

COMMITTEE ON HEALTH AND HUMAN SERVICES

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2713

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1022, Arizona Revised Statutes, is amended to
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall
6 be subtracted from Arizona gross income:

7 1. The amount of exemptions allowed by section 43-1023.

8 2. Benefits, annuities and pensions in an amount totaling not more
9 than two thousand five hundred dollars received from one or more of the
10 following:

11 (a) The United States government service retirement and disability
12 fund, retired or retainer pay of the uniformed services of the United States,
13 the United States foreign service retirement and disability system and any
14 other retirement system or plan established by federal law.

15 (b) The Arizona state retirement system, the corrections officer
16 retirement plan, the public safety personnel retirement system, the elected
17 officials' retirement plan, an optional retirement program established by the
18 Arizona board of regents under section 15-1628, an optional retirement
19 program established by a community college district board under section
20 15-1451 or a retirement plan established for employees of a county, city or
21 town in this state.

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

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

32 5. The amount of income on an installment receivable which is
33 recognized pursuant to the internal revenue code and which has already been

1 recognized on the death of the taxpayer for purposes of this title for tax
2 years ending before January 1, 1990.

3 6. Interest income received on obligations of the United States, less
4 any interest on indebtedness, or other related expenses, and deducted in
5 arriving at Arizona gross income, which were incurred or continued to
6 purchase or carry such obligations.

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

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

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

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

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

26 12. The amount allowed by section 43-1024 for amortization, by a
27 qualified defense contractor certified by the Arizona commerce authority
28 under section 41-1508, of a capital investment for private commercial
29 activities.

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

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

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

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

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

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

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

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

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

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

33 (a) An eligible individual may subtract:

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

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

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

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

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

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

16 26. The amount authorized by section 43-1030 relating to holocaust
17 survivors.

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

20 28. An amount equal to the depreciation allowable pursuant to section
21 167(a) of the internal revenue code for the taxable year computed as if the
22 election described in section 168(k)(2)(D)(iii) of the internal revenue code
23 had been made for each applicable class of property in the year the property
24 was placed in service.

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

31 30. With respect to property for which an adjustment was made under
32 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
33 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
34 the amount was adjusted under section 43-1021, paragraph 27 and in each of
35 the following four years.

36 31. For taxable years beginning from and after December 31, 2007
37 through December 31, 2012, the amount contributed during the taxable year to
38 college savings plans established pursuant to section 529 of the internal
39 revenue code to the extent that the contributions were not deducted in

1 computing federal adjusted gross income. The amount subtracted shall not
2 exceed:

3 (a) Seven hundred fifty dollars for a single individual or a head of
4 household.

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

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

13 33. The amount of any original issue discount that was deferred and not
14 allowed to be deducted in computing federal adjusted gross income or federal
15 taxable income in the current taxable year pursuant to section 108(i) of the
16 internal revenue code as added by section 1231 of the American recovery and
17 reinvestment act of 2009 (P.L. 111-5).

18 34. The amount of previously deferred discharge of indebtedness income
19 that is included in the computation of federal adjusted gross income or
20 federal taxable income in the current taxable year pursuant to section 108(i)
21 of the internal revenue code as added by section 1231 of the American
22 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
23 amount was previously added to Arizona gross income pursuant to section
24 43-1021, paragraph 33.

25 35. The portion of the net operating loss carryforward that would have
26 been allowed as a deduction in the current year pursuant to section 172 of
27 the internal revenue code if the election described in section 172(b)(1)(H)
28 of the internal revenue code had not been made in the year of the loss that
29 exceeds the actual net operating loss carryforward that was deducted in
30 arriving at federal adjusted gross income. This subtraction only applies to
31 taxpayers who made an election under section 172(b)(1)(H) of the internal
32 revenue code as amended by section 1211 of the American recovery and
33 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the
34 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

35 36. For taxable years beginning from and after December 31, 2013, the
36 amount of any net capital gain included in federal adjusted gross income for
37 the taxable year derived from investment in a qualified small business as
38 determined by the Arizona commerce authority pursuant to section 41-1518.

39 37. THE AMOUNT OF LONG-TERM CARE INSURANCE PREMIUM COSTS AUTHORIZED BY
40 SECTION 43-1032.

1 THAT ARE DIRECTLY BASED ON BILLS OR OTHER EVIDENCE OF DEBT. THE ACCOUNT
2 ADMINISTRATOR SHALL REIMBURSE THE TAXPAYER FROM THE TAXPAYER'S LONG-TERM
3 HEALTH CARE SAVINGS ACCOUNT FOR ANY LONG-TERM HEALTH CARE EXPENSES THAT THE
4 TAXPAYER DIRECTLY PAID FOR BASED ON DOCUMENTATION THAT THE TAXPAYER SUBMITS
5 THE ACCOUNT ADMINISTRATOR.

6 D. IF THE TAXPAYER MAKES ANY OTHER WITHDRAWAL FROM LONG-TERM HEALTH
7 CARE SAVINGS ACCOUNT FOR PURPOSES OTHER THAN PAYING LONG-TERM HEALTH CARE
8 EXPENSES, THE TAXPAYER SHALL PAY A PENALTY, EQUAL TO TEN PER CENT OF THE
9 AMOUNT OF THE WITHDRAWAL, TO THE DEPARTMENT AT THE SAME TIME AS THE
10 INDIVIDUAL FILES THE INCOME TAX RETURN UNDER THIS TITLE FOR THE TAXABLE YEAR.
11 MONEY WITHDRAWN PURSUANT TO THIS SUBSECTION IS CONSIDERED INCOME FOR THE
12 PURPOSES OF COMPUTING ARIZONA ADJUSTED GROSS INCOME. THE DEPARTMENT SHALL
13 CREDIT PENALTY MONIES TO THE STATE GENERAL FUND.

14 E. FOR THE PURPOSES OF THIS SECTION:

15 1. "ACCOUNT ADMINISTRATOR" MEANS A BANK, TRUST COMPANY, SAVINGS AND
16 LOAN ASSOCIATION OR CREDIT UNION THAT IS AUTHORIZED TO ACT AS A FIDUCIARY IN
17 THIS STATE.

18 2. "LONG-TERM HEALTH CARE EXPENSE" MEANS ANY EXPENSE PAID BY THE
19 TAXPAYER FOR LONG-TERM HEALTH CARE COSTS, INCLUDING EXPENSES FOR SKILLED
20 NURSING CARE, HOME HEALTH CARE, PERSONAL CARE OR SUPPORTIVE SERVICES DUE TO
21 THE LOSS OF SOME CAPACITY FOR SELF-CARE BASED ON A CHRONIC ILLNESS OR
22 CONDITION."

23 Amend title to conform

and, as so amended, it do pass

CECIL P. ASH
Chairman

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