

REFERENCE TITLE: **income tax credits; repeal dates**

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

HB 2685

Introduced by
Representatives Farley, Ableser, Campbell, Chabin, Hale, Hobbs, Pancrazi,
Patterson, Tovar, Wheeler: Alston, McCune Davis, Miranda C, Saldate

AN ACT

AMENDING SECTIONS 43-223, 43-1071, 43-1072, 43-1072.01, 43-1073 AND 43-1074, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTIONS 96 AND 97; AMENDING SECTIONS 43-1077, 43-1078, 43-1079, 43-1079.01, 43-1081, 43-1081.01, 43-1083, 43-1083.02, 43-1084, 43-1087, 43-1088, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1161, 43-1164.03, 43-1165, 43-1166, 43-1167 AND 43-1167.01, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTIONS 113 AND 114; AMENDING SECTIONS 43-1170, 43-1170.01, 43-1175, 43-1176, 43-1178, 43-1181, 43-1183 AND 43-1184, ARIZONA REVISED STATUTES; RELATING TO TAXATION OF INCOME.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-223, Arizona Revised Statutes, is amended to
3 read:

4 43-223. Requirements for new income tax credits established by
5 the legislature

6 Any new individual or corporate income tax credit that is enacted by
7 the legislature shall include in its enabling legislation:

8 1. A specific review year for the joint legislative income tax credit
9 review committee to review the credit. The specific review year shall be the
10 fifth full calendar year following the date the credit is enacted.

11 2. A SPECIFIC REPEAL DATE FOR THE TAX CREDIT. THE REPEAL DATE SHALL
12 BE FROM AND AFTER DECEMBER 31 OF THE SEVENTH FULL CALENDAR YEAR FOLLOWING THE
13 DATE THE CREDIT IS ENACTED. THE REQUIRED REPEAL DOES NOT AFFECT THE
14 CARRYFORWARD OF ANY TAX CREDIT TO WHICH A TAXPAYER IS ENTITLED. A TAXPAYER
15 MAY CONTINUE TO APPLY THE AMOUNTS CARRIED FORWARD TO SUBSEQUENT YEARS' INCOME
16 TAX LIABILITIES AS PROVIDED BY THE CREDIT.

17 ~~2-~~ 3. A purpose clause that explains the rationale and objective of
18 the tax credit.

19 Sec. 2. Section 43-1071, Arizona Revised Statutes, is amended to read:

20 43-1071. Credit for income taxes paid to other states;
21 definitions

22 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020 AND subject to the
23 following conditions, residents shall be allowed a credit against the taxes
24 imposed by this chapter for net income taxes imposed by and paid to another
25 state or country on income taxable under this chapter:

26 1. The credit shall be allowed only for taxes paid to the other state
27 or country on income that is derived from sources within that state or
28 country and that is taxable under its laws irrespective of the residence or
29 domicile of the recipient.

30 2. The credit shall not be allowed if the other state or country
31 allows residents of this state a credit against the taxes imposed by that
32 state or country for taxes paid or payable under this chapter.

33 3. The credit shall not exceed the proportion of the tax payable under
34 this chapter as the income subject to tax in the other state or country and
35 also taxable under this title bears to the taxpayer's entire income on which
36 the tax is imposed by this chapter.

37 B. If any taxes paid to another state or country for which a taxpayer
38 has been allowed a credit under this section are at any time credited or
39 refunded to the taxpayer:

40 1. The taxpayer shall immediately report that fact to the department.

41 2. A tax equal to the credit allowed for the taxes credited or
42 refunded by the other state or country is due and payable from the taxpayer
43 on notice and demand from the department.

1 3. Interest shall be added to and collected as a part of the tax at
2 the rate determined pursuant to section 42-1123 from the date the credit was
3 allowed under this chapter to the date of the notice and demand.

4 4. If the tax and interest are not paid within ten days from the date
5 of notice and demand, there shall be collected as a part of the tax interest
6 on the unpaid amount of tax and interest at the rate of twelve per cent a
7 year from the date of the notice and demand until the amount is paid.

8 C. The credit against the taxes imposed by this chapter for net income
9 taxes paid to another state or country shall not be allowed to any taxpayer
10 or any class of taxpayers if the allowances of the credit will result in any
11 invalid or illegal discrimination against another taxpayer or another class
12 of taxpayers.

13 D. For taxable years beginning on or after January 1, 2002 AND ENDING
14 BEFORE JANUARY 1, 2020 and subject to the following conditions, a resident of
15 this state, who is also considered to be a resident of another state under
16 the laws of the other state, is allowed a credit against the taxes imposed by
17 this title for net income taxes imposed by and paid to that state on income
18 taxable under this title as follows:

19 1. The credit is allowed only if the other state taxes the income to
20 the resident of this state and does not allow the taxpayer a credit against
21 taxes imposed by that state on that income for taxes paid or payable on that
22 income under this title.

23 2. The credit is allowed only for the proportion of the taxes paid to
24 the other state as the income taxable under this title and also subject to
25 tax in the other state bears to the entire income on which the taxes paid to
26 the other state are imposed.

27 3. The credit may not exceed the proportion of the tax payable under
28 this title as the income taxable under this title and also subject to tax in
29 the other state bears to the entire income taxable under this title.

30 4. For the purpose of the credit allowed under this subsection,
31 "income taxable under this title and also subject to tax in the other state"
32 means income that would be sourced to the other state if the other state were
33 imposing its income tax on the taxpayer as if the taxpayer was a nonresident
34 of that other state.

35 E. For the purposes of this section, net income taxes imposed by
36 another country include taxes that qualify for a credit under sections 901
37 and 903 of the internal revenue code and the regulations under those
38 sections.

39 F. For the purposes of this section:

40 1. "Entire income on which the other state's or country's tax is
41 imposed" means the other state's or country's income computed under the
42 equivalent of section 43-1094 but does not include any exemption allowable
43 under the equivalent of section 43-1023.

1 2. "Entire income on which the tax is imposed by this chapter" means
2 Arizona adjusted gross income as defined and computed under section 43-1001
3 but does not include any exemption allowed under section 43-1023.

4 3. "Income subject to tax in the other state or country and also
5 taxable under this title" means the portion of income that is included in
6 entire income on which the tax is imposed ~~under~~ BY this chapter that is also
7 included in the entire income on which the other state's or country's tax is
8 imposed. The taxpayer shall increase or reduce the portion of income that is
9 included in the entire income on which THE tax is imposed ~~under~~ BY this
10 chapter by any related additions under section 43-1021 and by any related
11 subtractions under section 43-1022. The taxpayer shall increase or reduce
12 the portion of income that is included in the entire income on which the
13 other state's or country's tax is imposed by any related additions and
14 subtractions under the other state's equivalent of sections 43-1021 and
15 43-1022, as applicable.

16 4. "Tax payable under this chapter" means the income tax imposed by
17 this state on the taxpayer's taxable income as defined under section 43-1001
18 minus all of the following:

- 19 (a) The reduction amount received under section 16-954, subsection A.
- 20 (b) Any tax credit amount claimed under section 16-954, subsection B.
- 21 (c) Any tax credit amount claimed for the taxable year under this
22 article but not including the credit amount allowed under this section.

23 Sec. 3. Section 43-1072, Arizona Revised Statutes, is amended to read:
24 43-1072. Earned credit for property taxes; residents sixty-five
25 years of age or older; definitions

26 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, there shall be
27 allowed to each resident a credit against the taxes imposed by this title for
28 a taxable year for property taxes accrued or rent, or both, paid in that
29 taxable year, in accordance with subsection B of this section, if all of the
30 following apply:

31 1. Such resident attained the age of sixty-five years prior to or
32 during the taxable year or such resident is a recipient of public monies
33 under title 16 of the social security act, as amended.

34 2. Such person paid either property taxes or rent during the taxable
35 year.

36 3. Such person either:

37 (a) Did not live with a spouse or any other persons and had an income
38 from all sources in the taxable year of less than three thousand seven
39 hundred fifty-one dollars.

40 (b) Lived with a spouse or one or more persons and the combined income
41 from all sources in the taxable year of all persons residing in the residence
42 was less than five thousand five hundred one dollars.

43 B. The credit allowed under this section is the amount of property
44 taxes actually paid during the taxable year or the amount computed as
45 follows, whichever is less:

1 1. For a person eligible under subsection A, paragraph 3, subdivision
 2 (a) of this section, according to the following table:

3	<u>Household Income</u>	<u>Tax Credit</u>
4	\$ 0-1,750	\$502
5	1,751-1,850	479
6	1,851-1,950	457
7	1,951-2,050	435
8	2,051-2,150	412
9	2,151-2,250	390
10	2,251-2,350	368
11	2,351-2,450	345
12	2,451-2,550	323
13	2,551-2,650	301
14	2,651-2,750	279
15	2,751-2,850	256
16	2,851-2,950	234
17	2,951-3,050	212
18	3,051-3,150	189
19	3,151-3,250	167
20	3,251-3,350	145
21	3,351-3,450	123
22	3,451-3,550	100
23	3,551-3,650	78
24	3,651-3,750	56

25 2. For a person eligible under subsection A, paragraph 3, subdivision
 26 (b) of this section, according to the following table:

27	<u>Household Income</u>	<u>Tax Credit</u>
28	\$ 0-2,500	\$502
29	2,501-2,650	479
30	2,651-2,800	457
31	2,801-2,950	435
32	2,951-3,100	412
33	3,101-3,250	390
34	3,251-3,400	368
35	3,401-3,550	345
36	3,551-3,700	323
37	3,701-3,850	301
38	3,851-4,000	279
39	4,001-4,150	256
40	4,151-4,300	234
41	4,301-4,450	212
42	4,451-4,600	189
43	4,601-4,750	167
44	4,751-4,900	145
45	4,901-5,050	123

1	5,051-5,200	100
2	5,201-5,350	78
3	5,351-5,500	56

4 C. The owner or lessor of property leased or rented solely for
5 residential purposes, on request, shall furnish to the tenants of the
6 property a written statement of the percentage of rental payments that are
7 attributable to property tax for purposes of this section.

8 D. Disposition of the claimant's allowable credit shall be as provided
9 below:

10 1. If the allowable amount of such claim exceeds the income taxes
11 otherwise due on the claimant's income, the amount of the claim not used as
12 an offset against income taxes, after audit by the department, shall be paid
13 in the same manner as a refund granted under chapter 6, article 1 of this
14 title. Refunds made pursuant to this paragraph are subject to setoff under
15 section 42-1122.

16 2. The amount of any claim otherwise payable for credit for property
17 taxes accrued or rent may be applied by the department against any liability
18 outstanding on the books of the department against the claimant or against
19 the claimant's spouse who was a member of the claimant's household in the
20 taxable year.

21 E. The department shall make available suitable forms with
22 instructions for claimants. Claimants who certify on the prescribed form
23 that they have no income tax liability for the taxable year shall not be
24 required to file an individual income tax return. The claim shall be in such
25 form as the department may prescribe but shall require the social security
26 numbers of persons who were allowed to claim as dependents for the taxes
27 imposed by this title claimants filing pursuant to this section. The claimant
28 shall also submit a copy of the claimant's property tax statement or a
29 suitable representation of the statement as prescribed by the
30 department. The department shall audit a sufficient number of claims to
31 enforce the provisions of this chapter.

32 F. No claim with respect to property taxes or with respect to rent
33 shall be allowed or paid unless the claim is actually filed on or before
34 April 15 for the next preceding calendar year. The department ~~may~~, upon
35 request, **MAY** grant for a period of not to exceed six months an extension of
36 time for filing the claim.

37 G. Only one claimant per household per year shall be entitled to a tax
38 credit pursuant to this section.

39 H. ~~It~~ **FOR THE PURPOSES OF** this section, unless the context otherwise
40 requires:

41 1. "Claimant" means a person who has filed a claim for credit under
42 this section and was a resident of this state during the entire taxable
43 year. In the case of a claim for rent, the claimant shall have rented
44 property in this state during the entire taxable year except as otherwise
45 provided by this section. If two individuals of a household are able to meet

1 the qualifications for a claimant, they may determine between them as to whom
2 the claimant shall be. If they are unable to agree, the matter shall be
3 referred to the department and its decision shall be final. If a homestead
4 is occupied by two or more individuals and more than one individual is able
5 to qualify as a claimant, and some or all of the qualified individuals are
6 not related, the individuals may determine among them as to whom the claimant
7 shall be. If they are unable to agree, the matter shall be referred to the
8 department, and its decision shall be final.

9 2. "Gross rent" means rental paid for the right of occupancy of a
10 homestead or space rental paid to a landlord for the parking of a mobile
11 home. If the department is satisfied that the gross rent charge was paid
12 solely for purposes of receiving a credit pursuant to this section, it shall
13 not allow a claim.

14 3. "Homestead" means the principal dwelling, whether owned or rented
15 by the claimant. "Homestead" may also include a mobile home and the land
16 upon which it is located.

17 4. "Household" means the household of the claimant and such other
18 persons as resided with the claimant in the claimant's homestead during the
19 taxable year.

20 5. "Household income" means all income received by all persons of a
21 household in a taxable year while members of the household.

22 6. "Income" means the sum of the following:

23 (a) Adjusted gross income as defined by the department.

24 (b) The amount of capital gains excluded from adjusted gross income.

25 (c) Nontaxable strike benefits.

26 (d) Nontaxable interest received from the federal government or any of
27 its instrumentalities.

28 (e) Payments received from a retirement program paid by this state or
29 any of its political subdivisions.

30 (f) Payments received from a retirement program paid by the United
31 States through any of its agencies, instrumentalities or programs, except as
32 provided in subsection I of this section.

33 (g) The gross amount of any pension or annuity not otherwise exempted
34 except as provided in subsection I of this section.

35 7. "Property taxes" means property taxes levied on a claimant's
36 homestead in this state in any taxable year. For purposes of this paragraph,
37 property taxes are "levied" when the tax roll is delivered to the county
38 treasurer for collection. If a claimant and the claimant's household own
39 their homestead part of the taxable year and rent it or different homesteads
40 for the rest of the same year, provided property taxes were levied on the
41 homestead which was owned by the claimant and the claimant's household, such
42 claimant shall be eligible for a credit pursuant to this section.

43 I. Income as defined in subsection H, paragraph 6, subdivisions (f)
44 and (g) of this section shall not include monies received from cash public
45 assistance and relief, relief granted under the provisions of this section,

1 railroad retirement benefits, payments received under the federal social
2 security act (49 Stat. 620), payments received under Arizona state
3 unemployment insurance laws, payments received from veterans' disability
4 pensions, payments received as workers' compensation, the gross amount of
5 "loss of time" insurance, and gifts from nongovernmental sources or surplus
6 foods or other relief in kind supplied by a governmental agency.

7 Sec. 4. Section 43-1072.01, Arizona Revised Statutes, is amended to
8 read:

9 43-1072.01. Credit for increased excise taxes paid

10 A. Subject to the conditions prescribed by this section and if
11 approved by the qualified electors voting at a statewide general election,
12 for tax years beginning from and after December 31, 2000 **AND ENDING BEFORE**
13 **JANUARY 1, 2020** a credit is allowed against the taxes imposed by this chapter
14 for a taxable year for a taxpayer who is not claimed as a dependent by any
15 other taxpayer and whose federal adjusted gross income is:

16 1. Twenty-five thousand dollars or less for a married couple or a
17 single person who is a head of a household.

18 2. Twelve thousand five hundred dollars or less for a single person or
19 a married person filing separately.

20 B. The credit is considered to be in mitigation of increased tax
21 rates pursuant to section 42-5010, subsection G and section 42-5155,
22 subsection D.

23 C. The amount of the credit shall not exceed twenty-five dollars for
24 each person who is a resident of this state and for whom a personal or
25 dependent exemption is allowed with respect to the taxpayer pursuant to
26 section 43-1023, subsection B, paragraph 1 and section 43-1043, but not more
27 than one hundred dollars for all persons in the taxpayer's household, as
28 defined in section 43-1072.

29 D. If the allowable amount of the credit exceeds the income taxes
30 otherwise due on the claimant's income, the amount of the claim not used as
31 an offset against income taxes shall be paid in the same manner as a refund
32 granted under section 42-1118. Refunds made pursuant to this subsection are
33 subject to setoff under section 42-1122.

34 E. The department shall make available suitable forms with
35 instructions for claimants. Claimants who certify on the prescribed form
36 that they have no income tax liability for the taxable year and who do not
37 meet the filing requirements of section 43-301 are not required to file an
38 individual income tax return. The claim shall be in a form prescribed by the
39 department.

40 F. For taxable years beginning from and after December 31, 2002, a
41 person who is sentenced for at least sixty days of the taxable year to the
42 custody of the federal bureau of prisons, the state department of corrections
43 or a county jail is not eligible to claim a credit pursuant to this section.

1 Sec. 5. Section 43-1073, Arizona Revised Statutes, is amended to read:
2 43-1073. Family income tax credit

3 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020 AND subject to the
4 conditions prescribed by this section, a credit is allowed against the taxes
5 imposed by this chapter for a taxable year for taxpayers whose Arizona
6 adjusted gross income, plus the amount subtracted for exemptions under
7 section 43-1023, is:

8 1. Twenty thousand dollars or less in the case of a married couple
9 filing a joint return with no more than one dependent or a single person who
10 is a head of a household with no more than one dependent.

11 2. Twenty-three thousand six hundred dollars or less in the case of a
12 married couple filing a joint return with two dependents.

13 3. Twenty-seven thousand three hundred dollars or less in the case of
14 a married couple filing a joint return with three dependents.

15 4. Thirty-one thousand dollars or less in the case of a married couple
16 filing a joint return with four or more dependents.

17 5. Twenty thousand one hundred thirty-five dollars or less in the case
18 of a single person who is a head of a household with two dependents.

19 6. Twenty-three thousand eight hundred dollars or less in the case of
20 a single person who is a head of a household with three dependents.

21 7. Twenty-five thousand two hundred dollars or less in the case of a
22 single person who is a head of a household with four dependents.

23 8. Twenty-six thousand five hundred seventy-five dollars or less in
24 the case of a single person who is a head of a household with five or more
25 dependents.

26 9. Ten thousand dollars or less in the case of a single person or a
27 married person filing separately.

28 B. The amount of the credit is equal to forty dollars for each person
29 who is a resident of this state and for whom a personal or dependent
30 exemption is allowed with respect to the taxpayer pursuant to section 43-1043
31 and SECTION 43-1023, subsection B, paragraph 1, but not to exceed:

32 1. Two hundred forty dollars in the case of a married couple filing a
33 joint return or a single person who is a head of a household.

34 2. One hundred twenty dollars in the case of a single person or a
35 married couple filing separately.

36 3. For any taxpayer, the amount of taxes due under this chapter for
37 the taxable year.

38 Sec. 6. Section 43-1074, Arizona Revised Statutes, is amended to read:
39 43-1074. Credit for new employment

40 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
41 allowed against the taxes imposed by this title for net increases in
42 full-time employees hired in qualified employment positions as certified by
43 the Arizona commerce authority pursuant to section 41-1525.

44 B. Subject to subsection E of this section, the amount of the credit
45 is equal to three thousand dollars for each full-time employee hired for the

1 full taxable year in a qualified employment position in each of the first
2 three years of employment, but not more than four hundred employees in any
3 taxable year.

4 C. To qualify for a credit under this section, the taxpayer and the
5 employment positions must meet the requirements prescribed by section
6 41-1525.

7 D. A credit is allowed for employment in the second and third year
8 only for qualified employment positions for which a credit was claimed and
9 allowed in the first year.

10 E. The net increase in the number of qualified employment positions is
11 the lesser of the total number of filled qualified employment positions
12 created during the taxable year or the difference between the average number
13 of full-time employees in the current tax year and the average number of
14 full-time employees during the immediately preceding taxable year. The net
15 increase in the number of qualified employment positions computed under this
16 subsection may not exceed four hundred qualified employment positions per
17 taxpayer each year.

18 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
19 43-1083.01 shall not claim a credit under this section with respect to the
20 same employment positions.

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

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

32 I. If the business is sold or changes ownership through
33 reorganization, stock purchase or merger, the new taxpayer may claim first
34 year credits only for the qualified employment positions that it created and
35 filled with an eligible employee after the purchase or reorganization was
36 complete. If a person purchases a taxpayer that had qualified for first or
37 second year credits or changes ownership through reorganization, stock
38 purchase or merger, the new taxpayer may claim the second or third year
39 credits if it meets other eligibility requirements of this section. Credits
40 for which a taxpayer qualified before the changes described in this
41 subsection are terminated and lost at the time the changes are implemented.

42 J. A failure to timely report and certify to the Arizona commerce
43 authority the information prescribed by section 41-1525, subsection D, and in
44 the manner prescribed by section 41-1525, subsection E disqualifies the

1 taxpayer from the credit under this section. The department shall require
2 written evidence of the timely report to the Arizona commerce authority.

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

5 Sec. 7. Section 43-1074.01, Arizona Revised Statutes, as amended by
6 Laws 2011, second special session, chapter 1, section 96, is amended to read:

7 43-1074.01. Credit for increased research activities

8 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
9 allowed against the taxes imposed by this title in an amount determined
10 pursuant to section 41 of the internal revenue code, except that:

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

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

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

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

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

26 (c) For taxable years beginning from and after December 31, 2011, an
27 additional credit amount is allowed if the taxpayer made basic research
28 payments during the taxable year to a university under the jurisdiction of
29 the Arizona board of regents. The additional credit amount is equal to ten
30 per cent of the basic research payments that constitute excess expenses for
31 the taxable year over the base amount. The department shall not allow credit
32 amounts under this subdivision and section 43-1168, subsection A, paragraph
33 1, subdivision (d) that exceed, in the aggregate, a combined total of ten
34 million dollars in any calendar year. Subject to that limit, on application
35 by the taxpayer, the department shall preapprove credit amounts under this
36 subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d)
37 based on priority placement established by the date that the taxpayer filed
38 the application. Notwithstanding subsections B and C of this section, any
39 amount of the additional credit under this subdivision that exceeds the taxes
40 otherwise due under this title is not refundable, but may be carried forward
41 to the next five consecutive taxable years. For the purposes of this
42 subdivision, "basic research payments" has the same meaning prescribed by
43 section 41(e) of the internal revenue code without regard whether the
44 taxpayer is or is not a corporation.

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 partners in a partnership and
5 shareholders of an S corporation, as defined in section 1361 of the internal
6 revenue code, share in the eligible expenses, each taxpayer is eligible to
7 receive a proportionate share of the credit.

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

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

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

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

36 1. The taxpayer must apply to the department of commerce for
37 qualification for the refund pursuant to section 41-1507 and submit a copy of
38 the department of commerce's certificate of qualification to the department
39 of revenue with the taxpayer's income tax return.

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

44 3. The refund shall be paid in the manner prescribed by section
45 42-1118.

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

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

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

8 Sec. 8. Section 43-1074.01, Arizona Revised Statutes, as amended by
9 Laws 2011, second special session, chapter 1, section 97, is amended to read:

10 43-1074.01. Credit for increased research activities

11 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2027**, a credit is
12 allowed against the taxes imposed by this title in an amount determined
13 pursuant to section 41 of the internal revenue code, except that:

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

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

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

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

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

29 (c) For taxable years beginning from and after December 31, 2011, an
30 additional credit amount is allowed if the taxpayer made basic research
31 payments during the taxable year to a university under the jurisdiction of
32 the Arizona board of regents. The additional credit amount is equal to ten
33 per cent of the basic research payments that constitute excess expenses for
34 the taxable year over the base amount. The department shall not allow credit
35 amounts under this subdivision and section 43-1168, subsection A, paragraph
36 1, subdivision (d) that exceed, in the aggregate, a combined total of ten
37 million dollars in any calendar year. Subject to that limit, on application
38 by the taxpayer, the department shall preapprove credit amounts under this
39 subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d)
40 based on priority placement established by the date that the taxpayer filed
41 the application. Notwithstanding subsections B and C of this section, any
42 amount of the additional credit under this subdivision that exceeds the taxes
43 otherwise due under this title is not refundable, but may be carried forward
44 to the next five consecutive taxable years. For the purposes of this
45 subdivision, "basic research payments" has the same meaning prescribed by

1 section 41(e) of the internal revenue code without regard TO whether the
2 taxpayer is or is not a corporation.

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

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

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

12 5. The termination provisions of section 41 of the internal revenue
13 code do not apply.

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

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

38 1. The taxpayer must apply to the ~~department of commerce~~ ARIZONA
39 COMMERCE AUTHORITY for qualification for the refund pursuant to section
40 41-1507 and submit a copy of the ~~department of commerce's~~ ARIZONA COMMERCE
41 AUTHORITY'S certificate of qualification to the department of revenue with
42 the taxpayer's income tax return.

43 2. The amount of the refund is limited to seventy-five per cent of the
44 amount by which the allowable credit under this section exceeds the

1 taxpayer's tax liability under this title for the taxable year. The
2 remainder of the excess amount of the credit is waived.

3 3. The refund shall be paid in the manner prescribed by section
4 42-1118.

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

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

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

12 Sec. 9. Section 43-1077, Arizona Revised Statutes, is amended to read:
13 43-1077. Credit for employment by qualified defense contractor

14 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
15 allowed against the taxes imposed by this title for:

16 1. Net increases in employment under United States department of
17 defense contracts during the taxable year, as computed under subsection D of
18 this section, by a qualified defense contractor who is certified by the
19 Arizona commerce authority under section 41-1508.

20 2. Net increases in private commercial employment during the taxable
21 year, as computed under subsection E of this section, by a qualified defense
22 contractor who is certified by the Arizona commerce authority under section
23 41-1508 due to full-time equivalent employee positions transferred during the
24 taxable year by the taxpayer from exclusively defense related activities to
25 employment by the taxpayer in exclusively private commercial activities.

26 B. The amount of the credit is a dollar amount allowed for each
27 full-time equivalent employee position created, determined as follows:

28	1st year	\$2,500
29	2nd year	\$2,000
30	3rd year	\$1,500
31	4th year	\$1,000
32	5th year	\$ 500

33 C. If the allowable tax credit exceeds the taxes otherwise due under
34 this title on the claimant's income, or if there are no taxes due under this
35 title, the taxpayer may carry the amount of the claim not used to offset the
36 taxes under this title forward until taxable years beginning from and after
37 December 31, 2011 as a credit against subsequent years' income tax liability,
38 regardless of continuing certification as a qualified defense contractor.

39 D. The net increase in employment under defense related contracts
40 shall be determined as follows:

41 1. Establish an employment baseline for the taxpayer based on a
42 multiyear forecast of employment on United States department of defense
43 contracts that was submitted to the department of defense before June 1,
44 1992. The annual average employment forecast for the first year the taxpayer
45 qualified is the baseline. If the taxpayer did not make such a forecast

1 before June 1, 1992, the baseline is the average annual employment as
2 reported to the department of economic security during the preceding taxable
3 year. If a taxpayer qualifies in the same year it relocates into this state,
4 the taxpayer's baseline is zero.

5 2. For the first year of the credit, the taxpayer's net increase in
6 average employment is the increase in employment reported to the department
7 of economic security for the taxable year over the employment baseline.

8 3. For each succeeding year of the credit, the taxpayer's net increase
9 in average employment is the increase in employment reported to the
10 department of economic security for the taxable year over the preceding
11 taxable year's average employment.

12 E. In computing the amount of credit allowed under subsection A,
13 paragraph 2 of this section, the taxpayer shall:

14 1. Prorate employment during the taxable year according to the date of
15 transfer from defense to private commercial activities or the date of
16 transfer from private commercial activities to defense.

17 2. Compute and subtract an amount pursuant to subsection B of this
18 section for full-time equivalent employee positions that were transferred
19 during the taxable year by the taxpayer from exclusively private commercial
20 activities to exclusively defense related activities.

21 F. The taxpayer shall account for qualifying full-time equivalent
22 employee positions on a first-in first-out basis. If a decrease in
23 qualifying employment occurs, the taxpayer shall subtract the decrease from
24 the earliest qualifying positions.

25 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
26 of this section with respect to the same employee position. A full-time
27 equivalent employee position may be considered for purposes of computing the
28 credit under either subsection A, paragraph 1 or 2 of this section, but not
29 both.

30 H. A credit is not allowed under this section with respect to
31 employment that was transferred from an outside contractor in this state to
32 in-house employment by the taxpayer solely for purposes of qualifying for the
33 credit.

34 I. A taxpayer who claims a credit under section 43-1074, 43-1079 or
35 43-1083.01 may not claim a credit under this section with respect to the same
36 employee positions.

37 J. Co-owners of a business, including partners in a partnership and
38 shareholders of an S corporation, as defined in section 1361 of the internal
39 revenue code, may each claim only the pro rata share of the credit allowed
40 under this section based on the ownership interest. The total of the credits
41 allowed all such owners may not exceed the amount that would have been
42 allowed for a sole owner of the business.

1 Sec. 10. Section 43-1078, Arizona Revised Statutes, is amended to
2 read:

3 43-1078. Credit for property taxes paid by qualified defense
4 contractor

5 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
6 allowed against the taxes imposed by this title equal to a portion of the
7 amount paid as taxes during the taxable year by a qualified defense
8 contractor that is certified by the Arizona commerce authority under section
9 41-1508, on property in this state that is classified as class one,
10 paragraphs 12 and 13 pursuant to section 42-12001.

11 B. The amount of the credit is determined as follows:

12 1. Multiply the amount paid as taxes on property classified as class
13 one, paragraphs 12 and 13 pursuant to section 42-12001 in this state during
14 the taxable year by a percentage based on net new defense related employment,
15 determined by subtracting the employment baseline determined pursuant to
16 section 43-1077, subsection D, paragraph 1, from average annual employment as
17 reported to the department of economic security for the taxable year, as
18 follows:

<u>New employment</u>	<u>Credit percentage</u>
More than 900	40%
601 - 900	30%
301 - 600	20%
1 - 300	10%

24 2. Multiply the amount determined under paragraph 1 of this subsection
25 by a percentage determined by dividing the taxpayer's total gross income from
26 United States department of defense contracts apportioned to this state by
27 the taxpayer's total gross income from all sources apportioned to this state.

28 C. If the allowable tax credit 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 taxpayer may carry the amount of the claim not used to offset the
31 taxes under this title forward until taxable years beginning from and after
32 December 31, 2011 as a credit against subsequent years' income tax liability,
33 regardless of continuing certification as a qualified defense contractor.

34 D. The credit allowed by this section is in lieu of a deduction for
35 property taxes under section 43-1042 with respect to the same taxes paid.

36 E. Co-owners of a business, including partners in a partnership and
37 shareholders of an S corporation, as defined in section 1361 of the internal
38 revenue code, may each claim only the pro rata share of the credit allowed
39 under this section based on the ownership interest. The total of the credits
40 allowed all such owners may not exceed the amount that would have been
41 allowed for a sole owner of the business.

1 Sec. 11. Section 43-1079, Arizona Revised Statutes, is amended to
2 read:

3 43-1079. Credit for increased employment in military reuse
4 zones; definition

5 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
6 allowed against the taxes imposed by this title for net increases in
7 employment by the taxpayer of full-time employees working in a military reuse
8 zone, established under title 41, chapter 10, article 3, and who are
9 primarily engaged in providing aviation or aerospace services or in
10 manufacturing, assembling or fabricating aviation or aerospace products. The
11 amount of the credit is a dollar amount allowed for each new employee,
12 determined as follows:

13 1. With respect to each employee other than a dislocated military base
14 employee:

15 1st year of employment	\$ 500
16 2nd year of employment	\$1,000
17 3rd year of employment	\$1,500
18 4th year of employment	\$2,000
19 5th year of employment	\$2,500

20 2. With respect to each dislocated military base employee:

21 1st year of employment	\$1,000
22 2nd year of employment	\$1,500
23 3rd year of employment	\$2,000
24 4th year of employment	\$2,500
25 5th year of employment	\$3,000

26 B. If the allowable tax credit exceeds the taxes otherwise due under
27 this title on the claimant's income, or if there are no taxes due under this
28 title, the amount of the claim not used to offset the taxes under this title
29 may be carried forward as a credit against subsequent years' income tax
30 liability for the period, not to exceed five taxable years, if the business
31 remains in the military reuse zone.

32 C. The net increase in the number of employees for purposes of this
33 section shall be determined by comparing the taxpayer's average employment in
34 the military reuse zone during the taxable year with the taxpayer's previous
35 year's fourth quarter employment in the zone, based on the taxpayer's report
36 to the department of economic security for unemployment insurance purposes
37 but considering only employment in the zone.

38 D. Co-owners of a business, including partners in a partnership and
39 shareholders of an S corporation, as defined in section 1361 of the internal
40 revenue code, may each claim only the pro rata share of the credit allowed
41 under this section based on the ownership interest. The total of the credits
42 allowed all such owners may not exceed the amount that would have been
43 allowed for a sole owner of the business.

44 E. A credit is not allowed under this section with respect to an
45 employee whose place of employment is relocated by the taxpayer from a

1 location in this state to the military reuse zone, unless the employee is
2 engaged in aviation or aerospace services or in manufacturing, assembling or
3 fabricating aviation or aerospace products and the taxpayer maintains at
4 least the same number of employees in this state but outside the zone.

5 F. A taxpayer who claims a credit under section 43-1074, 43-1077 or
6 43-1083.01 may not claim a credit under this section with respect to the same
7 employees.

8 G. For the purposes of this section, "dislocated military base
9 employee" means a civilian who previously had permanent full-time civilian
10 employment on the military facility as of the date the closure of the
11 facility was finally determined under federal law, as certified by the
12 Arizona commerce authority.

13 Sec. 12. Section 43-1079.01, Arizona Revised Statutes, is amended to
14 read:

15 43-1079.01. Credit for employing national guard members

16 A. For taxable years beginning from and after December 31, 2005 AND
17 ENDING BEFORE JANUARY 1, 2020, a credit is allowed against the taxes imposed
18 by this title for a taxpayer whose employee is a member of the Arizona
19 national guard if the employee is placed on active duty. The amount of the
20 credit is one thousand dollars for each employee who is placed on active duty
21 by the Arizona national guard.

22 B. To qualify for the credit:

23 1. The employee must be a member of the Arizona national guard who is
24 employed by the taxpayer in a full-time equivalent position when the employee
25 is placed on active duty.

26 2. Each member of the Arizona national guard who is employed must have
27 served during the taxable year on active duty for training that exceeds the
28 required annual training period, including any activation for federal or
29 state contingencies or emergencies.

30 C. If the allowable credit exceeds the taxes otherwise due under this
31 title on the claimant's income, or if there are no taxes due under this
32 title, the amount of the claim not used to offset taxes under this title may
33 be carried forward for not more than five consecutive taxable years as a
34 credit against subsequent years' income tax liability.

35 D. The credit under this section may be claimed only once by the
36 taxpayer in any taxable year with respect to each employee who is placed on
37 active duty by the Arizona national guard, but may be claimed again for that
38 employee in a subsequent taxable year if that employee remains on active duty
39 or is placed again on active duty in a subsequent taxable year.

40 E. Co-owners of a business, including partners in a partnership and
41 shareholders of an S corporation as defined in section 1361 of the internal
42 revenue code, may each claim only the pro rata share of the credit allowed
43 under this section based on the ownership interest. The total of the credits
44 allowed all such owners may not exceed the amount that would have been
45 allowed a sole owner.

1 Sec. 13. Section 43-1081, Arizona Revised Statutes, is amended to
2 read:

3 43-1081. Credit for pollution control equipment

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
5 allowed against the taxes imposed by this title for expenses that the
6 taxpayer incurred during the taxable year to purchase real or personal
7 property that is used in the taxpayer's trade or business in this state to
8 control or prevent pollution. The amount of the credit is equal to ten per
9 cent of the purchase price.

10 B. Property that qualifies for the credit under this section includes
11 that portion of a structure, building, installation, excavation, machine,
12 equipment or device and any attachment or addition to or reconstruction,
13 replacement or improvement of that property that is directly used,
14 constructed, or installed in this state for the purpose of meeting or
15 exceeding rules or regulations adopted by the United States environmental
16 protection agency, the department of environmental quality or a political
17 subdivision of this state to prevent, monitor, control or reduce air, water
18 or land pollution that results from the taxpayer's direct operating
19 activities in conducting a trade or business in this state.

20 C. The credit allowed pursuant to this section does not apply to:

21 1. The purchase of any personal property that is attached to a motor
22 vehicle.

23 2. Any property that has a substantial use for a purpose other than
24 the purposes described in subsection B.

25 3. Any portion of pollution control property that is included as a
26 standard and integral part of another property.

27 D. Amounts that qualify for a credit under this section must be
28 includible in the taxpayer's adjusted basis for the property. The adjusted
29 basis of any property with respect to which the taxpayer has claimed a credit
30 shall be reduced by the amount of credit claimed with respect to that
31 asset. This credit does not affect the deductibility for depreciation or
32 amortization of the remaining adjusted basis of the asset.

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

39 F. If the allowable tax credit exceeds the taxes otherwise due under
40 this title on the claimant's income, or if there are no taxes due under this
41 title, the taxpayer may carry the amount of the claim not used to offset the
42 taxes under this title forward for not more than five taxable years' income
43 tax liability.

44 G. The maximum credit that a taxpayer may claim under this section is
45 five hundred thousand dollars in a taxable year.

1 Sec. 14. Section 43-1081.01, Arizona Revised Statutes, is amended to
2 read:

3 43-1081.01. Credit for agricultural pollution control equipment

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
5 allowed against the taxes imposed by this title for expenses that a taxpayer,
6 involved in the commercial production of livestock, livestock products or
7 agricultural, horticultural, viticultural or floricultural crops or products,
8 incurred during the taxable year to purchase tangible personal property that
9 is primarily used in the taxpayer's trade or business in this state to
10 control or prevent pollution. The amount of the credit is equal to
11 twenty-five per cent of the cost of the real or personal property. The
12 maximum credit that a taxpayer may claim under this section is twenty-five
13 thousand dollars in a taxable year.

14 B. Property that qualifies for the credit under this section includes
15 the portion of a structure, building, installation, excavation, machine,
16 equipment or device and any attachment or addition to or reconstruction,
17 replacement or improvement of that property that is directly used,
18 constructed or installed in this state to prevent, monitor, control or reduce
19 air, water or land pollution.

20 C. Amounts that qualify for a credit under this section must be
21 includible in the taxpayer's adjusted basis for the property. The adjusted
22 basis of any property with respect to which the taxpayer has claimed a credit
23 shall be reduced by the amount of credit claimed with respect to that
24 asset. This credit does not affect the deductibility for depreciation or
25 amortization of the remaining adjusted basis of the asset.

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

32 E. If the allowable tax credit exceeds the taxes otherwise due under
33 this title on the claimant's income, or if there are no taxes due under this
34 title, the amount of the claim not used to offset the taxes under this title
35 may be carried forward to the next five consecutive taxable years as a credit
36 against subsequent years' income tax liability.

37 F. A taxpayer who claims a credit for pollution control equipment
38 under this section shall not claim a credit under section 43-1081 for the
39 same equipment or expense.

40 Sec. 15. Section 43-1083, Arizona Revised Statutes, is amended to
41 read:

42 43-1083. Credit for solar energy devices

43 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
44 allowed against the taxes imposed by this title for each resident who is not
45 a dependent of another taxpayer for installing a solar energy device, as

1 defined in section 42-5001, during the taxable year in the taxpayer's
2 residence located in this state. The credit is equal to twenty-five per cent
3 of the cost of the device.

4 B. The maximum credit in a taxable year may not exceed one thousand
5 dollars. The person who provides the solar energy device shall furnish the
6 taxpayer with an accounting of the cost to the taxpayer. A taxpayer may
7 claim the credit under this section only once in a tax year and may not
8 cumulate over different tax years tax credits under this section exceeding,
9 in the aggregate, one thousand dollars for the same residence.

10 C. If the allowable tax credit exceeds the taxes otherwise due under
11 this title on the claimant's income, or if there are no taxes due under this
12 title, the amount of the claim not used to offset taxes under this title may
13 be carried forward for not more than five consecutive taxable years as a
14 credit against subsequent years' income tax liability.

15 D. A husband and wife who file separate returns for a taxable year in
16 which they could have filed a joint return may each claim only one-half of
17 the tax credit that would have been allowed for a joint return.

18 E. The credit allowed under this section is in lieu of any allowance
19 for state tax purposes for exhaustion, wear and tear of the solar energy
20 device under section 167 of the internal revenue code.

21 F. To qualify for the credit under this section the solar energy
22 device and its installation shall meet the requirements of title 44, chapter
23 11, article 11.

24 G. A solar hot water heater plumbing stub out that was installed by
25 the builder of a house or dwelling unit before title was conveyed to the
26 taxpayer does not qualify for a credit under this section, but the taxpayer
27 may claim a credit for the device under section 43-1090 or 43-1176 under the
28 circumstances, conditions and limitations prescribed by section 43-1090,
29 subsection C or 43-1176, subsection C, as applicable.

30 Sec. 16. Section 43-1083.02, Arizona Revised Statutes, is amended to
31 read:

32 43-1083.02. Renewable energy production tax credit; definitions

33 A. SUBJECT TO SUBSECTION B, FOR TAXABLE YEARS ENDING BEFORE JANUARY 1,
34 2031, a credit is allowed against the taxes imposed by this title for the
35 production of electricity using renewable energy resources.

36 B. The taxpayer is eligible for the credit:

37 1. If the taxpayer holds title to a qualified energy generator that
38 first produces electricity from and after December 31, 2010 and before
39 January 1, 2021.

40 2. For ten consecutive calendar years beginning with the calendar year
41 in which the qualified energy generator begins producing electricity that is
42 transmitted through a transmission facility to a grid connection with a
43 public or private electric transmission or distribution utility system. That
44 same date applies with respect to that generator until the expiration of the
45 ten-year period regardless of whether the generator is sold to another

1 taxpayer or goes out of production before the expiration of the ten-year
2 period.

3 C. The credit authorized by this section is based on the electricity
4 that is generated by a qualified energy generator during a calendar year.
5 For a taxpayer that files on a fiscal year basis, the credit shall be claimed
6 on the return for the taxable year in which the calendar year ends.

7 D. Subject to subsection G of this section, the amount of the credit
8 is:

9 1. One cent per kilowatt-hour of the first two hundred thousand
10 megawatt-hours of electricity produced by a qualified energy generator in the
11 calendar year using a wind or biomass derived qualified energy resource.

12 2. The following amounts for electricity produced by a qualified
13 energy generator using a solar light derived or solar heat derived qualified
14 energy resource:

15 (a) Four cents per kilowatt-hour in the first calendar year in which
16 the qualified energy generator produces electricity.

17 (b) Four cents per kilowatt-hour in the second calendar year in which
18 the qualified energy generator produces electricity.

19 (c) Three and one-half cents per kilowatt-hour in the third calendar
20 year in which the qualified energy generator produces electricity.

21 (d) Three and one-half cents per kilowatt-hour in the fourth calendar
22 year in which the qualified energy generator produces electricity.

23 (e) Three cents per kilowatt-hour in the fifth calendar year in which
24 the qualified energy generator produces electricity.

25 (f) Three cents per kilowatt-hour in the sixth calendar year in which
26 the qualified energy generator produces electricity.

27 (g) Two cents per kilowatt-hour in the seventh calendar year in which
28 the qualified energy generator produces electricity.

29 (h) Two cents per kilowatt-hour in the eighth calendar year in which
30 the qualified energy generator produces electricity.

31 (i) One and one-half cents per kilowatt-hour in the ninth calendar
32 year in which the qualified energy generator produces electricity.

33 (j) One cent per kilowatt-hour in the tenth calendar year in which the
34 qualified energy generator produces electricity.

35 E. To qualify for the purposes of this section, an energy generator
36 may be located within one mile of an existing qualified energy generator only
37 if the owner of the energy generator or the owner's corporate affiliates are
38 not the owner of or the corporate affiliate of the owner of the existing
39 qualified energy generator.

40 F. To be eligible for the credit under this section, the taxpayer must
41 apply to the department, on a form prescribed by the department, for
42 certification of the credit. The department shall only accept applications
43 beginning January 2 through January 31 of the year following the calendar
44 year for which the credit is being requested. The application shall include:

- 1 1. The name, address and social security number or federal employer
2 identification number of the applicant.
- 3 2. The location of the taxpayer's facility that produces electricity
4 using renewable energy resources for which the credit is claimed.
- 5 3. The amount of the credit that is claimed.
- 6 4. The date the qualified energy generator began producing
7 commercially marketable amounts of electricity.
- 8 5. Any additional information that the department requires.
- 9 G. The department shall review each application under subsection F of
10 this section and certify to the taxpayer the amount of the credit that is
11 authorized. The amount of the credit for any calendar year shall not exceed
12 two million dollars per facility that produces electricity using renewable
13 energy resources. Credits are allowed under this section and section
14 43-1164.03 on a first come, first served basis. The department shall not
15 authorize tax credits under this section and section 43-1164.03 that exceed
16 in the aggregate a total of twenty million dollars for any calendar
17 year. The first time that a taxpayer submits a qualified application for a
18 qualified energy generator under subsection F of this section, the
19 department shall add the taxpayer's name to a credit authorization list that
20 is maintained in the order in which qualified applications are first received
21 by the department on behalf of the qualified energy generator. A taxpayer's
22 position on the credit authorization list shall be determined in the first
23 year the taxpayer submits an application under subsection F of this section
24 for the qualified energy generator. The taxpayer's position on the credit
25 authorization list for a particular qualified energy generator shall remain
26 unchanged for the ten years that are specified in subsection B, paragraph 2
27 of this section or until a year in which the taxpayer fails to submit a
28 timely application under subsection F of this section or otherwise fails to
29 comply with this section. If a taxpayer is removed from the credit
30 authorization list for a qualified energy generator, the taxpayer may
31 establish a new position on the credit authorization list in a subsequent
32 year by filing a timely application for a qualified energy generator that
33 qualifies for the credit. If an application is received that, if authorized,
34 would require the department to exceed the twenty million dollar limit, the
35 department shall grant the applicant only the remaining credit amount that
36 would not exceed the twenty million dollar limit. After the department
37 authorizes twenty million dollars in tax credits, the department shall deny
38 any subsequent applications that are received for that calendar year. The
39 department shall not authorize any additional tax credits that exceed the
40 twenty million dollar limit even if the amounts that have been certified to
41 any taxpayer were not claimed or a taxpayer otherwise fails to meet the
42 requirements to claim the additional credit.
- 43 H. Co-owners of a qualified energy generator, including partners in a
44 partnership, members of a limited liability company and shareholders of an S
45 corporation as defined in section 1361 of the internal revenue code, may each

1 claim the pro rata share of the credit allowed under this section based on
2 ownership interest. The total of the credits allowed all such owners of the
3 qualified energy generator may not exceed the amount that would have been
4 allowed for a sole owner of the generator.

5 I. If the allowable tax credit for a taxpayer exceeds the taxes
6 otherwise due under this title on the claimant's income, or if there are no
7 taxes due under this title, the amount of the claim not used to offset taxes
8 under this title may be carried forward for not more than five consecutive
9 taxable years as a credit against subsequent years' income tax liability.

10 J. The department shall adopt rules and publish and prescribe forms
11 and procedures as necessary to effectuate the purposes of this section.

12 K. For the purposes of this section:

13 1. "Biomass" means organic material that is available on a renewable
14 or recurring basis, including:

15 (a) Forest-related materials, including mill residues, logging
16 residues, forest thinnings, slash, brush, low-commercial value materials or
17 undesirable species, salt cedar and other phreatophyte or woody vegetation
18 removed from river basins or watersheds and woody material harvested for the
19 purpose of forest fire fuel reduction or forest health and watershed
20 improvement.

21 (b) Agricultural-related materials, including orchard trees, vineyard,
22 grain or crop residues, including straws and stover, aquatic plants and
23 agricultural processed coproducts and waste products, including fats, oils,
24 greases, whey and lactose.

25 (c) Animal waste, including manure and slaughterhouse and other
26 processing waste.

27 (d) Solid woody waste materials, including landscape or right-of-way
28 tree trimmings, rangeland maintenance residues, waste pallets, crates and
29 manufacturing, construction and demolition wood wastes, excluding
30 pressure-treated, chemically-treated or painted wood wastes and wood
31 contaminated with plastic.

32 (e) Crops and trees planted for the purpose of being used to produce
33 energy.

34 (f) Landfill gas, wastewater treatment gas and biosolids, including
35 organic waste byproducts generated during the wastewater treatment process.

36 2. "Qualified energy generator" means a facility that has at least
37 five megawatts generating capacity, that is located on land in this state
38 owned or leased by the taxpayer, that produces electricity using a qualified
39 energy resource and that sells that electricity to an unrelated entity,
40 unless the electricity is sold to a public service corporation.

41 3. "Qualified energy resource" means a resource that generates
42 electricity through the use of only the following energy sources:

43 (a) Solar light.

44 (b) Solar heat.

45 (c) Wind.

1 (d) Biomass.

2 Sec. 17. Section 43-1084, Arizona Revised Statutes, is amended to
3 read:

4 43-1084. Credit for agricultural water conservation system

5 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
6 allowed against the taxes imposed by this title for expenses that the
7 taxpayer incurred during the taxable year to purchase and install an
8 agricultural water conservation system in this state. The amount of the
9 credit is equal to seventy-five per cent of the qualifying expenses.

10 B. To qualify for the credit under this section:

11 1. The agricultural water conservation system must be primarily
12 designed to substantially conserve water on land that is used by the taxpayer
13 or the taxpayer's tenant to:

14 (a) Produce crops, fruits or other agricultural products.

15 (b) Raise, harvest or grow trees.

16 (c) Sustain livestock.

17 2. The expense must be consistent with a conservation plan that the
18 taxpayer has filed and that is in effect with the United States department of
19 agriculture soil conservation service.

20 C. Co-owners of the land on which the water conservation system is
21 installed, including partners in a partnership and shareholders of an S
22 corporation, as defined in section 1361 of the internal revenue code, may
23 each claim only the pro rata share of the credit allowed under this section
24 based on the ownership interest. The total of the credits allowed all such
25 owners may not exceed the amount that would have been allowed a sole owner.

26 D. If the allowable tax credit exceeds the taxes otherwise due under
27 this title on the claimant's income, or if there are no taxes due under this
28 title, the taxpayer may carry the amount of the claim not used to offset the
29 taxes under this title forward for not more than five taxable years' income
30 tax liability.

31 E. The credit allowed by this section is in lieu of any deduction for
32 such expenses allowed by the internal revenue code and included under section
33 43-1042 in computing taxable income.

34 Sec. 18. Section 43-1087, Arizona Revised Statutes, is amended to
35 read:

36 43-1087. Credit for employment of temporary assistance for
37 needy families recipients

38 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
39 allowed against the taxes imposed by this title for net increases in
40 qualified employment by the taxpayer of recipients of temporary assistance
41 for needy families as defined in section 46-101 who are residents of this
42 state. The amount of the credit is equal to the sum of the following:

43 1. One-fourth of the taxable wages paid to each employee in qualified
44 employment positions, not to exceed five hundred dollars per qualified

1 employment position, in the first year or partial year of employment. Wages
2 that were subsidized as provided by section 46-299 shall not be included.

3 2. One-third of the taxable wages paid to each employee in qualified
4 employment positions, not to exceed one thousand dollars per qualified
5 employment position, in the second year of continuous employment. Wages that
6 were subsidized as provided by section 46-299 shall not be included.

7 3. One-half of the taxable wages paid to each employee in qualified
8 employment positions, not to exceed one thousand five hundred dollars per
9 qualified employment position, in the third year of continuous
10 employment. Wages that were subsidized as provided by section 46-299 shall
11 not be included.

12 B. The credit allowed in this section is in lieu of any wage expense
13 deduction taken for state tax purposes.

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

15 1. All of the employees with respect to whom a credit is claimed must
16 reside in this state and must be recipients of temporary assistance for needy
17 families as defined in section 46-101 at the time the employee is hired.

18 2. A qualified employment position must meet all of the following
19 requirements:

20 (a) The position must be classified as full-time employment.

21 (b) The employment must include health insurance coverage for the
22 employee if the employer offers this coverage for employees who are not
23 recipients of temporary assistance for needy families.

24 (c) The employer must pay compensation at least equal to the minimum
25 wage or a wage comparable to that paid to employees who are not receiving
26 temporary assistance for needy families based on the employee's training,
27 skills and job classification.

28 (d) The employee must have been employed for at least ninety days
29 during the first taxable year. An employee who is hired during the last
30 ninety days of the taxable year shall be considered a new employee during the
31 next taxable year. Periods for which the employee's wages were subsidized as
32 provided by section 46-299 shall not be included as periods of employment.

33 (e) The employee was not employed by the taxpayer within twelve months
34 before the current date of hire.

35 (f) The employee position is not eligible for any other employment
36 credit pursuant to this title based on wages paid.

37 D. The net increase in the number of qualified employment positions
38 shall be determined by comparing the average number of qualified employment
39 positions during the taxable year with the immediately preceding taxable year
40 based on the taxpayer's report to the department of economic security for
41 unemployment purposes.

42 E. If the allowable tax credit exceeds the income taxes otherwise due
43 on the claimant's income, the amount of the claim not used as an offset
44 against income taxes may be carried forward as a tax credit against

1 subsequent years' income tax liability for the period, not to exceed five
2 consecutive taxable years.

3 F. Co-owners of a business, including partners in a partnership and
4 shareholders of an S corporation as defined in section 1361 of the internal
5 revenue code, may claim only the pro rata share of the credit allowed under
6 this section based on the ownership interest. The total of the credits
7 allowed all the owners of the business may not exceed the amount that would
8 have been allowed for a sole owner of the business.

9 G. The department may adopt rules necessary for the administration of
10 this section.

11 Sec. 19. Section 43-1088, Arizona Revised Statutes, is amended to
12 read:

13 43-1088. Credit for contribution to qualifying charitable
14 organizations; definitions

15 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
16 allowed against the taxes imposed by this title for voluntary cash
17 contributions by the taxpayer or on the taxpayer's behalf pursuant to section
18 43-401, subsection I during the taxable year to a qualifying charitable
19 organization not to exceed:

20 1. Two hundred dollars in any taxable year for a single individual or
21 a head of household.

22 2. Four hundred dollars in any taxable year for a married couple
23 filing a joint return.

24 B. A husband and wife who file separate returns for a taxable year in
25 which they could have filed a joint return may each claim only one-half of
26 the tax credit that would have been allowed for a joint return.

27 C. If the allowable tax credit exceeds the taxes otherwise due under
28 this title on the claimant's income, or if there are no taxes due under this
29 title, the taxpayer may carry forward the amount of the claim not used to
30 offset the taxes under this title for not more than five consecutive taxable
31 years' income tax liability.

32 D. The credit allowed by this section:

33 1. Is allowed only if the taxpayer itemizes deductions pursuant to
34 section 43-1042 for the taxable year.

35 2. Is in lieu of a deduction pursuant to section 170 of the internal
36 revenue code and taken for state tax purposes.

37 E. Taxpayers taking a credit authorized by this section shall provide
38 the name of the qualifying charitable organization and the amount of the
39 contribution to the department of revenue on forms provided by the
40 department.

41 F. A qualifying charitable organization shall provide the department
42 of revenue with a written certification that it meets all criteria to be
43 considered a qualifying charitable organization. The organization shall also
44 notify the department of any changes that may affect the qualifications under
45 this section.

1 G. The charitable organization's written certification must be signed
2 by an officer of the organization under penalty of perjury. The written
3 certification must include the following:

4 1. Verification of the organization's status under section 501(c)(3)
5 of the internal revenue code or verification that the organization is a
6 designated community action agency that receives community services block
7 grant program monies pursuant to 42 United States Code section 9901.

8 2. Financial data indicating the organization's budget for the
9 organization's prior operating year and the amount of that budget spent on
10 services to residents of this state who either:

- 11 (a) Receive temporary assistance for needy families benefits.
- 12 (b) Are low income residents of this state.
- 13 (c) Are chronically ill or physically disabled children.

14 3. A statement that the organization plans to continue spending at
15 least fifty per cent of its budget on services to residents of this state who
16 receive temporary assistance for needy families benefits, who are low income
17 residents of this state or who are chronically ill or physically disabled
18 children.

19 4. A statement that the organization does not provide, pay for,
20 promote, provide coverage of or provide referrals for abortions and does not
21 financially support any other entity that provides, pays for, promotes,
22 provides coverage of or provides referrals for abortions.

23 H. The department shall review each written certification and
24 determine whether the organization meets all the criteria to be considered a
25 qualifying charitable organization and notify the organization of its
26 determination. The department may also periodically request recertification
27 from the organization. The department shall compile and make available to
28 the public a list of the qualifying charitable organizations.

29 I. For the purposes of this section:

30 1. "Chronically ill or physically disabled children" has the same
31 meaning prescribed in section 36-260.

32 2. "Low income residents" means persons whose household income is less
33 than one hundred fifty per cent of the federal poverty level.

34 3. "Qualifying charitable organization" means a charitable
35 organization that is exempt from federal income taxation under section
36 501(c)(3) of the internal revenue code or is a designated community action
37 agency that receives community services block grant program monies pursuant
38 to 42 United States Code section 9901. The organization must spend at least
39 fifty per cent of its budget on services to residents of this state who
40 receive temporary assistance for needy families benefits or low income
41 residents of this state and their households or to chronically ill or
42 physically disabled children who are residents of this state. Taxpayers
43 choosing to make donations through an umbrella charitable organization that
44 collects donations on behalf of member charities shall designate that the
45 donation be directed to a member charitable organization that would qualify

1 under this section on a stand-alone basis. Qualifying charitable organization
2 does not include any entity that provides, pays for, promotes, provides
3 coverage of or provides referrals for abortions or that financially supports
4 any other entity that provides, pays for, promotes, provides coverage of or
5 provides referrals for abortions.

6 4. "Services" means cash assistance, medical care, child care, food,
7 clothing, shelter, job placement and job training services or any other
8 assistance that is reasonably necessary to meet immediate basic needs and
9 that is provided and used in this state.

10 Sec. 20. Section 43-1089, Arizona Revised Statutes, is amended to
11 read:

12 43-1089. Credit for contributions to school tuition
13 organization; definitions

14 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
15 allowed against the taxes imposed by this title for the amount of voluntary
16 cash contributions by the taxpayer or on the taxpayer's behalf pursuant to
17 section 43-401, subsection I during the taxable year to a school tuition
18 organization that is certified pursuant to chapter 16 of this title at the
19 time of donation. Except as provided by subsection C of this section, the
20 amount of the credit shall not exceed:

21 1. Five hundred dollars in any taxable year for a single individual or
22 a head of household.

23 2. One thousand dollars in any taxable year for a married couple
24 filing a joint return.

25 B. A husband and wife who file separate returns for a taxable year in
26 which they could have filed a joint return may each claim only one-half of
27 the tax credit that would have been allowed for a joint return.

28 C. For each taxable year beginning on or after January 1, the
29 department shall adjust the dollar amounts prescribed by subsection A,
30 paragraphs 1 and 2 of this section according to the average annual change in
31 the metropolitan Phoenix consumer price index published by the United States
32 bureau of labor statistics, except that the dollar amounts shall not be
33 revised downward below the amounts allowed in the prior taxable year. The
34 revised dollar amounts shall be raised to the nearest whole dollar.

35 D. If the allowable tax credit exceeds the taxes otherwise due under
36 this title on the claimant's income, or if there are no taxes due under this
37 title, the taxpayer may carry the amount of the claim not used to offset the
38 taxes under this title forward for not more than five consecutive taxable
39 years' income tax liability.

40 E. The credit allowed by this section is in lieu of any deduction
41 pursuant to section 170 of the internal revenue code and taken for state tax
42 purposes.

43 F. The tax credit is not allowed if the taxpayer designates the
44 taxpayer's contribution to the school tuition organization for the direct
45 benefit of any dependent of the taxpayer or if the taxpayer designates a

1 student beneficiary as a condition of the taxpayer's contribution to the
2 school tuition organization. The tax credit is not allowed if the taxpayer,
3 with the intent to benefit the taxpayer's dependent, agrees with one or more
4 other taxpayers to designate each taxpayer's contribution to the school
5 tuition organization for the direct benefit of the other taxpayer's
6 dependent.

7 G. For the purposes of this section, a contribution, for which a
8 credit is claimed, that is made on or before the fifteenth day of the fourth
9 month following the close of the taxable year may be applied to either the
10 current or preceding taxable year and is considered to have been made on the
11 last day of that taxable year.

12 H. For the purposes of this section:

13 1. "Handicapped student" means a student who has any of the following
14 conditions:

- 15 (a) Hearing impairment.
- 16 (b) Visual impairment.
- 17 (c) Developmental delay.
- 18 (d) Preschool severe delay.
- 19 (e) Speech/language impairment.

20 2. "Qualified school":

21 (a) Means a nongovernmental primary school or secondary school or a
22 preschool for handicapped students that is located in this state, that does
23 not discriminate on the basis of race, color, handicap, familial status or
24 national origin and that satisfies the requirements prescribed by law for
25 private schools in this state on January 1, 1997.

26 (b) Does not include a charter school or programs operated by charter
27 schools.

28 Sec. 21. Section 43-1089.01, Arizona Revised Statutes, is amended to
29 read:

30 43-1089.01. Tax credit; public school fees and contributions;
31 definitions

32 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
33 allowed against the taxes imposed by this title for the amount of any fees or
34 cash contributions by a taxpayer or on the taxpayer's behalf pursuant to
35 section 43-401, subsection I during the taxable year to a public school
36 located in this state for the support of extracurricular activities or
37 character education programs of the public school, but not exceeding:

- 38 1. Two hundred dollars for a single individual or a head of household.
- 39 2. Three hundred dollars in taxable year 2005 for a married couple
40 filing a joint return.
- 41 3. Four hundred dollars in taxable year 2006 and any subsequent
42 taxable year for a married couple filing a joint return.

43 B. A husband and wife who file separate returns for a taxable year in
44 which they could have filed a joint return may each claim only one-half of
45 the tax credit that would have been allowed for a joint return.

1 C. The credit allowed by this section is in lieu of any deduction
2 pursuant to section 170 of the internal revenue code and taken for state tax
3 purposes.

4 D. If the allowable tax credit exceeds the taxes otherwise due under
5 this title on the claimant's income, or if there are no taxes due under this
6 title, the taxpayer may carry the amount of the claim not used to offset the
7 taxes under this title forward for not more than five consecutive taxable
8 years' income tax liability.

9 E. The site council of the public school that receives contributions
10 that are not designated for a specific purpose shall determine how the
11 contributions are used at the school site. If a charter school does not have
12 a site council, the principal, director or chief administrator of the charter
13 school shall determine how the contributions that are not designated for a
14 specific purpose are used at the school site. If at the end of a fiscal year
15 a public school has unspent contributions that were previously designated for
16 a specific purpose or program and that purpose or program has been
17 discontinued or has not been used for two consecutive fiscal years, these
18 contributions shall be considered undesignated in the following fiscal year
19 for the purposes of this subsection.

20 F. A public school that receives fees or a cash contribution pursuant
21 to subsection A of this section shall report to the department, in a form
22 prescribed by the department, by February 28 of each year the following
23 information:

24 1. The total number of fee and cash contribution payments received
25 during the previous calendar year.

26 2. The total dollar amount of fees and contributions received during
27 the previous calendar year.

28 3. The total dollar amount of fees and contributions spent by the
29 school during the previous calendar year, categorized by specific
30 extracurricular activity or character education program.

31 G. For the purposes of this section:

32 1. "Character education programs" means a program described in section
33 15-719.

34 2. "Extracurricular activities" means school sponsored activities that
35 require enrolled students to pay a fee in order to participate, including
36 fees for:

37 (a) Band uniforms.

38 (b) Equipment or uniforms for varsity athletic activities.

39 (c) Scientific laboratory materials.

40 (d) In-state or out-of-state trips that are solely for competitive
41 events. Extracurricular activities do not include any senior trips or events
42 that are recreational, amusement or tourist activities.

43 3. "Public school" means a school that is part of a school district, a
44 joint technical education district or a charter school.

1 Sec. 22. Section 43-1089.02, Arizona Revised Statutes, is amended to
2 read:

3 43-1089.02. Credit for donation of school site

4 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
5 allowed against the taxes imposed by this title in the amount of thirty per
6 cent of the value of real property and improvements donated by the taxpayer
7 to a school district or a charter school for use as a school or as a site for
8 the construction of a school.

9 B. To qualify for the credit:

10 1. The real property and improvements must be located in this state.

11 2. The real property and improvements must be conveyed unencumbered
12 and in fee simple, except that:

13 (a) The conveyance must include as a deed restriction and protective
14 covenant running with title to the land the requirement that as long as the
15 donee holds title to the property the property shall only be used as a school
16 or as a site for the construction of a school, subject to subsection I or J
17 of this section.

18 (b) In the case of a donation to a charter school, the donor shall
19 record a lien on the property as provided by subsection J, paragraph 3 of
20 this section.

21 3. The conveyance shall not violate section 15-341, subsection D ~~and~~
22 **OR** section 15-183, subsection ~~V~~ **U**.

23 C. For **THE** purposes of this section, the value of the donated property
24 is the property's fair market value as determined in an appraisal as defined
25 in section 32-3601 that is conducted by an independent party and that is paid
26 for by the donee.

27 D. If the property is donated by co-owners, including partners in a
28 partnership and shareholders of an S corporation, as defined in section 1361
29 of the internal revenue code, each donor may claim only the pro rata share of
30 the allowable credit under this section based on the ownership interest. If
31 the property is donated by a husband and wife who file separate returns for a
32 taxable year in which they could have filed a joint return, they may
33 determine between them the share of the credit each will claim. The total of
34 the credits allowed all co-owner donors may not exceed the allowable credit.

35 E. If the allowable tax credit exceeds the taxes otherwise due under
36 this title on the claimant's income, or if there are no taxes due under this
37 title, the taxpayer may carry the amount of the claim not used to offset the
38 taxes under this title forward for not more than five consecutive taxable
39 years' income tax liability.

40 F. The credit under this section is in lieu of any deduction pursuant
41 to section 170 of the internal revenue code taken for state tax purposes.

42 G. On written request by the donee, the donor shall disclose in
43 writing to the donee the amount of the credit allowed pursuant to this
44 section with respect to the property received by the donee.

1 H. A school district or charter school may refuse the donation of any
2 property for purposes of this section.

3 I. If the donee is a school district:

4 1. The district shall notify the school facilities board established
5 by section 15-2001 and furnish the board with any information the board
6 requests regarding the donation. A school district shall not accept a
7 donation pursuant to this section unless the school facilities board has
8 reviewed the proposed donation and has issued a written determination that
9 the real property and improvements are suitable as a school site or as a
10 school. The school facilities board shall issue a determination that the
11 real property and improvements are not suitable as a school site or as a
12 school if the expenses that would be necessary to make the property suitable
13 as a school site or as a school exceed the value of the proposed donation.

14 2. The district may sell any donated property pursuant to section
15 15-342, but the proceeds from the sale shall only be used for capital
16 projects. The school facilities board shall withhold an amount that
17 corresponds to the amount of the proceeds from any monies that would
18 otherwise be due the school district from the school facilities board
19 pursuant to section 15-2041.

20 J. If the donee is a charter school:

21 1. The charter school shall:

22 (a) Immediately notify the sponsor of the charter school by certified
23 mail and shall furnish the sponsor with any information requested by the
24 sponsor regarding the donation during the ten year period after the
25 conveyance is recorded.

26 (b) Notify the sponsor by certified mail, and the sponsor shall notify
27 the state treasurer, in the event of the charter school's financial failure
28 or if the charter school:

29 (i) Fails to establish a charter school on the property within
30 forty-eight months after the conveyance is recorded.

31 (ii) Fails to provide instruction to pupils on the property within
32 forty-eight months after the conveyance is recorded.

33 (iii) Establishes a charter school on the property but subsequently
34 ceases to operate the charter school on the property for twenty-four
35 consecutive months or fails to provide instruction to pupils on the property
36 for twenty-four consecutive months.

37 2. The charter school, or a successor in interest, shall pay to the
38 state treasurer the amount of the credit allowed under this section, or if
39 that amount is unknown, the amount of the allowable credit under this
40 section, if any of the circumstances listed in paragraph 1, subdivision (b)
41 of this subsection ~~occur~~ OCCURS. If the amount is not paid within one year
42 after the treasurer receives notice under paragraph 1, subdivision (b) of
43 this subsection, a penalty and interest shall be added, determined pursuant
44 to title 42, chapter 1, article 3.

1 2. Electric vehicle recharge outlets. To qualify for the credit, the
2 outlet must be connected to the utility system by a dedicated line that:

3 (a) Is capable of operating at normal secondary voltages.

4 (b) Meets applicable local building safety codes.

5 (c) Is commensurate and consistent with electric vehicle recharging
6 needs and methods.

7 B. The credit shall not exceed seventy-five dollars for each
8 installation for each separate house or dwelling unit.

9 C. The taxpayer may elect to transfer a credit under this section to a
10 purchaser or transferee of the house or dwelling unit. If the taxpayer
11 elects to transfer the credit, the taxpayer shall deliver to the purchaser or
12 transferee a written statement that the taxpayer has elected not to claim the
13 credit and that the purchaser or transferee may claim the credit, subject to
14 the conditions and limitations prescribed by this section.

15 D. If the allowable credit exceeds the taxes otherwise due under this
16 title on the claimant's income, or if there are no taxes due under this
17 title, the amount of the credit not used to offset taxes under this title may
18 be carried forward to the next five consecutive taxable years as a credit
19 against subsequent years' income tax liability.

20 E. Co-owners of a business, including partners in a partnership and
21 shareholders of an S corporation, as defined in section 1361 of the internal
22 revenue code, may each claim only the pro rata share of the credit allowed
23 under this section based on the ownership interest. The total of the credits
24 allowed all such owners may not exceed the amount that would have been
25 allowed a sole owner.

26 F. The credit allowed under this section is in lieu of any expenses
27 taken for installing solar stub outs or electric vehicle recharge outlets to
28 reach Arizona taxable income.

29 Sec. 24. Section 43-1161, Arizona Revised Statutes, is amended to
30 read:

31 43-1161. Credit for new employment

32 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
33 allowed against the taxes imposed by this title for net increases in
34 full-time employees hired in qualified employment positions as certified by
35 the Arizona commerce authority pursuant to section 41-1525.

36 B. Subject to subsection E of this section, the amount of the credit
37 is equal to three thousand dollars for each full-time employee hired for the
38 full taxable year in a qualified employment position in each of the first
39 three years of employment, but not more than four hundred employees in any
40 taxable year.

41 C. To qualify for a credit under this section, the taxpayer and the
42 employment positions must meet the requirements prescribed by section
43 41-1525.

1 D. A credit is allowed for employment in the second and third year
2 only for qualified employment positions for which a credit was claimed and
3 allowed in the first year.

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

12 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
13 43-1167 shall not claim a credit under this section with respect to the same
14 employment positions.

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

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

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

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

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

1 Sec. 25. Section 43-1164.03, Arizona Revised Statutes, is amended to
2 read:

3 43-1164.03. Renewable energy production tax credit; definitions

4 A. SUBJECT TO SUBSECTION B, FOR TAXABLE YEARS ENDING BEFORE JANUARY 1,
5 2031, a credit is allowed against the taxes imposed by this title for the
6 production of electricity using renewable energy resources.

7 B. The taxpayer is eligible for the credit:

8 1. If the taxpayer holds title to a qualified energy generator that
9 first produces electricity from and after December 31, 2010 and before
10 January 1, 2021.

11 2. For ten consecutive calendar years beginning with the calendar year
12 in which the qualified energy generator begins producing electricity that is
13 transmitted through a transmission facility to a grid connection with a
14 public or private electric transmission or distribution utility system. That
15 same date applies with respect to that generator until the expiration of the
16 ten-year period regardless of whether the generator is sold to another
17 taxpayer or goes out of production before the expiration of the ten-year
18 period.

19 C. The credit authorized by this section is based on the electricity
20 that is generated by a qualified energy generator during a calendar year.
21 For a taxpayer that files on a fiscal year basis, the credit shall be claimed
22 on the return for the taxable year in which the calendar year ends.

23 D. Subject to subsection G of this section, the amount of the credit
24 is:

25 1. One cent per kilowatt-hour of the first two hundred thousand
26 megawatt-hours of electricity produced by a qualified energy generator in the
27 calendar year using a wind or biomass derived qualified energy resource.

28 2. The following amounts for electricity produced by a qualified
29 energy generator using a solar light derived or solar heat derived qualified
30 energy resource:

31 (a) Four cents per kilowatt-hour in the first calendar year in which
32 the qualified energy generator produces electricity.

33 (b) Four cents per kilowatt-hour in the second calendar year in which
34 the qualified energy generator produces electricity.

35 (c) Three and one-half cents per kilowatt-hour in the third calendar
36 year in which the qualified energy generator produces electricity.

37 (d) Three and one-half cents per kilowatt-hour in the fourth calendar
38 year in which the qualified energy generator produces electricity.

39 (e) Three cents per kilowatt-hour in the fifth calendar year in which
40 the qualified energy generator produces electricity.

41 (f) Three cents per kilowatt-hour in the sixth calendar year in which
42 the qualified energy generator produces electricity.

43 (g) Two cents per kilowatt-hour in the seventh calendar year in which
44 the qualified energy generator produces electricity.

1 (h) Two cents per kilowatt-hour in the eighth calendar year in which
2 the qualified energy generator produces electricity.

3 (i) One and one-half cents per kilowatt-hour in the ninth calendar
4 year in which the qualified energy generator produces electricity.

5 (j) One cent per kilowatt-hour in the tenth calendar year in which the
6 qualified energy generator produces electricity.

7 E. To qualify for the purposes of this section, an energy generator
8 may be located within one mile of an existing qualified energy generator only
9 if the owner of the energy generator or the owner's corporate affiliates are
10 not the owner of or the corporate affiliate of the owner of the existing
11 qualified energy generator.

12 F. To be eligible for the credit under this section, the taxpayer must
13 apply to the department, on a form prescribed by the department, for
14 certification of the credit. The department shall only accept applications
15 beginning January 2 through January 31 of the year following the calendar
16 year for which the credit is being requested. The application shall include:

17 1. The name, address and social security number or federal employer
18 identification number of the applicant.

19 2. The location of the taxpayer's facility that produces electricity
20 using renewable energy resources for which the credit is claimed.

21 3. The amount of the credit that is claimed.

22 4. The date the qualified energy generator began producing
23 commercially marketable amounts of electricity.

24 5. Any additional information that the department requires.

25 G. The department shall review each application under subsection F of
26 this section and certify to the taxpayer the amount of the credit that is
27 authorized. The amount of the credit for any calendar year shall not exceed
28 two million dollars per facility that produces electricity using renewable
29 energy resources. Credits are allowed under this section and section
30 43-1083.02 on a first come, first served basis. The department shall not
31 authorize tax credits under this section and section 43-1083.02 that exceed
32 in the aggregate a total of twenty million dollars for any calendar year.
33 The first time that a taxpayer submits a qualified application for a
34 qualified energy generator under subsection F of this section, the
35 department shall add the taxpayer's name to a credit authorization list that
36 is maintained in the order in which qualified applications are first received
37 by the department on behalf of the qualified energy generator. A taxpayer's
38 position on the credit authorization list shall be determined in the first
39 year the taxpayer submits an application under subsection F of this section
40 for the qualified energy generator. The taxpayer's position on the credit
41 authorization list for a particular qualified energy generator shall remain
42 unchanged for the ten years that are specified in subsection B, paragraph 2
43 of this section or until a year in which the taxpayer fails to submit a
44 timely application under subsection F of this section or otherwise fails to
45 comply with this section. If a taxpayer is removed from the credit

1 authorization list for a qualified energy generator, the taxpayer may
2 establish a new position on the credit authorization list in a subsequent
3 year by filing a timely application for a qualified energy generator that
4 qualifies for the credit. If an application is received that, if authorized,
5 would require the department to exceed the twenty million dollar limit, the
6 department shall grant the applicant only the remaining credit amount that
7 would not exceed the twenty million dollar limit. After the department
8 authorizes twenty million dollars in tax credits, the department shall deny
9 any subsequent applications that are received for that calendar year. The
10 department shall not authorize any additional tax credits that exceed the
11 twenty million dollar limit even if the amounts that have been certified to
12 any taxpayer were not claimed or a taxpayer otherwise fails to meet the
13 requirements to claim the additional credit.

14 H. Co-owners of a qualified energy generator, including corporate
15 partners in a partnership and members of a limited liability company, may
16 each claim the pro rata share of the credit allowed under this section based
17 on ownership interest. The total of the credits allowed all such owners of
18 the qualified energy generator may not exceed the amount that would have been
19 allowed for a sole owner of the generator.

20 I. If the allowable tax credit for a taxpayer exceeds the taxes
21 otherwise due under this title on the claimant's income, or if there are no
22 taxes due under this title, the amount of the claim not used to offset taxes
23 under this title may be carried forward for not more than five consecutive
24 taxable years as a credit against subsequent years' income tax liability.

25 J. The department shall adopt rules and publish and prescribe forms
26 and procedures as necessary to effectuate the purposes of this section.

27 K. For the purposes of this section:

28 1. "Biomass" means organic material that is available on a renewable
29 or recurring basis, including:

30 (a) Forest-related materials, including mill residues, logging
31 residues, forest thinnings, slash, brush, low-commercial value materials or
32 undesirable species, salt cedar and other phreatophyte or woody vegetation
33 removed from river basins or watersheds and woody material harvested for the
34 purpose of forest fire fuel reduction or forest health and watershed
35 improvement.

36 (b) Agricultural-related materials, including orchard trees, vineyard,
37 grain or crop residues, including straws and stover, aquatic plants and
38 agricultural processed coproducts and waste products, including fats, oils,
39 greases, whey and lactose.

40 (c) Animal waste, including manure and slaughterhouse and other
41 processing waste.

42 (d) Solid woody waste materials, including landscape or right-of-way
43 tree trimmings, rangeland maintenance residues, waste pallets, crates and
44 manufacturing, construction and demolition wood wastes, excluding

1 pressure-treated, chemically-treated or painted wood wastes and wood
2 contaminated with plastic.

3 (e) Crops and trees planted for the purpose of being used to produce
4 energy.

5 (f) Landfill gas, wastewater treatment gas and biosolids, including
6 organic waste byproducts generated during the wastewater treatment process.

7 2. "Qualified energy generator" means a facility that has at least
8 five megawatts generating capacity, that is located on land in this state
9 owned or leased by the taxpayer, that produces electricity using a qualified
10 energy resource and that sells that electricity to an unrelated entity,
11 unless the electricity is sold to a public service corporation.

12 3. "Qualified energy resource" means a resource that generates
13 electricity through the use of only the following energy sources:

14 (a) Solar light.

15 (b) Solar heat.

16 (c) Wind.

17 (d) Biomass.

18 Sec. 26. Section 43-1165, Arizona Revised Statutes, is amended to
19 read:

20 43-1165. Credit for employment by qualified defense contractor

21 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
22 allowed against the taxes imposed by this title for:

23 1. Net increases in employment under United States department of
24 defense contracts during the taxable year, as computed under subsection D of
25 this section, by a qualified defense contractor that is certified by the
26 Arizona commerce authority under section 41-1508.

27 2. Net increases in private commercial employment during the taxable
28 year, as computed under subsection E of this section, by a qualified defense
29 contractor that is certified by the Arizona commerce authority under section
30 41-1508 due to full-time equivalent employee positions transferred during the
31 taxable year by the taxpayer from exclusively defense related activities to
32 employment by the taxpayer in exclusively private commercial activities.

33 B. The amount of the credit is a dollar amount allowed for each
34 full-time equivalent employee position created, determined as follows:

35 1st year	\$2,500
36 2nd year	\$2,000
37 3rd year	\$1,500
38 4th year	\$1,000
39 5th year	\$ 500

40 C. If the allowable tax credit exceeds the taxes otherwise due under
41 this title on the claimant's income, or if there are no taxes due under this
42 title, the taxpayer may carry the amount of the claim not used to offset the
43 taxes under this title forward until taxable years beginning from and after
44 December 31, 2011 as a credit against subsequent years' income tax liability,
45 regardless of continuing certification as a qualified defense contractor.

1 D. The net increase in employment under defense related contracts
2 shall be determined as follows:

3 1. Establish an employment baseline for the taxpayer based on a
4 multiyear forecast of employment on United States department of defense
5 contracts that was submitted to the department of defense before June 1,
6 1992. The annual average employment forecast for the first year the taxpayer
7 qualified is the baseline. If the taxpayer did not make such a forecast
8 before June 1, 1992, the baseline is the average annual employment as
9 reported to the department of economic security during the preceding taxable
10 year. If a taxpayer qualifies in the same year it relocates into this state,
11 the taxpayer's baseline is zero.

12 2. For the first year of the credit, the taxpayer's net increase in
13 average employment is the increase in employment reported to the department
14 of economic security for the taxable year over the employment baseline.

15 3. For each succeeding year of the credit, the taxpayer's net increase
16 in average employment is the increase in employment reported to the
17 department of economic security for the taxable year over the preceding
18 taxable year's average employment.

19 E. In computing the amount of credit allowed under subsection A,
20 paragraph 2 of this section, the taxpayer shall:

21 1. Prorate employment during the taxable year according to the date of
22 transfer from defense to private commercial activities or the date of
23 transfer from private commercial activities to defense.

24 2. Compute and subtract an amount pursuant to subsection B of this
25 section for full-time equivalent employee positions that were transferred
26 during the taxable year by the taxpayer from exclusively private commercial
27 activities to exclusively defense related activities.

28 F. The taxpayer shall account for qualifying full-time equivalent
29 employee positions on a first-in first-out basis. If a decrease in
30 qualifying employment occurs, the taxpayer shall subtract the decrease from
31 the earliest qualifying positions.

32 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
33 of this section with respect to the same employee position. A full-time
34 equivalent employee position may be considered for purposes of computing the
35 credit under either subsection A, paragraph 1 or 2 of this section, but not
36 both.

37 H. A credit is not allowed under this section with respect to
38 employment that was transferred from an outside contractor in this state to
39 in-house employment by the taxpayer solely for purposes of qualifying for the
40 credit.

41 I. A taxpayer that claims a credit under section 43-1161, 43-1164.01
42 or 43-1167 may not claim a credit under this section with respect to the same
43 employee positions.

44 J. Co-owners of a business, including corporate partners in a
45 partnership, may each claim only the pro rata share of the credit allowed

1 under this section based on the ownership interest. The total of the credits
2 allowed all such owners may not exceed the amount that would have been
3 allowed for a sole owner of the business.

4 Sec. 27. Section 43-1166, Arizona Revised Statutes, is amended to
5 read:

6 43-1166. Credit for property taxes paid by qualified defense
7 contractor

8 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
9 allowed against the taxes imposed by this title equal to a portion of the
10 amount paid as taxes during the taxable year by a qualified defense
11 contractor that is certified by the Arizona commerce authority under section
12 41-1508 on property in this state that is classified as class one, paragraphs
13 12 and 13 pursuant to section 42-12001.

14 B. The amount of the credit is determined as follows:

15 1. Multiply the amount paid as taxes on property classified as class
16 one, paragraphs 12 and 13 pursuant to section 42-12001 in this state during
17 the taxable year by a percentage based on net new defense related employment,
18 determined by subtracting the employment baseline determined pursuant to
19 section 43-1165, subsection D, paragraph 1 from average annual employment as
20 reported to the department of economic security for the taxable year, as
21 follows:

<u>New employment</u>	<u>Credit percentage</u>
More than 900	40%
601 - 900	30%
301 - 600	20%
1 - 300	10%

27 2. Multiply the amount determined under paragraph 1 of this subsection
28 by a percentage determined by dividing the taxpayer's total gross income from
29 United States department of defense contracts apportioned to this state by
30 the taxpayer's total gross income from all sources apportioned to this state.

31 C. If the allowable tax credit exceeds the taxes otherwise due under
32 this title on the claimant's income, or if there are no taxes due under this
33 title, the taxpayer may carry the amount of the claim not used to offset the
34 taxes under this title forward until taxable years beginning from and after
35 December 31, 2011 as a credit against subsequent years' income tax liability,
36 regardless of continuing certification as a qualified defense contractor.

37 D. Co-owners of a business, including corporate partners in a
38 partnership, may each claim only the pro rata share of the credit allowed
39 under this section based on the ownership interest. The total of the credits
40 allowed all such owners may not exceed the amount that would have been
41 allowed for a sole owner of the business.

1 Sec. 28. Section 43-1167, Arizona Revised Statutes, is amended to
2 read:

3 43-1167. Credit for increased employment in military reuse
4 zones; definition

5 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
6 allowed against the taxes imposed by this title for net increases in
7 employment by the taxpayer of full-time employees working in a military reuse
8 zone, established under title 41, chapter 10, article 3, and who are
9 primarily engaged in providing aviation or aerospace services or in
10 manufacturing, assembling or fabricating aviation or aerospace products. The
11 amount of the credit is a dollar amount allowed for each new employee,
12 determined as follows:

13 1. With respect to each employee other than a dislocated military base
14 employee:

15	1st year of employment	\$ 500
16	2nd year of employment	\$1,000
17	3rd year of employment	\$1,500
18	4th year of employment	\$2,000
19	5th year of employment	\$2,500

20 2. With respect to each dislocated military base employee:

21	1st year of employment	\$1,000
22	2nd year of employment	\$1,500
23	3rd year of employment	\$2,000
24	4th year of employment	\$2,500
25	5th year of employment	\$3,000

26 B. If the allowable tax credit exceeds the taxes otherwise due under
27 this title on the claimant's income, or if there are no taxes due under this
28 title, the amount of the claim not used to offset the taxes under this title
29 may be carried forward as a credit against subsequent years' income tax
30 liability for the period, not to exceed five taxable years, if the business
31 remains in the military reuse zone.

32 C. The net increase in the number of employees for purposes of this
33 section shall be determined by comparing the taxpayer's average employment in
34 the military reuse zone during the taxable year with the taxpayer's previous
35 year's fourth quarter employment in the zone, based on the taxpayer's report
36 to the department of economic security for unemployment insurance purposes
37 but considering only employment in the zone.

38 D. Co-owners of a business, including corporate partners in a
39 partnership, may each claim only the pro rata share of the credit allowed
40 under this section based on the ownership interest. The total of the credits
41 allowed all such owners may not exceed the amount that would have been
42 allowed for a sole owner of the business.

43 E. A credit is not allowed under this section with respect to an
44 employee whose place of employment is relocated by the taxpayer from a
45 location in this state to the military reuse zone unless the employee is

1 engaged in aviation or aerospace services or in manufacturing, assembling or
2 fabricating aviation or aerospace products and the taxpayer maintains at
3 least the same number of employees in this state but outside the zone.

4 F. A taxpayer who claims a credit under section 43-1161, 43-1164.01 or
5 43-1165 may not claim a credit under this section with respect to the same
6 employees.

7 G. For the purposes of this section, "dislocated military base
8 employee" means a civilian who previously had permanent full-time civilian
9 employment on the military facility as of the date the closure of the
10 facility was finally determined under federal law, as certified by the
11 Arizona commerce authority.

12 Sec. 29. Section 43-1167.01, Arizona Revised Statutes, is amended to
13 read:

14 43-1167.01. Credit for employing national guard members

15 A. For taxable years beginning from and after December 31, 2005 AND
16 ENDING BEFORE JANUARY 1, 2020, a credit is allowed against the taxes imposed
17 by this title for a taxpayer whose employee is a member of the Arizona
18 national guard if the employee is placed on active duty. The amount of the
19 credit is one thousand dollars for each employee who is placed on active duty
20 by the Arizona national guard.

21 B. To qualify for the credit:

22 1. The employee must be a member of the Arizona national guard who is
23 employed by the taxpayer in a full-time equivalent position when the employee
24 is placed on active duty.

25 2. Each member of the Arizona national guard who is employed must have
26 served during the taxable year on active duty for training that exceeds the
27 required annual training period, including any activation for federal or
28 state contingencies or emergencies.

29 C. If the allowable credit exceeds the taxes otherwise due under this
30 title on the claimant's income, or if there are no taxes due under this
31 title, the amount of the claim not used to offset taxes under this title may
32 be carried forward for not more than five consecutive taxable years as a
33 credit against subsequent years' income tax liability.

34 D. The credit under this section may be claimed only once by the
35 taxpayer in any taxable year with respect to each employee who is placed on
36 active duty by the Arizona national guard, but may be claimed again for that
37 employee in a subsequent taxable year if that employee remains on active duty
38 or is placed again on active duty in a subsequent taxable year.

39 E. Co-owners of a business, including corporate partners in a
40 partnership, may each claim only the pro rata share of the credit allowed
41 under this section based on the ownership interest. The total of the credits
42 allowed all such owners may not exceed the amount that would have been
43 allowed a sole owner.

1 Sec. 30. Section 43-1168, Arizona Revised Statutes, as amended by Laws
2 2011, second special session, chapter 1, section 113, is amended to read:

3 43-1168. Credit for increased research activities

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
5 allowed against the taxes imposed by this title in an amount determined
6 pursuant to section 41 of the internal revenue code, except that:

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

8 (a) Add:

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

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

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

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

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

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

27 (d) For taxable years beginning from and after December 31, 2011, an
28 additional credit amount is allowed if the taxpayer made basic research
29 payments during the taxable year to a university under the jurisdiction of
30 the Arizona board of regents. The additional credit amount is equal to ten
31 per cent of the basic research payments that constitute excess expenses for
32 the taxable year over the base amount. The department shall not allow credit
33 amounts under this subdivision and section 43-1074.01, subsection A,
34 paragraph 1, subdivision (c) that exceed, in the aggregate, a combined total
35 of ten million dollars in any calendar year. Subject to that limit, on
36 application by the taxpayer, the department shall preapprove credit amounts
37 under this subdivision and section 43-1074.01, subsection A, paragraph 1,
38 subdivision (c) based on priority placement established by the date that the
39 taxpayer filed the application. Notwithstanding subsections B and D of this
40 section, any amount of the additional credit under this subdivision that
41 exceeds the taxes otherwise due under this title is not refundable, but may
42 be carried forward to the next five consecutive taxable years.

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

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

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

6 5. The termination provisions of section 41 of the internal revenue
7 code do not apply.

8 B. Except as provided by subsection D of this section, 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, the amount of the credit not used to offset taxes may be carried
12 forward to the next fifteen consecutive taxable years. The amount of credit
13 carryforward from taxable years beginning from and after December 31, 2000
14 through December 31, 2002 that may be used under this subsection in any
15 taxable year may not exceed the taxpayer's tax liability under this title or
16 five hundred thousand dollars, whichever is less, minus the credit under this
17 section for the current taxable year's qualified research expenses. The
18 amount of credit carryforward from taxable years beginning from and after
19 December 31, 2002 that may be used under this subsection in any taxable year
20 may not exceed the taxpayer's tax liability under this title minus the credit
21 under this section for the current taxable year's qualified research
22 expenses. A taxpayer that carries forward any amount of credit under this
23 subsection may not thereafter claim a refund of any amount of the credit
24 under subsection D of this section.

25 C. If a taxpayer has qualified research expenses that are carried
26 forward from taxable years beginning before January 1, 2001, the amount of
27 the expenses carried forward shall be converted to a credit carryforward by
28 multiplying the amount of the qualified expenses carried forward by twenty
29 per cent. A credit carryforward determined under this subsection may be
30 carried forward to not more than fifteen years from the year in which the
31 expenses were incurred. The amount of credit carryforward from taxable years
32 beginning before January 1, 2001 that may be used under this subsection in
33 any taxable year may not exceed the taxpayer's tax liability under this title
34 or five hundred thousand dollars, whichever is less, minus the credit under
35 this section for the current taxable year's qualified research expenses. The
36 total amount of credit carryforward from taxable years beginning before
37 January 1, 2003 that may be used in any taxable year under subsection B and
38 this subsection may not exceed the taxpayer's tax liability under this title
39 or five hundred thousand dollars, whichever is less, minus the credit under
40 this section for the current taxable year's qualified research expenses.

41 D. For taxable years beginning from and after December 31, 2009, if a
42 taxpayer who claims a credit under this section employs fewer than one
43 hundred fifty persons in the taxpayer's trade or business and if the
44 allowable credit under this section exceeds the taxes otherwise due under
45 this title on the claimant's income, or if there are no taxes due under this

1 title, in lieu of carrying the excess amount of credit forward to subsequent
2 taxable years under subsection B of this section, the taxpayer may elect to
3 receive a refund as follows:

4 1. The taxpayer must apply to the department of commerce for
5 qualification for the refund pursuant to section 41-1507 and submit a copy of
6 the department of commerce's certificate of qualification to the department
7 of revenue with the taxpayer's income tax return.

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

12 3. The refund shall be paid in the manner prescribed by section
13 42-1118.

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

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

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

21 Sec. 31. Section 43-1168, Arizona Revised Statutes, as amended by Laws
22 2011, second special session, chapter 1, section 114, is amended to read:

23 43-1168. Credit for increased research activity

24 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2027, a credit is
25 allowed against the taxes imposed by this title in an amount determined
26 pursuant to section 41 of the internal revenue code, except that:

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

28 (a) Add:

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

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

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

37 (c) If the sum computed under subdivision (a) is over two million five
38 hundred thousand dollars, the credit is equal to five hundred thousand
39 dollars plus eleven per cent of any amount exceeding two million five hundred
40 thousand dollars, except that:

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

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

4 (d) For taxable years beginning from and after December 31, 2011, an
5 additional credit amount is allowed if the taxpayer made basic research
6 payments during the taxable year to a university under the jurisdiction of
7 the Arizona board of regents. The additional credit amount is equal to ten
8 per cent of the basic research payments that constitute excess expenses for
9 the taxable year over the base amount. The department shall not allow credit
10 amounts under this subdivision and section 43-1074.01, subsection A,
11 paragraph 1, subdivision (c) that exceed, in the aggregate, a combined total
12 of ten million dollars in any calendar year. Subject to that limit, on
13 application by the taxpayer, the department shall preapprove credit amounts
14 under this subdivision and section 43-1074.01, subsection A, paragraph 1,
15 subdivision (c) based on priority placement established by the date that the
16 taxpayer filed the application. Notwithstanding subsections B and D of this
17 section, any amount of the additional credit under this subdivision that
18 exceeds the taxes otherwise due under this title is not refundable, but may
19 be carried forward to the next five consecutive taxable years.

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

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

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

28 5. The termination provisions of section 41 of the internal revenue
29 code do not apply.

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

1 subsection may not thereafter claim a refund of any amount of the credit
2 under subsection D of this section.

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

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

27 1. The taxpayer must apply to the department of commerce for
28 qualification for the refund pursuant to section 41-1507 and submit a copy of
29 the department of commerce's certificate of qualification to the department
30 of revenue with the taxpayer's income tax return.

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

35 3. The refund shall be paid in the manner prescribed by section
36 42-1118.

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

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

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

1 Sec. 32. Section 43-1170, Arizona Revised Statutes, is amended to
2 read:

3 43-1170. Credit for pollution control equipment

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
5 allowed against the taxes imposed by this title for expenses that the
6 taxpayer incurred during the taxable year to purchase real or personal
7 property that is used in the taxpayer's trade or business in this state to
8 control or prevent pollution. The amount of the credit is equal to ten per
9 cent of the purchase price.

10 B. Property that qualifies for the credit under this section includes
11 that portion of a structure, building, installation, excavation, machine,
12 equipment or device and any attachment or addition to or reconstruction,
13 replacement or improvement of that property that is directly used,
14 constructed or installed in this state for the purpose of meeting or
15 exceeding rules or regulations adopted by the United States environmental
16 protection agency, the department of environmental quality or a political
17 subdivision of this state to prevent, monitor, control or reduce air, water
18 or land pollution that results from the taxpayer's direct operating
19 activities in conducting a trade or business in this state.

20 C. The credit allowed pursuant to this section does not apply to:

21 1. The purchase of any personal property that is attached to a motor
22 vehicle.

23 2. Any property that has a substantial use for a purpose other than
24 the purposes described in subsection B.

25 3. Any portion of pollution control property that is included as a
26 standard and integral part of another property.

27 D. Amounts that qualify for a credit under this section must be
28 includible in the taxpayer's adjusted basis for the property. The adjusted
29 basis of any property with respect to which the taxpayer has claimed a credit
30 shall be reduced by the amount of credit claimed with respect to that
31 asset. This credit does not affect the deductibility for depreciation or
32 amortization of the remaining adjusted basis of the asset.

33 E. Co-owners of a business, including corporate partners in a
34 partnership, may each claim only the pro rata share of the credit allowed
35 under this section based on the ownership interest. The total of the credits
36 allowed all such owners may not exceed the amount that would have been
37 allowed a sole owner.

38 F. If the allowable tax credit exceeds the taxes otherwise due under
39 this title on the claimant's income, or if there are no taxes due under this
40 title, the taxpayer may carry the amount of the claim not used to offset the
41 taxes under this title forward for not more than five taxable years' income
42 tax liability.

43 G. The maximum credit that a taxpayer may claim under this section is
44 five hundred thousand dollars in a taxable year.

1 Sec. 33. Section 43-1170.01, Arizona Revised Statutes, is amended to
2 read:

3 43-1170.01. Credit for agricultural pollution control equipment

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
5 allowed against the taxes imposed by this title for expenses that a taxpayer,
6 involved in the commercial production of livestock, livestock products or
7 agricultural, horticultural, viticultural or floricultural crops or products,
8 incurred during the taxable year to purchase tangible personal property that
9 is primarily used in the taxpayer's trade or business in this state to
10 control or prevent pollution. The amount of the credit is equal to
11 twenty-five per cent of the cost of the real or personal property. The
12 maximum credit that a taxpayer may claim under this section is twenty-five
13 thousand dollars in a taxable year.

14 B. Property that qualifies for the credit under this section includes
15 the portion of a structure, building, installation, excavation, machine,
16 equipment or device and any attachment or addition to or reconstruction,
17 replacement or improvement of that property that is directly used,
18 constructed or installed in this state to prevent, monitor, control or reduce
19 air, water or land pollution.

20 C. Amounts that qualify for a credit under this section must be
21 includible in the taxpayer's adjusted basis for the property. The adjusted
22 basis of any property with respect to which the taxpayer has claimed a credit
23 shall be reduced by the amount of credit claimed with respect to that
24 asset. This credit does not affect the deductibility for depreciation or
25 amortization of the remaining adjusted basis of the asset.

26 D. Co-owners of a business, including corporate partners in a
27 partnership, may each claim only the pro rata share of the credit allowed
28 under this section based on the ownership interest. The total of the credits
29 allowed all such owners may not exceed the amount that would have been
30 allowed a sole owner.

31 E. If the allowable tax credit exceeds the taxes otherwise due under
32 this title on the claimant's income, or if there are no taxes due under this
33 title, the amount of the claim not used to offset the taxes under this title
34 may be carried forward to the next five consecutive taxable years as a credit
35 against subsequent years' income tax liability.

36 F. A taxpayer who claims a credit for pollution control equipment
37 under this section shall not claim a credit under section 43-1170 for the
38 same equipment or expense.

39 Sec. 34. Section 43-1175, Arizona Revised Statutes, is amended to
40 read:

41 43-1175. Credit for employment of temporary assistance for
42 needy families recipients

43 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
44 allowed against the taxes imposed by this title for net increases in
45 qualified employment by the taxpayer of recipients of temporary assistance

1 for needy families as defined in section 46-101 who are residents of this
2 state. The amount of the credit is equal to the sum of the following:

3 1. One-fourth of the taxable wages paid to each employee in qualified
4 employment positions, not to exceed five hundred dollars per qualified
5 employment position, in the first year or partial year of employment. Wages
6 that were subsidized as provided by section 46-299 shall not be included.

7 2. One-third of the taxable wages paid to each employee in qualified
8 employment positions, not to exceed one thousand dollars per qualified
9 employment position, in the second year of continuous employment. Wages that
10 were subsidized as provided by section 46-299 shall not be included.

11 3. One-half of the taxable wages paid to each employee in qualified
12 employment positions, not to exceed one thousand five hundred dollars per
13 qualified employment position, in the third year of continuous
14 employment. Wages that were subsidized as provided by section 46-299 shall
15 not be included.

16 B. The credit allowed in this section is in lieu of any wage expense
17 deduction taken for state tax purposes.

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

19 1. All of the employees with respect to whom a credit is claimed must
20 reside in this state and must be recipients of temporary assistance for needy
21 families as defined in section 46-101 at the time the employee is hired.

22 2. A qualified employment position must meet all of the following
23 requirements:

24 (a) The position must be classified as full-time employment.

25 (b) The employment must include health insurance coverage for the
26 employee if the employer offers this coverage for employees who are not
27 recipients of temporary assistance for needy families.

28 (c) The employer must pay compensation at least equal to the minimum
29 wage or a wage comparable to that paid to employees who are not receiving
30 temporary assistance for needy families based on the employee's training,
31 skills and job classification.

32 (d) The employee must have been employed for at least ninety days
33 during the first taxable year. An employee who is hired during the last
34 ninety days of the taxable year shall be considered a new employee during the
35 next taxable year. Periods for which the employee's wages were subsidized as
36 provided by section 46-299 shall not be included as periods of employment.

37 (e) The employee was not employed by the taxpayer within twelve months
38 before the current date of hire.

39 (f) The employee position is not eligible for any other employment
40 credit pursuant to this title based on wages paid.

41 D. The net increase in the number of qualified employment positions
42 shall be determined by comparing the average number of qualified employment
43 positions during the taxable year with the immediately preceding taxable year
44 based on the taxpayer's report to the department of economic security for
45 unemployment purposes.

1 E. If the allowable tax credit exceeds the income taxes otherwise due
2 on the claimant's income, the amount of the claim not used as an offset
3 against income taxes may be carried forward as a tax credit against
4 subsequent years' income tax liability for the period, not to exceed five
5 consecutive taxable years.

6 F. Co-owners of a business, including corporate partners in a
7 partnership, may claim only the pro rata share of the credit allowed under
8 this section based on the ownership interest. The total of the credits
9 allowed all of the owners of the business may not exceed the amount that
10 would have been allowed for a sole owner of the business.

11 G. The department may adopt rules necessary for the administration of
12 this section.

13 Sec. 35. Section 43-1176, Arizona Revised Statutes, is amended to
14 read:

15 43-1176. Credit for solar hot water heater plumbing stub outs
16 and electric vehicle recharge outlets installed in
17 houses constructed by taxpayer

18 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020, a credit is
19 allowed against the taxes imposed by this title for costs incurred during the
20 taxable year of installing or including in one or more houses or dwelling
21 units located in this state and constructed by the taxpayer one or more:

22 1. Solar hot water plumbing stub outs. To qualify for the credit the
23 stub out must:

24 (a) Include two insulated three-fourths inch copper pipes and at least
25 two pairs of wires for monitoring and control purposes that project from the
26 dwelling roof or other suitable location and that are connected to the
27 domestic hot water transport and storage system.

28 (b) Be located and configured to allow sufficient solar access and
29 exposure and to allow ready installation of solar water heating devices
30 without further expense or effort to reach, use or serve the domestic hot
31 water system of the house or dwelling UNIT.

32 2. Electric vehicle recharge outlets. To qualify for the credit, the
33 outlet must be connected to the utility system by a dedicated line that:

34 (a) Is capable of operating at normal secondary voltages.

35 (b) Meets applicable local building safety codes.

36 (c) Is commensurate and consistent with electric vehicle recharging
37 needs and methods.

38 B. The credit shall not exceed seventy-five dollars for each
39 installation for each separate house or dwelling unit.

40 C. The taxpayer may elect to transfer a credit under this section to a
41 purchaser or transferee of the house or dwelling unit. If the taxpayer
42 elects to transfer the credit, the taxpayer shall deliver to the purchaser or
43 transferee a written statement that the taxpayer has elected not to claim the
44 credit and that the purchaser or transferee may claim the credit, subject to
45 the conditions and limitations prescribed by this section.

1 D. If the allowable credit exceeds the taxes otherwise due under this
2 title on the claimant's income or if there are no taxes due under this title,
3 the amount of the credit not used to offset taxes under this title may be
4 carried forward to the next five consecutive taxable years as a credit
5 against subsequent years' income tax liability.

6 E. Co-owners of a business, including corporate partners in a
7 partnership, may each claim only the pro rata share of the credit allowed
8 under this section based on the ownership interest. The total of the credits
9 allowed all such owners may not exceed the amount that would have been
10 allowed a sole owner.

11 F. The credit allowed under this section is in lieu of any expenses
12 taken for installing solar stub outs or electric vehicle recharge outlets ~~to~~
13 ~~reach~~ **IN COMPUTING** Arizona taxable income.

14 Sec. 36. Section 43-1178, Arizona Revised Statutes, is amended to
15 read:

16 **43-1178. Credit for taxes with respect to coal consumed in**
17 **generating electrical power**

18 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
19 allowed against the taxes imposed by this title for a taxpayer that purchases
20 coal consumed in generating electrical power in this state. The credit is
21 equal to thirty per cent of the amount paid by the seller or purchaser as
22 transaction privilege or use tax with respect to the coal sold to the
23 taxpayer.

24 B. Co-owners of a business, including corporate partners in a
25 partnership, may claim only the pro rata share of the credit allowed under
26 this section based on the ownership interest. The total of the credits
27 allowed all of the owners of the business may not exceed the amount that
28 would have been allowed for a sole owner of the business.

29 C. If the allowable tax credit exceeds the taxes otherwise due under
30 this title on the claimant's income, or if there are no taxes due under this
31 title, the amount of the claim not used as an offset against income taxes may
32 be carried forward to the next five consecutive taxable years as a credit
33 against subsequent years' income tax liability.

34 D. The credit under this section is in lieu of any allowance for state
35 tax purposes for a deduction for the expenses allowed by the internal revenue
36 code.

37 Sec. 37. Section 43-1181, Arizona Revised Statutes, is amended to
38 read:

39 **43-1181. Credit of donation of school site**

40 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2020**, a credit is
41 allowed against the taxes imposed by this title in the amount of thirty per
42 cent of the value of real property and improvements donated by the taxpayer
43 to a school district or a charter school for use as a school or as a site for
44 the construction of a school.

45 B. To qualify for the credit:

1 1. The real property and improvements must be located in this state.

2 2. The real property and improvements must be conveyed unencumbered
3 and in fee simple except that:

4 (a) The conveyance must include as a deed restriction and protective
5 covenant running with title to the land the requirement that as long as the
6 donee holds title to the property the property shall only be used as a school
7 or as a site for the construction of a school, subject to subsection I or J
8 of this section.

9 (b) In the case of a donation to a charter school, the donor shall
10 record a lien on the property as provided by subsection J, paragraph 3 of
11 this section.

12 3. The conveyance shall not violate section 15-341, subsection D or
13 section 15-183, subsection U.

14 C. For the purposes of this section, the value of the donated property
15 is the property's fair market value as determined in an appraisal as defined
16 in section 32-3601 that is conducted by an independent party and that is paid
17 for by the donee.

18 D. If the property is donated by co-owners, including corporate
19 partners in a partnership, each donor may claim only the pro rata share of
20 the allowable credit under this section based on the ownership interest. The
21 total of the credits allowed all co-owner donors may not exceed the allowable
22 credit.

23 E. If the allowable tax credit exceeds the taxes otherwise due under
24 this title on the claimant's income, or if there are no taxes due under this
25 title, the taxpayer may carry the amount of the claim not used to offset the
26 taxes under this title forward for not more than five consecutive taxable
27 years' income tax liability.

28 F. The credit under this section is in lieu of any deduction pursuant
29 to section 170 of the internal revenue code taken for state tax purposes.

30 G. On written request by the donee, the donor shall disclose in
31 writing to the donee the amount of the credit allowed pursuant to this
32 section with respect to the property received by the donee.

33 H. A school district or charter school may refuse the donation of any
34 property for purposes of this section.

35 I. If the donee is a school district:

36 1. The district shall notify the school facilities board established
37 by section 15-2001 and furnish the board with any information the board
38 requests regarding the donation. A school district shall not accept a
39 donation pursuant to this section unless the school facilities board has
40 reviewed the proposed donation and has issued a written determination that
41 the real property and improvements are suitable as a school site or as a
42 school. The school facilities board shall issue a determination that the
43 real property and improvements are not suitable as a school site or as a
44 school if the expenses that would be necessary to make the property suitable
45 as a school site or as a school exceed the value of the proposed donation.

1 2. The district may sell any donated property pursuant to section
2 15-342, but the proceeds from the sale shall only be used for capital
3 projects. The school facilities board shall withhold an amount that
4 corresponds to the amount of the proceeds from any monies that would
5 otherwise be due the school district from the school facilities board
6 pursuant to section 15-2041.

7 J. If the donee is a charter school:

8 1. The charter school shall:

9 (a) Immediately notify the sponsor of the charter school by certified
10 mail and shall furnish the sponsor with any information requested by the
11 sponsor regarding the donation during the ten year period after the
12 conveyance is recorded.

13 (b) Notify the sponsor by certified mail, and the sponsor shall notify
14 the state treasurer, in the event of the charter school's financial failure
15 or if the charter school:

16 (i) Fails to establish a charter school on the property within
17 forty-eight months after the conveyance is recorded.

18 (ii) Fails to provide instruction to pupils on the property within
19 forty-eight months after the conveyance is recorded.

20 (iii) Establishes a charter school on the property but subsequently
21 ceases to operate the charter school on the property for twenty-four
22 consecutive months or fails to provide instruction to pupils on the property
23 for twenty-four consecutive months.

24 2. The charter school, or a successor in interest, shall pay to the
25 state treasurer the amount of the credit allowed under this section, or if
26 that amount is unknown, the amount of the allowable credit under this
27 section, if any of the circumstances listed in paragraph 1, subdivision (b)
28 of this subsection ~~occur~~ OCCURS. If the amount is not paid within one year
29 after the treasurer receives notice under paragraph 1, subdivision (b) of
30 this subsection, a penalty and interest shall be added, determined pursuant
31 to title 42, chapter 1, article 3.

32 3. A tax credit under this section constitutes a lien on the property,
33 which the donor must record along with the title to the property to qualify
34 for the credit. The amount of the lien is the amount of the allowable credit
35 under this section, adjusted according to the average change in the GDP price
36 deflator, as defined in section 41-563, for each calendar year since the
37 donation, but not exceeding twelve and one-half per cent more than the
38 allowable credit. The lien is subordinate to any liens securing the
39 financing of the school construction. The lien is extinguished on the
40 earliest of the following:

41 (a) Ten years after the lien is recorded. After that date, the
42 charter school, or a successor in interest, may request the state treasurer
43 to release the lien.

44 (b) On payment to the state treasurer by the donee charter school, or
45 by a successor in interest, of the amount of the allowable credit under this

1 section, either voluntarily or as required by paragraph 2 of this
2 subsection. After the required amount is paid, the charter school or
3 successor in interest may request the state treasurer to release the lien.

4 (c) On conveyance of fee simple title to the property to a school
5 district.

6 (d) On enforcement and satisfaction of the lien pursuant to paragraph
7 4 of this subsection.

8 4. The state treasurer shall enforce the lien by foreclosure within
9 one year after receiving notice of any of the circumstances described in
10 paragraph 1, subdivision (b) of this subsection.

11 5. Subject to paragraphs 3 and 4 of this subsection, the charter
12 school may sell any donated property.

13 Sec. 38. Section 43-1183, Arizona Revised Statutes, is amended to
14 read:

15 43-1183. Credit for contributions to school tuition
16 organization; definition

17 A. Beginning from and after June 30, 2006 AND FOR TAXABLE YEARS ENDING
18 BEFORE JANUARY 1, 2020, a credit is allowed against the taxes imposed by this
19 title for the amount of voluntary cash contributions made by the taxpayer
20 during the taxable year to a school tuition organization that is certified
21 pursuant to chapter 15 of this title at the time of donation.

22 B. The amount of the credit is the total amount of the taxpayer's
23 contributions for the taxable year under subsection A of this section and is
24 preapproved by the department of revenue pursuant to subsection D of this
25 section.

26 C. The department of revenue:

27 1. Shall not allow tax credits under this section and section
28 20-224.06 that exceed in the aggregate a combined total of ten million
29 dollars in any fiscal year. Beginning in fiscal year 2007-2008, the
30 aggregate dollar amount of the tax credit cap from the previous fiscal year
31 shall be annually increased by twenty per cent.

32 2. Shall preapprove tax credits under this section and section
33 20-224.06 subject to subsection D of this section.

34 3. Shall allow the tax credits under this section and section
35 20-224.06 on a first come, first served basis.

36 D. For the purposes of subsection C, paragraph 2 of this section,
37 before making a contribution to a school tuition organization, the taxpayer
38 under this title or title 20 must notify the school tuition organization of
39 the total amount of contributions that the taxpayer intends to make to the
40 school tuition organization. Before accepting the contribution, the school
41 tuition organization shall request preapproval from the department of revenue
42 for the taxpayer's intended contribution amount. The department of revenue
43 shall preapprove or deny the requested amount within twenty days after
44 receiving the request from the school tuition organization. If the
45 department of revenue preapproves the request, the school tuition

1 organization shall immediately notify the taxpayer, and the department of
2 insurance in the case of a credit under section 20-224.06, that the requested
3 amount was preapproved by the department of revenue. In order to receive a
4 tax credit under this subsection, the taxpayer shall make the contribution to
5 the school tuition organization within ten days after receiving notice from
6 the school tuition organization that the requested amount was preapproved.
7 If the school tuition organization does not receive the preapproved
8 contribution from the taxpayer within the required ten days, the school
9 tuition organization shall immediately notify the department of revenue, and
10 the department of insurance in the case of a credit under section 20-224.06,
11 and the department of revenue shall no longer include this preapproved
12 contribution amount when calculating the limit prescribed in subsection C,
13 paragraph 1 of this section.

14 E. If the allowable tax credit exceeds the taxes otherwise due under
15 this title on the claimant's income, or if there are no taxes due under this
16 title, the taxpayer may carry the amount of the claim not used to offset the
17 taxes under this title forward for not more than five consecutive taxable
18 years' income tax liability.

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

24 G. The credit allowed by this section is in lieu of any deduction
25 pursuant to section 170 of the internal revenue code and taken for state tax
26 purposes.

27 H. A taxpayer shall not claim a credit under this section and also
28 under section 43-1184 with respect to the same contribution.

29 I. The tax credit is not allowed if the taxpayer designates the
30 taxpayer's contribution to the school tuition organization for the direct
31 benefit of any specific student.

32 J. The department of revenue, with the cooperation of the department
33 of insurance, shall adopt rules and publish and prescribe forms and
34 procedures necessary for the administration of this section.

35 K. For the purposes of this section, "qualified school":

36 1. Means a nongovernmental primary school or secondary school:

37 (a) That is located in this state, that does not discriminate on the
38 basis of race, color, handicap, familial status or national origin and that
39 satisfies the requirements prescribed by law for private schools in this
40 state on January 1, 2005.

41 (b) That annually administers and makes available to the public the
42 aggregate test scores of its students on a nationally standardized
43 norm-referenced achievement test, preferably the Arizona instrument to
44 measure standards test administered pursuant to section 15-741.

1 (c) That requires all teaching staff and any personnel that have
2 unsupervised contact with students to be fingerprinted.

3 2. Does not include a charter school or programs operated by charter
4 schools.

5 Sec. 39. Section 43-1184, Arizona Revised Statutes, is amended to
6 read:

7 43-1184. Credit for contributions to school tuition
8 organization; displaced students; students with
9 disabilities; definition

10 A. Beginning from and after June 30, 2009 AND FOR TAXABLE YEARS ENDING
11 BEFORE JANUARY 1, 2020, a credit is allowed against the taxes imposed by this
12 title for the amount of voluntary cash contributions made by the taxpayer
13 during the taxable year to a school tuition organization that is certified
14 pursuant to chapter 15 of this title at the time of donation.

15 B. The amount of the credit is the total amount of the taxpayer's
16 contributions for the taxable year under subsection A of this section and is
17 preapproved by the department of revenue pursuant to subsection D of this
18 section.

19 C. The department of revenue:

20 1. Shall not allow tax credits under this section and section
21 20-224.07 that exceed in the aggregate a combined total of five million
22 dollars in any fiscal year.

23 2. Shall preapprove tax credits under this section and section
24 20-224.07 subject to subsection D of this section.

25 3. Shall allow the tax credits under this section and section
26 20-224.07 on a first come, first served basis.

27 D. For the purposes of subsection C, paragraph 2 of this section,
28 before making a contribution to a school tuition organization, the taxpayer
29 under this title or title 20 must notify the school tuition organization of
30 the total amount of contributions that the taxpayer intends to make to the
31 school tuition organization. Before accepting the contribution, the school
32 tuition organization shall request preapproval from the department of revenue
33 for the taxpayer's intended contribution amount. The department of revenue
34 shall preapprove or deny the requested amount within twenty days after
35 receiving the request from the school tuition organization. If the
36 department of revenue preapproves the request, the school tuition
37 organization shall immediately notify the taxpayer that the requested amount
38 was preapproved by the department of revenue. In order to receive a tax
39 credit under this subsection, the taxpayer shall make the contribution to the
40 school tuition organization within ten days after receiving notice from the
41 school tuition organization that the requested amount was preapproved. If
42 the school tuition organization does not receive the preapproved contribution
43 from the taxpayer within the required ten days, the school tuition
44 organization shall immediately notify the department of revenue and the
45 department shall no longer include this preapproved contribution amount when

1 calculating the limit prescribed in subsection C, paragraph 1 of this
2 section.

3 E. If the allowable tax credit exceeds the taxes otherwise due under
4 this title on the claimant's income, or if there are no taxes due under this
5 title, the taxpayer may carry the amount of the claim not used to offset the
6 taxes under this title forward for not more than five consecutive taxable
7 years' income tax liability.

8 F. Co-owners of a business, including corporate partners in a
9 partnership, may each claim only the pro rata share of the credit allowed
10 under this section based on the ownership interest. The total of the credits
11 allowed all such owners may not exceed the amount that would have been
12 allowed a sole owner.

13 G. The credit allowed by this section is in lieu of any deduction
14 pursuant to section 170 of the internal revenue code and taken for state tax
15 purposes.

16 H. A taxpayer shall not claim a credit under this section and also
17 under section 43-1183 with respect to the same contribution.

18 I. The tax credit is not allowed if the taxpayer designates the
19 taxpayer's contribution to the school tuition organization for the direct
20 benefit of any specific student.

21 J. The department of revenue shall adopt rules necessary for the
22 administration of this section.

23 K. For the purposes of this section, "qualified school":

24 1. Means a nongovernmental primary school or secondary school or a
25 preschool for handicapped students that is located in this state, that does
26 not discriminate on the basis of race, color, handicap, familial status or
27 national origin and that satisfies the requirements prescribed by law for
28 private schools in this state on January 1, 2009.

29 2. Does not include a charter school or programs operated by charter
30 schools.

31 Sec. 40. Effective date

32 A. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws
33 2011, second special session, chapter 1, section 97 and this act, is
34 effective for taxable years beginning from and after December 31, 2017.

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

38 Sec. 41. Requirements for enactment; two-thirds vote

39 Pursuant to article IX, section 22, Constitution of Arizona, this act
40 is effective only on the affirmative vote of at least two-thirds of the
41 members of each house of the legislature and is effective immediately on the
42 signature of the governor or, if the governor vetoes this act, on the
43 subsequent affirmative vote of at least three-fourths of the members of each
44 house of the legislature.