credit is equal to five hundred thousand dollars plus eleven per cent of
18 any amount exceeding two million five hundred thousand dollars, except that:

19 (i) For taxable years beginning from and after December 31, 2000
20 through December 31, 2001, the credit shall not exceed one million five
21 hundred thousand dollars.

22 (ii) For taxable years beginning from and after December 31, 2001
23 through December 31, 2002, the credit shall not exceed two million five
24 hundred thousand dollars.

25 (c) For taxable years beginning from and after December 31, 2011, an
26 additional credit amount is allowed if the taxpayer made basic research
27 payments during the taxable year to a university under the jurisdiction of
28 the Arizona board of regents. The additional credit amount is equal to ten
29 per cent of the **EXCESS, IF ANY, OF THE** basic research payments ~~that~~
30 ~~constitute excess expenses for the taxable year~~ over the **QUALIFIED**
31 **ORGANIZATION** base **PERIOD** amount **FOR THE TAXABLE YEAR**. The department shall
32 not allow credit amounts under this subdivision and section 43-1168,
33 subsection A, paragraph 1, subdivision (d) that exceed, in the aggregate, a
34 combined total of ten million dollars in any calendar year. Subject to that
35 limit, on application by the taxpayer, the department shall preapprove credit
36 amounts under this subdivision and section 43-1168, subsection A, paragraph
37 1, subdivision (d) based on priority placement established by the date that
38 the taxpayer filed the application. **THE ADDITIONAL CREDIT AMOUNT UNDER THIS**

1 SUBDIVISION SHALL NOT EXCEED THE AMOUNT ALLOWED BASED ON ACTUAL BASIC
2 RESEARCH PAYMENTS OR THE DEPARTMENT'S PREAPPROVAL, WHICHEVER IS LESS. IF AN
3 APPLICATION, IF PREAPPROVED IN FULL, WOULD EXCEED THE TEN MILLION DOLLAR
4 LIMIT, THE DEPARTMENT SHALL PREAPPROVE ONLY AN AMOUNT WITHIN THAT LIMIT.
5 AFTER THE LIMIT IS ATTAINED, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT
6 APPLICATIONS REGARDLESS OF WHETHER OTHER PREAPPROVED AMOUNTS ARE NOT ACTUALLY
7 CLAIMED AS A CREDIT OR OTHER TAXPAYERS FAIL TO QUALIFY TO ACTUALLY CLAIM
8 PREAPPROVED AMOUNTS. Notwithstanding subsections B and C of this section,
9 any amount of the additional credit under this subdivision that exceeds the
10 taxes otherwise due under this title is not refundable, but may be carried
11 forward to the next five consecutive taxable years. For the purposes of this
12 subdivision, "basic research payments" ~~has~~ AND "QUALIFIED ORGANIZATION BASE
13 PERIOD AMOUNT" HAVE the same ~~meaning~~ MEANINGS prescribed by section 41(e) of
14 the internal revenue code without regard TO whether the taxpayer is or is not
15 a corporation.

16 2. Qualified research includes only research conducted in this state
17 including research conducted at a university in this state and paid for by
18 the taxpayer.

19 3. If two or more taxpayers, including partners in a partnership and
20 shareholders of an S corporation, as defined in section 1361 of the internal
21 revenue code, share in the eligible expenses, each taxpayer is eligible to
22 receive a proportionate share of the credit.

23 4. The credit under this section applies only to expenses incurred
24 from and after December 31, 2000.

25 5. The termination provisions of section 41 of the internal revenue
26 code do not apply.

27 B. Except as provided by subsection C of this section, if the
28 allowable credit under this section exceeds the taxes otherwise due under
29 this title on the claimant's income, or if there are no taxes due under this
30 title, the amount of the credit not used to offset taxes may be carried
31 forward to the next fifteen consecutive taxable years. The amount of credit
32 carryforward from taxable years beginning from and after December 31, 2000
33 through December 31, 2002 that may be used in any taxable year may not exceed
34 the taxpayer's tax liability under this title or five hundred thousand
35 dollars, whichever is less, minus the credit under this section for the
36 current taxable year's qualified research expenses. The amount of credit
37 carryforward from taxable years beginning from and after December 31, 2002
38 that may be used in any taxable year may not exceed the taxpayer's tax

1 liability under this title minus the credit under this section for the
2 current taxable year's qualified research expenses. A taxpayer who carries
3 forward any amount of credit under this subsection may not thereafter claim a
4 refund of any amount of the credit under subsection C of this section.

5 C. For taxable years beginning from and after December 31, 2009, if a
6 taxpayer who claims a credit under this section employs fewer than one
7 hundred fifty persons in the taxpayer's trade or business and if the
8 allowable credit under this section exceeds the taxes otherwise due under
9 this title on the claimant's income, or if there are no taxes due under this
10 title, in lieu of carrying the excess amount of credit forward to subsequent
11 taxable years under subsection B of this section, the taxpayer may elect to
12 receive a refund as follows:

13 1. The taxpayer must apply to the ~~department of commerce~~ ARIZONA
14 COMMERCE AUTHORITY for qualification for the refund pursuant to section
15 41-1507 and submit a copy of the ~~department of commerce's~~ AUTHORITY'S
16 certificate of qualification to the department of revenue with the taxpayer's
17 income tax return.

18 2. The amount of the refund is limited to seventy-five per cent of the
19 amount by which the allowable credit under this section exceeds the
20 taxpayer's tax liability under this title for the taxable year. The
21 remainder of the excess amount of the credit is waived.

22 3. The refund shall be paid in the manner prescribed by section
23 42-1118.

24 4. The refund is subject to setoff under section 42-1122.

25 5. If the department determines that a credit refunded pursuant to
26 this subsection is incorrect or invalid, the excess credit issued may be
27 treated as a tax deficiency pursuant to section 42-1108.

28 D. A taxpayer that claims a credit for increased research and
29 development activity under this section shall not claim a credit under
30 section 43-1085.01 for the same expenses."

31 Renumber to conform

32 Page 100, between lines 30 and 31, insert:

33 "Sec. 47 Section 43-1161, Arizona Revised Statutes, as added by Laws
34 2011, second special session, chapter 1, section 107, is amended to read:

35 43-1161. Credit for new employment

36 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER JUNE 30, 2011, a credit
37 is allowed against the taxes imposed by this title for net increases in
38 full-time employees RESIDING IN THIS STATE AND hired in qualified employment

1 positions IN THIS STATE as COMPUTED, AND certified by the Arizona commerce
2 authority, pursuant to section 41-1525.

3 B. Subject to subsection E of this section, the amount of the credit
4 is equal to three thousand dollars for each full-time employee hired ~~for the~~
5 ~~full~~ DURING THE taxable year in a qualified employment position in each of
6 the first three years of employment, but not more than four hundred employees
7 in any taxable year. EMPLOYEES HIRED IN THE LAST NINETY DAYS OF THE TAXABLE
8 YEAR ARE EXCLUDED FOR THAT TAXABLE YEAR AND ARE CONSIDERED TO BE NEW
9 EMPLOYEES IN THE FOLLOWING TAXABLE YEAR.

10 C. To qualify for a credit under this section, the taxpayer and the
11 employment positions must meet the requirements prescribed by section
12 41-1525.

13 D. A credit is allowed for employment in the second and third year
14 only for qualified employment positions for which a credit was claimed and
15 allowed in the first year.

16 E. The net increase in the number of qualified employment positions AT
17 EACH BUSINESS LOCATION is the lesser of the total number of filled qualified
18 employment positions AT THE BUSINESS LOCATION created during the taxable year
19 or the difference between the average number of full-time employees AT THE
20 BUSINESS LOCATION in the current tax year and the average number of full-time
21 employees AT THE BUSINESS LOCATION during the immediately preceding taxable
22 year. AN EMPLOYEE WHO IS TRANSFERRED BY THE SAME EMPLOYER FROM ONE LOCATION
23 IN THIS STATE TO ANOTHER LOCATION IN THIS STATE SHALL NOT BE INCLUDED IN THE
24 AVERAGE NUMBER OF FULL-TIME EMPLOYEES IN THAT TAXABLE YEAR AT THE NEW
25 LOCATION, BUT IN THE FOLLOWING TAXABLE YEAR THE EMPLOYEE SHALL BE INCLUDED IN
26 THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES FOR THE PRIOR TAXABLE YEAR FOR THE
27 NEW LOCATION. The net increase in the number of qualified employment
28 positions computed under this subsection may not exceed four hundred
29 qualified employment positions per taxpayer each year.

30 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
31 43-1167 shall not claim a credit under this section with respect to the same
32 employment positions.

33 G. If the allowable tax credit exceeds the income taxes otherwise due
34 on the claimant's income, or if there are no state income taxes due on the
35 claimant's income, the amount of the claim not used as an offset against the
36 income taxes may be carried forward as a tax credit against subsequent years'
37 income tax liability for a period not exceeding five taxable years.

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

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

16 J. A failure to timely report and certify to the Arizona commerce
17 authority the information prescribed by section 41-1525, subsection D, and in
18 the manner prescribed by section 41-1525, subsection E disqualifies the
19 taxpayer from the credit under this section. The department shall require
20 written evidence of the timely report to the Arizona commerce authority.

21 K. A tax credit under this section is subject to recovery for a
22 violation described in section 41-1525, subsection G.

23 Sec. 48. Section 43-1168, Arizona Revised Statutes, as amended by Laws
24 2011, second special session, chapter 1, section 113, is amended to read:

25 43-1168. Credit for increased research activities

26 A. A credit is allowed against the taxes imposed by this title in an
27 amount determined pursuant to section 41 of the internal revenue code, except
28 that:

29 1. The amount of the credit is computed as follows:

30 (a) Add:

31 (i) The excess, if any, of the qualified research expenses for the
32 taxable year over the base amount as defined in section 41(c) of the internal
33 revenue code.

34 (ii) The basic research payments determined under section 41(e)(1)(A)
35 of the internal revenue code.

36 (b) If the sum computed under subdivision (a) is two million five
37 hundred thousand dollars or less, the credit is equal to twenty-four per cent
38 of that amount.

1 (c) If the sum computed under subdivision (a) is over two million five
2 hundred thousand dollars, the credit is equal to six hundred thousand dollars
3 plus fifteen per cent of any amount exceeding two million five hundred
4 thousand dollars, except that:

5 (i) For taxable years beginning from and after December 31, 2000
6 through December 31, 2001, the credit shall not exceed one million five
7 hundred thousand dollars.

8 (ii) For taxable years beginning from and after December 31, 2001
9 through December 31, 2002, the credit shall not exceed two million five
10 hundred thousand dollars.

11 (d) For taxable years beginning from and after December 31, 2011, an
12 additional credit amount is allowed if the taxpayer made basic research
13 payments during the taxable year to a university under the jurisdiction of
14 the Arizona board of regents. The additional credit amount is equal to ten
15 per cent of the EXCESS, IF ANY, OF THE basic research payments ~~that~~
16 ~~constitute excess expenses for the taxable year~~ over the QUALIFIED
17 ORGANIZATION base PERIOD amount FOR THE TAXABLE YEAR. The department shall
18 not allow credit amounts under this subdivision and section 43-1074.01,
19 subsection A, paragraph 1, subdivision (c) that exceed, in the aggregate, a
20 combined total of ten million dollars in any calendar year. Subject to that
21 limit, on application by the taxpayer, the department shall preapprove credit
22 amounts under this subdivision and section 43-1074.01, subsection A,
23 paragraph 1, subdivision (c) based on priority placement established by the
24 date that the taxpayer filed the application. THE ADDITIONAL CREDIT AMOUNT
25 UNDER THIS SUBDIVISION SHALL NOT EXCEED THE AMOUNT ALLOWED BASED ON ACTUAL
26 BASIC RESEARCH PAYMENTS OR THE DEPARTMENT'S PREAPPROVAL, WHICHEVER IS LESS.
27 IF AN APPLICATION, IF PREAPPROVED IN FULL, WOULD EXCEED THE TEN MILLION
28 DOLLAR LIMIT, THE DEPARTMENT SHALL PREAPPROVE ONLY AN AMOUNT WITHIN THAT
29 LIMIT. AFTER THE LIMIT IS ATTAINED, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT
30 APPLICATIONS REGARDLESS OF WHETHER OTHER PREAPPROVED AMOUNTS ARE NOT ACTUALLY
31 CLAIMED AS A CREDIT OR OTHER TAXPAYERS FAIL TO QUALIFY TO ACTUALLY CLAIM
32 PREAPPROVED AMOUNTS. Notwithstanding subsections B and D of this section,
33 any amount of the additional credit under this subdivision that exceeds the
34 taxes otherwise due under this title is not refundable, but may be carried
35 forward to the next five consecutive taxable years. FOR THE PURPOSES OF THIS
36 SUBDIVISION, "BASIC RESEARCH PAYMENTS" AND "QUALIFIED ORGANIZATION BASE
37 PERIOD AMOUNT" HAVE THE SAME MEANINGS PRESCRIBED BY SECTION 41(e) OF THE
38 INTERNAL REVENUE CODE.

1 2. Qualified research includes only research conducted in this state
2 including research conducted at a university in this state and paid for by
3 the taxpayer.

4 3. If two or more taxpayers, including corporate partners in a
5 partnership, share in the eligible expenses, each taxpayer is eligible to
6 receive a proportionate share of the credit.

7 4. The credit under this section applies only to expenses incurred
8 from and after December 31, 1993.

9 5. The termination provisions of section 41 of the internal revenue
10 code do not apply.

11 B. Except as provided by subsection D of this section, if the
12 allowable credit under this section exceeds the taxes otherwise due under
13 this title on the claimant's income, or if there are no taxes due under this
14 title, the amount of the credit not used to offset taxes may be carried
15 forward to the next fifteen consecutive taxable years. The amount of credit
16 carryforward from taxable years beginning from and after December 31, 2000
17 through December 31, 2002 that may be used under this subsection in any
18 taxable year may not exceed the taxpayer's tax liability under this title or
19 five hundred thousand dollars, whichever is less, minus the credit under this
20 section for the current taxable year's qualified research expenses. The
21 amount of credit carryforward from taxable years beginning from and after
22 December 31, 2002 that may be used under this subsection in any taxable year
23 may not exceed the taxpayer's tax liability under this title minus the credit
24 under this section for the current taxable year's qualified research
25 expenses. A taxpayer that carries forward any amount of credit under this
26 subsection may not thereafter claim a refund of any amount of the credit
27 under subsection D of this section.

28 C. If a taxpayer has qualified research expenses that are carried
29 forward from taxable years beginning before January 1, 2001, the amount of
30 the expenses carried forward shall be converted to a credit carryforward by
31 multiplying the amount of the qualified expenses carried forward by twenty
32 per cent. A credit carryforward determined under this subsection may be
33 carried forward to not more than fifteen years from the year in which the
34 expenses were incurred. The amount of credit carryforward from taxable years
35 beginning before January 1, 2001 that may be used under this subsection in
36 any taxable year may not exceed the taxpayer's tax liability under this title
37 or five hundred thousand dollars, whichever is less, minus the credit under
38 this section for the current taxable year's qualified research expenses. The

1 total amount of credit carryforward from taxable years beginning before
2 January 1, 2003 that may be used in any taxable year under subsection B and
3 this subsection may not exceed the taxpayer's tax liability under this title
4 or five hundred thousand dollars, whichever is less, minus the credit under
5 this section for the current taxable year's qualified research expenses.

6 D. For taxable years beginning from and after December 31, 2009, if a
7 taxpayer who claims a credit under this section employs fewer than one
8 hundred fifty persons in the taxpayer's trade or business and if the
9 allowable credit under this section exceeds the taxes otherwise due under
10 this title on the claimant's income, or if there are no taxes due under this
11 title, in lieu of carrying the excess amount of credit forward to subsequent
12 taxable years under subsection B of this section, the taxpayer may elect to
13 receive a refund as follows:

14 1. The taxpayer must apply to the ~~department of commerce~~ ARIZONA
15 COMMERCE AUTHORITY for qualification for the refund pursuant to section
16 41-1507 and submit a copy of the ~~department of commerce's~~ AUTHORITY'S
17 certificate of qualification to the department of revenue with the taxpayer's
18 income tax return.

19 2. The amount of the refund is limited to seventy-five per cent of the
20 amount by which the allowable credit under this section exceeds the
21 taxpayer's tax liability under this title for the taxable year. The
22 remainder of the excess amount of the credit is waived.

23 3. The refund shall be paid in the manner prescribed by section
24 42-1118.

25 4. The refund is subject to setoff under section 42-1122.

26 5. If the department determines that a credit refunded pursuant to
27 this subsection is incorrect or invalid, the excess credit issued may be
28 treated as a tax deficiency pursuant to section 42-1108.

29 E. A taxpayer that claims a credit for increased research and
30 development activity under this section shall not claim a credit under
31 section 43-1164.02 for the same expenses.

32 Sec. 49. Section 43-1168, Arizona Revised Statutes, as amended by Laws
33 2011, second special session, chapter 1, section 114, is amended to read:

34 43-1168. Credit for increased research activity

35 A. A credit is allowed against the taxes imposed by this title in an
36 amount determined pursuant to section 41 of the internal revenue code, except
37 that:

38 1. The amount of the credit is computed as follows:

- 1 (a) Add:
- 2 (i) The excess, if any, of the qualified research expenses for the
3 taxable year over the base amount as defined in section 41(c) of the internal
4 revenue code.
- 5 (ii) The basic research payments determined under section 41(e)(1)(A)
6 of the internal revenue code.
- 7 (b) If the sum computed under subdivision (a) is two million five
8 hundred thousand dollars or less, the credit is equal to twenty per cent of
9 that amount.
- 10 (c) If the sum computed under subdivision (a) is over two million five
11 hundred thousand dollars, the credit is equal to five hundred thousand
12 dollars plus eleven per cent of any amount exceeding two million five hundred
13 thousand dollars, except that:
- 14 (i) For taxable years beginning from and after December 31, 2000
15 through December 31, 2001, the credit shall not exceed one million five
16 hundred thousand dollars.
- 17 (ii) For taxable years beginning from and after December 31, 2001
18 through December 31, 2002, the credit shall not exceed two million five
19 hundred thousand dollars.
- 20 (d) For taxable years beginning from and after December 31, 2011, an
21 additional credit amount is allowed if the taxpayer made basic research
22 payments during the taxable year to a university under the jurisdiction of
23 the Arizona board of regents. The additional credit amount is equal to ten
24 per cent of the **EXCESS, IF ANY, OF THE** basic research payments ~~that~~
25 ~~constitute excess expenses for the taxable year~~ over the **QUALIFIED**
26 **ORGANIZATION** base **PERIOD** amount **FOR THE TAXABLE YEAR**. The department shall
27 not allow credit amounts under this subdivision and section 43-1074.01,
28 subsection A, paragraph 1, subdivision (c) that exceed, in the aggregate, a
29 combined total of ten million dollars in any calendar year. Subject to that
30 limit, on application by the taxpayer, the department shall preapprove credit
31 amounts under this subdivision and section 43-1074.01, subsection A,
32 paragraph 1, subdivision (c) based on priority placement established by the
33 date that the taxpayer filed the application. **THE ADDITIONAL CREDIT AMOUNT**
34 **UNDER THIS SUBDIVISION SHALL NOT EXCEED THE AMOUNT ALLOWED BASED ON ACTUAL**
35 **BASIC RESEARCH PAYMENTS OR THE DEPARTMENT'S PREAPPROVAL, WHICHEVER IS LESS.**
36 **IF AN APPLICATION, IF PREAPPROVED IN FULL, WOULD EXCEED THE TEN MILLION**
37 **DOLLAR LIMIT, THE DEPARTMENT SHALL PREAPPROVE ONLY AN AMOUNT WITHIN THAT**
38 **LIMIT. AFTER THE LIMIT IS ATTAINED, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT**

1 APPLICATIONS REGARDLESS OF WHETHER OTHER PREAPPROVED AMOUNTS ARE NOT ACTUALLY
2 CLAIMED AS A CREDIT OR OTHER TAXPAYERS FAIL TO QUALIFY TO ACTUALLY CLAIM
3 PREAPPROVED AMOUNTS. Notwithstanding subsections B and D of this section,
4 any amount of the additional credit under this subdivision that exceeds the
5 taxes otherwise due under this title is not refundable, but may be carried
6 forward to the next five consecutive taxable years. FOR THE PURPOSES OF THIS
7 SUBDIVISION, "BASIC RESEARCH PAYMENTS" AND "QUALIFIED ORGANIZATION BASE
8 PERIOD AMOUNT" HAVE THE SAME MEANINGS PRESCRIBED BY SECTION 41(e) OF THE
9 INTERNAL REVENUE CODE.

10 2. Qualified research includes only research conducted in this state
11 including research conducted at a university in this state and paid for by
12 the taxpayer.

13 3. If two or more taxpayers, including corporate partners in a
14 partnership, share in the eligible expenses, each taxpayer is eligible to
15 receive a proportionate share of the credit.

16 4. The credit under this section applies only to expenses incurred
17 from and after December 31, 1993.

18 5. The termination provisions of section 41 of the internal revenue
19 code do not apply.

20 B. Except as provided by subsection D of this section, if the
21 allowable credit under this section exceeds the taxes otherwise due under
22 this title on the claimant's income, or if there are no taxes due under this
23 title, the amount of the credit not used to offset taxes may be carried
24 forward to the next fifteen consecutive taxable years. The amount of credit
25 carryforward from taxable years beginning from and after December 31, 2000
26 through December 31, 2002 that may be used under this subsection in any
27 taxable year may not exceed the taxpayer's tax liability under this title or
28 five hundred thousand dollars, whichever is less, minus the credit under this
29 section for the current taxable year's qualified research expenses. The
30 amount of credit carryforward from taxable years beginning from and after
31 December 31, 2002 that may be used under this subsection in any taxable year
32 may not exceed the taxpayer's tax liability under this title minus the credit
33 under this section for the current taxable year's qualified research
34 expenses. A taxpayer that carries forward any amount of credit under this
35 subsection may not thereafter claim a refund of any amount of the credit
36 under subsection D of this section.

37 C. If a taxpayer has qualified research expenses that are carried
38 forward from taxable years beginning before January 1, 2001, the amount of

1 the expenses carried forward shall be converted to a credit carryforward by
2 multiplying the amount of the qualified expenses carried forward by twenty
3 per cent. A credit carryforward determined under this subsection may be
4 carried forward to not more than fifteen years from the year in which the
5 expenses were incurred. The amount of credit carryforward from taxable years
6 beginning before January 1, 2001 that may be used under this subsection in
7 any taxable year may not exceed the taxpayer's tax liability under this title
8 or five hundred thousand dollars, whichever is less, minus the credit under
9 this section for the current taxable year's qualified research expenses. The
10 total amount of credit carryforward from taxable years beginning before
11 January 1, 2003 that may be used in any taxable year under subsection B and
12 this subsection may not exceed the taxpayer's tax liability under this title
13 or five hundred thousand dollars, whichever is less, minus the credit under
14 this section for the current taxable year's qualified research expenses.

15 D. For taxable years beginning from and after December 31, 2009, if a
16 taxpayer who claims a credit under this section employs fewer than one
17 hundred fifty persons in the taxpayer's trade or business and if the
18 allowable credit under this section exceeds the taxes otherwise due under
19 this title on the claimant's income, or if there are no taxes due under this
20 title, in lieu of carrying the excess amount of credit forward to subsequent
21 taxable years under subsection B of this section, the taxpayer may elect to
22 receive a refund as follows:

23 1. The taxpayer must apply to the ~~department of commerce~~ ARIZONA
24 COMMERCE AUTHORITY for qualification for the refund pursuant to section
25 41-1507 and submit a copy of the ~~department of commerce's~~ AUTHORITY'S
26 certificate of qualification to the department of revenue with the taxpayer's
27 income tax return.

28 2. The amount of the refund is limited to seventy-five per cent of the
29 amount by which the allowable credit under this section exceeds the
30 taxpayer's tax liability under this title for the taxable year. The
31 remainder of the excess amount of the credit is waived.

32 3. The refund shall be paid in the manner prescribed by section
33 42-1118.

34 4. The refund is subject to setoff under section 42-1122.

35 5. If the department determines that a credit refunded pursuant to
36 this subsection is incorrect or invalid, the excess credit issued may be
37 treated as a tax deficiency pursuant to section 42-1108.

1 E. A taxpayer that claims a credit for increased research and
2 development activity under this section shall not claim a credit under
3 section 43-1164.02 for the same expenses."

4 Renumber to conform

5 Page 102, between lines 31 and 32, insert:

6 "Sec. 54. Laws 2011, second special session, chapter 1, section 130 is
7 amended to read:

8 Sec. 130. Effect on preexisting tax credits

9 A. ~~This act~~ LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1 does not
10 affect the validity of tax benefits granted under prior law.

11 B. Any certification or other approval issued under prior law by the
12 department of commerce before the expiration of any tax incentive qualifies
13 the taxpayer, who is otherwise eligible, for the intended tax benefits. No
14 provision of ~~this act~~ LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1 may be
15 interpreted to terminate tax incentives that were not claimed by qualified
16 taxpayers before ~~the effective date of this act~~ JULY 1, 2011.

17 C. Taxpayers who qualified for tax incentives under sections 41-1517,
18 ~~and 41-1517.01, title 41, chapter 10, article 2, section 42-12006, paragraph~~
19 ~~4 and sections 43-1074,~~ 43-1075, 43-1075.01, ~~43-1161,~~ 43-1163 and 43-1163.01,
20 Arizona Revised Statutes, in effect before ~~the effective date of this act~~
21 JULY 1, 2011, may use any applicable amounts of those credits, including
22 allowed carryovers, against income tax liabilities for subsequent taxable
23 years as provided by law in effect before ~~the effective date of this act~~ JULY
24 1, 2011.

25 D. THE REPEAL OF TITLE 41, CHAPTER 10, ARTICLE 2, ARIZONA REVISED
26 STATUTES, AND SECTIONS 20-224.03, 43-1074 AND 43-1161, ARIZONA REVISED
27 STATUTES, BY LAWS 2006, CHAPTER 387, SECTION 5, EFFECTIVE FROM AND AFTER JUNE
28 30, 2011, DOES NOT AFFECT THE PRIOR QUALIFICATION UNDER PRIOR LAW WITH
29 RESPECT TO:

30 1. PROPERTY CLASSIFIED AS CLASS SIX PURSUANT TO SECTION 42-12006,
31 PARAGRAPH 4, ARIZONA REVISED STATUTES, AS IN EFFECT BEFORE JULY 1, 2011.
32 TAXPAYERS WHO QUALIFIED FOR PROPERTY TAX CLASSIFICATION UNDER SECTION
33 42-12006, PARAGRAPH 4, ARIZONA REVISED STATUTES, AND ON ANNUAL CERTIFICATION
34 BY THE ARIZONA COMMERCE AUTHORITY, MAY RETAIN AN ASSESSMENT RATIO OF FIVE PER
35 CENT FOR PRIMARY PROPERTY TAX PURPOSES, AND A SECONDARY PROPERTY TAX RATIO
36 EQUIVALENT TO PROPERTY ASSESSED PURSUANT TO SECTION 42-15001, ARIZONA REVISED
37 STATUTES, FOR SUBSEQUENT TAXABLE YEARS AS PROVIDED BY LAW IN EFFECT BEFORE
38 JULY 1, 2011.

1 2. INSURERS AND TAXPAYERS WHO HAVE EMPLOYEES IN THE SECOND AND THIRD
2 YEARS OF EMPLOYMENT IN QUALIFIED EMPLOYMENT POSITIONS UNDER SECTION
3 20-224.03, SUBSECTION A, PARAGRAPHS 2 AND 3, ARIZONA REVISED STATUTES,
4 SECTION 43-1074, SUBSECTIONS A, B AND C, ARIZONA REVISED STATUTES, AND
5 SECTION 43-1161, SUBSECTIONS A, B AND C, ARIZONA REVISED STATUTES, AS IN
6 EFFECT BEFORE JULY 1, 2011, INCLUDING ANY EXCESS CREDIT AMOUNTS CARRIED
7 FORWARD FROM PRIOR TAXABLE YEARS. THE TAXPAYER MUST CONTINUE TO COMPLY WITH
8 ALL THE REQUIREMENTS OF THE PRIOR LAW, INCLUDING ALL OF THE REPORTING AND
9 FILING REQUIREMENTS IN FORMER SECTION 41-1525, ARIZONA REVISED STATUTES."

10 Renumber to conform

11 Page 102, after line 36, insert:

12 "Sec. 56. Effective date

13 A. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws
14 2011, second special session, chapter 1, section 97 and this act, is
15 effective for taxable years beginning from and after December 31, 2017.

16 B. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2011,
17 second special session, chapter 1, section 114 and this act, is effective for
18 taxable years beginning from and after December 31, 2017."

19 Amend title to conform

JACK HARPER

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