

REFERENCE TITLE: flat income tax; revenue sharing

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

HB 2788

Introduced by
Representative Weiers J

AN ACT

AMENDING SECTIONS 42-5010, 42-5029, 42-5155, 42-6010, 43-206 AND 43-1011,
ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 42-5010, Arizona Revised Statutes, is amended to
3 read:
4 42-5010. Rates; distribution base
5 A. The tax imposed by this article is levied and shall be collected at
6 the following rates:
7 1. Five per cent of the tax base as computed for the business of every
8 person engaging or continuing in this state in the following business
9 classifications described in article 2 of this chapter:
10 (a) Transporting classification.
11 (b) Utilities classification.
12 (c) Telecommunications classification.
13 (d) Pipeline classification.
14 (e) Private car line classification.
15 (f) Publication classification.
16 (g) Job printing classification.
17 (h) Prime contracting classification.
18 (i) Owner builder sales classification.
19 (j) Amusement classification.
20 (k) Restaurant classification.
21 (l) Personal property rental classification.
22 (m) Retail classification.
23 2. Five and one-half per cent of the tax base as computed for the
24 business of every person engaging or continuing in this state in the
25 transient lodging classification described in section 42-5070.
26 3. Three and one-eighth per cent of the tax base as computed for the
27 business of every person engaging or continuing in this state in the mining
28 classification described in section 42-5072.
29 4. Zero per cent of the tax base as computed for the business of every
30 person engaging or continuing in this state in the commercial lease
31 classification described in section 42-5069.
32 B. Twenty per cent of the tax revenues collected at the rate
33 prescribed by subsection A, paragraph 1 of this section from persons on
34 account of engaging in business under the business classifications listed in
35 subsection A, paragraph 1, subdivisions (a) through (i) of this section is
36 designated as distribution base for purposes of section 42-5029.
37 C. Forty per cent of the tax revenues collected at the rate prescribed
38 by subsection A, paragraph 1 of this section from persons on account of
39 engaging in business under the business classifications listed in subsection
40 A, paragraph 1, subdivisions (j) through (m) of this section is designated as
41 distribution base for purposes of section 42-5029.
42 D. Thirty-two per cent of the tax revenues collected from persons on
43 account of engaging in business under the business classification listed in
44 subsection A, paragraph 3 of this section is designated as distribution base
45 for purposes of section 42-5029.

1 E. Fifty-three and one-third per cent of the tax revenues collected
2 from persons on account of engaging in business under the business
3 classification listed in subsection A, paragraph 4 of this section is
4 designated as distribution base for purposes of section 42-5029.

5 F. Fifty per cent of the tax revenues collected from persons on
6 account of engaging in business under the business classification listed in
7 subsection A, paragraph 2 of this section is designated as distribution base
8 for purposes of section 42-5029.

9 G. In addition to the rates prescribed by subsection A of this
10 section, if approved by the qualified electors voting at a statewide general
11 election, an additional rate increment is imposed and shall be collected
12 through June 30, 2021. The taxpayer shall pay taxes pursuant to this
13 subsection at the same time and in the same manner as under subsection A of
14 this section. The department shall separately account for the revenues
15 collected with respect to the rates imposed pursuant to this subsection and
16 the state treasurer shall distribute all of those revenues in the manner
17 prescribed by section 42-5029, subsection E. The rates imposed pursuant to
18 this subsection shall not be considered local revenues for purposes of
19 article IX, section 21, Constitution of Arizona. The additional tax rate
20 increment is levied at the rate of six-tenths of one per cent of the tax base
21 of every person engaging or continuing in this state in a business
22 classification listed in subsection A, paragraph 1 of this section.

23 H. Any increase in the rate of tax that is imposed by this chapter and
24 that is enacted by the legislature or by a vote of the people does not apply
25 with respect to contracts entered into by prime contractors or pursuant to
26 written bids made by prime contractors on or before the effective date of the
27 legislation or the date of the election enacting the increase. To qualify
28 for the exemption under this subsection, the prime contractor must maintain
29 sufficient documentation, in a manner and form prescribed by the department,
30 to verify the date of the contract or written bid.

31 I. For taxpayers taxable under this chapter other than prime
32 contractors taxable pursuant to section 42-5075:

33 1. Any increase in the rate of tax that is levied by this article or
34 article 2 of this chapter enacted by the legislature or by a vote of the
35 people does not apply for a period of one hundred twenty days from the date
36 of the tax rate increase to the gross proceeds of sales or gross income from
37 the business of the taxpayer with respect to written contracts entered into
38 before the effective date of the tax rate increase unless the taxpayer has
39 entered into a contract that contains a provision that entitles the taxpayer
40 to recover from the purchaser the amount of the additional tax levied.

41 2. ~~The provisions of~~ This subsection ~~apply~~ APPLIES without regard to
42 the accounting method used by the taxpayer to report the taxes imposed under
43 article 2 of this chapter.

1 3. ~~The provisions of~~ This subsection shall not be considered in
2 determining the rate of tax imposed under chapter 6, article 3 of this title.

3 J. IN ADDITION TO THE RATES PRESCRIBED BY SUBSECTION A OF THIS
4 SECTION, AN ADDITIONAL RATE INCREMENT IS IMPOSED AND SHALL BE COLLECTED
5 BEGINNING FROM AND AFTER MAY 31, 2013. THE TAXPAYER SHALL PAY TAXES PURSUANT
6 TO THIS SUBSECTION AT THE SAME TIME AND IN THE SAME MANNER AS UNDER
7 SUBSECTION A OF THIS SECTION. THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR
8 THE REVENUES COLLECTED WITH RESPECT TO THE RATES IMPOSED PURSUANT TO THIS
9 SUBSECTION. THE STATE TREASURER SHALL DEPOSIT ALL OF THOSE REVENUES IN THE
10 MANNER PRESCRIBED BY SECTION 42-5029, SUBSECTION F. THE RATES IMPOSED
11 PURSUANT TO THIS SUBSECTION SHALL NOT BE CONSIDERED LOCAL REVENUES FOR
12 PURPOSES OF ARTICLE IX, SECTION 21, CONSTITUTION OF ARIZONA. THE ADDITIONAL
13 TAX RATE INCREMENT IS LEVIED AT THE RATE OF ONE PER CENT OF THE TAX BASE OF
14 EVERY PERSON ENGAGING OR CONTINUING IN THIS STATE IN A BUSINESS
15 CLASSIFICATION LISTED IN SUBSECTION A, PARAGRAPH 1 OF THIS SECTION.

16 Sec. 2. Section 42-5029, Arizona Revised Statutes, is amended to read:

17 42-5029. Remission and distribution of monies; definition

18 A. The department shall deposit, pursuant to sections 35-146 and
19 35-147, all revenues collected under this article and articles 4, 5 and 8 of
20 this chapter pursuant to section 42-1116, separately accounting for:

21 1. Payments of estimated tax under section 42-5014, subsection D.

22 2. Revenues collected pursuant to section 42-5070.

23 3. Revenues collected under this article and article 5 of this chapter
24 from and after June 30, 2000 from sources located on Indian reservations in
25 this state.

26 4. Revenues collected pursuant to section 42-5010, subsection G and
27 section 42-5155, subsection D.

28 5. REVENUES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION J AND
29 SECTION 42-5155, SUBSECTION E.

30 B. The department shall credit payments of estimated tax to an
31 estimated tax clearing account and each month shall transfer all monies in
32 the estimated tax clearing account to a fund designated as the transaction
33 privilege and severance tax clearing account. The department shall credit
34 all other payments to the transaction privilege and severance tax clearing
35 account, separately accounting for the monies designated as distribution base
36 under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the
37 department shall report to the state treasurer the amount of monies collected
38 pursuant to this article and articles 4, 5 and 8 of this chapter.

39 C. On notification by the department, the state treasurer shall
40 distribute the monies deposited in the transaction privilege and severance
41 tax clearing account in the manner prescribed by this section and by sections
42 42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the
43 account pursuant to sections 42-1118 and 42-1254.

1 D. Of the monies designated as distribution base the department shall:

2 1. Pay twenty-five per cent to the various incorporated municipalities
3 in this state in proportion to their population to be used by the
4 municipalities for any municipal purpose.

5 2. Pay 38.08 per cent to the counties in this state by averaging the
6 following proportions:

7 (a) The proportion that the population of each county bears to the
8 total state population.

9 (b) The proportion that the distribution base monies collected during
10 the calendar month in each county under this article, section 42-5164,
11 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
12 total distribution base monies collected under this article, section 42-5164,
13 subsection B, section 42-5205, subsection B and section 42-5353 throughout
14 the state for the calendar month.

15 3. Pay an additional 2.43 per cent to the counties in this state as
16 follows:

17 (a) Average the following proportions:

18 (i) The proportion that the assessed valuation used to determine
19 secondary property taxes of each county, after deducting that part of the
20 assessed valuation that is exempt from taxation at the beginning of the month
21 for which the amount is to be paid, bears to the total assessed valuations
22 used to determine secondary property taxes of all the counties after
23 deducting that portion of the assessed valuations that is exempt from
24 taxation at the beginning of the month for which the amount is to be paid.
25 Property of a city or town that is not within or contiguous to the municipal
26 corporate boundaries and from which water is or may be withdrawn or diverted
27 and transported for use on other property is considered to be taxable
28 property in the county for purposes of determining assessed valuation in the
29 county under this item.

30 (ii) The proportion that the distribution base monies collected during
31 the calendar month in each county under this article, section 42-5164,
32 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
33 total distribution base monies collected under this article, section 42-5164,
34 subsection B, section 42-5205, subsection B and section 42-5353 throughout
35 the state for the calendar month.

36 (b) If the proportion computed under subdivision (a) of this paragraph
37 for any county is greater than the proportion computed under paragraph 2 of
38 this subsection, the department shall compute the difference between the
39 amount distributed to that county under paragraph 2 of this subsection and
40 the amount that would have been distributed under paragraph 2 of this
41 subsection using the proportion computed under subdivision (a) of this
42 paragraph and shall pay that difference to the county from the amount
43 available for distribution under this paragraph. Any monies remaining after
44 all payments under this subdivision shall be distributed among the counties
45 according to the proportions computed under paragraph 2 of this subsection.

1 4. After any distributions required by sections 42-5030, 42-5030.01,
2 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water
3 quality assurance revolving fund as required by section 49-282, subsection B,
4 credit the remainder of the monies designated as distribution base to the
5 state general fund. From this amount:

6 (a) The legislature shall annually appropriate to:

7 (i) The department of revenue sufficient monies to administer and
8 enforce this article and articles 5 and 8 of this chapter.

9 (ii) The department of economic security monies to be used for the
10 purposes stated in title 46, chapter 1.

11 (iii) The firearms safety and ranges fund established by section
12 17-273, fifty thousand dollars derived from the taxes collected from the
13 retail classification pursuant to section 42-5061 for the current fiscal
14 year.

15 (b) Subject to separate initial legislative authorization, each year
16 the state treasurer shall transfer to the tourism fund an amount equal to the
17 sum of the following:

18 (i) Three and one-half per cent of the gross revenues derived from the
19 transient lodging classification pursuant to section 42-5070 during the
20 preceding fiscal year.

21 (ii) Three per cent of the gross revenues derived from the amusement
22 classification pursuant to section 42-5073 during the preceding fiscal year.

23 (iii) Two per cent of the gross revenues derived from the restaurant
24 classification pursuant to section 42-5074 during the preceding fiscal year.

25 E. If approved by the qualified electors voting at a statewide general
26 election, all monies collected pursuant to section 42-5010, subsection G and
27 section 42-5155, subsection D shall be distributed each fiscal year pursuant
28 to this subsection. The monies distributed pursuant to this subsection are
29 in addition to any other appropriation, transfer or other allocation of
30 public or private monies from any other source and shall not supplant,
31 replace or cause a reduction in other school district, charter school,
32 university or community college funding sources. The monies shall be
33 distributed as follows:

34 1. If there are outstanding state school facilities revenue bonds
35 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
36 amount that is necessary to pay the fiscal year's debt service on outstanding
37 state school improvement revenue bonds for the current fiscal year shall be
38 transferred each month to the school improvement revenue bond debt service
39 fund established by section 15-2084. The total amount of bonds for which
40 these monies may be allocated for the payment of debt service shall not
41 exceed a principal amount of eight hundred million dollars exclusive of
42 refunding bonds and other refinancing obligations.

43 2. After any transfer of monies pursuant to paragraph 1 of this
44 subsection, twelve per cent of the remaining monies collected during the
45 preceding month shall be transferred to the technology and research

1 initiative fund established by section 15-1648 to be distributed among the
2 universities for the purpose of investment in technology and research-based
3 initiatives.

4 3. After the transfer of monies pursuant to paragraph 1 of this
5 subsection, three per cent of the remaining monies collected during the
6 preceding month shall be transferred to the workforce development account
7 established in each community college district pursuant to section 15-1472
8 for the purpose of investment in workforce development programs.

9 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
10 subsection, one-twelfth of the amount a community college that is owned,
11 operated or chartered by a qualifying Indian tribe on its own Indian
12 reservation would receive pursuant to section 15-1472, subsection D,
13 paragraph 2 if it were a community college district shall be distributed each
14 month to the treasurer or other designated depository of a qualifying Indian
15 tribe. Monies distributed pursuant to this paragraph are for the exclusive
16 purpose of providing support to one or more community colleges owned,
17 operated or chartered by a qualifying Indian tribe and shall be used in a
18 manner consistent with section 15-1472, subsection B. For the purposes of
19 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
20 section 42-5031.01, subsection D.

21 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
22 subsection, one-twelfth of the following amounts shall be transferred each
23 month to the department of education for the increased cost of basic state
24 aid under section 15-971 due to added school days and associated teacher
25 salary increases enacted in 2000:

26 (a) In fiscal year 2001-2002, \$15,305,900.

27 (b) In fiscal year 2002-2003, \$31,530,100.

28 (c) In fiscal year 2003-2004, \$48,727,700.

29 (d) In fiscal year 2004-2005, \$66,957,200.

30 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
31 \$86,280,500.

32 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
33 subsection, seven million eight hundred thousand dollars is appropriated each
34 fiscal year, to be paid in monthly installments, to the department of
35 education to be used for school safety as provided in section 15-154 and two
36 hundred thousand dollars is appropriated each fiscal year, to be paid in
37 monthly installments to the department of education to be used for the
38 character education matching grant program as provided in section 15-154.01.

39 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
40 subsection, no more than seven million dollars may be appropriated by the
41 legislature each fiscal year to the department of education to be used for
42 accountability purposes as described in section 15-241 and title 15, chapter
43 9, article 8.

1 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
2 subsection, one million five hundred thousand dollars is appropriated each
3 fiscal year, to be paid in monthly installments, to the failing schools
4 tutoring fund established by section 15-241.

5 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
6 subsection, twenty-five million dollars shall be transferred each fiscal year
7 to the state general fund to reimburse the general fund for the cost of the
8 income tax credit allowed by section 43-1072.01.

9 10. After the payment of monies pursuant to paragraphs 1 through 9 of
10 this subsection, the remaining monies collected during the preceding month
11 shall be transferred to the classroom site fund established by section
12 15-977. The monies shall be allocated as follows in the manner prescribed by
13 section 15-977:

14 (a) Forty per cent shall be allocated for teacher compensation based
15 on performance.

16 (b) Twenty per cent shall be allocated for increases in teacher base
17 compensation and employee related expenses.

18 (c) Forty per cent shall be allocated for maintenance and operation
19 purposes.

20 F. ALL MONIES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION J AND
21 SECTION 42-5155, SUBSECTION E SHALL BE SEPARATELY ACCOUNTED FOR IN THE STATE
22 GENERAL FUND AND, IF NECESSARY, AN AMOUNT SHALL BE APPROPRIATED UNDER THIS
23 SUBSECTION TO THE URBAN REVENUE SHARING FUND ESTABLISHED BY SECTION 43-206 IF
24 THE AMOUNT DETERMINED BY SECTION 43-206 IS LESS THAN \$424,400,000, INCREASED
25 ANNUALLY BY ____ PER CENT. THE APPROPRIATION, IF NECESSARY UNDER THIS
26 SUBSECTION, SHALL BE AN AMOUNT IN ORDER TO MAKE THE TOTAL IN THE URBAN
27 REVENUE SHARING FUND EQUAL TO AT LEAST \$424,400,000, INCREASED ANNUALLY BY
28 ____ PER CENT.

29 ~~F.~~ G. The department shall credit the remainder of the monies in the
30 transaction privilege and severance tax clearing account to the state general
31 fund, subject to any distribution required by section 42-5030.01.

32 ~~G.~~ H. Notwithstanding subsection D of this section, if a court of
33 competent jurisdiction finally determines that tax monies distributed under
34 this section were illegally collected under this article or articles 5 and 8
35 of this chapter and orders the monies to be refunded to the taxpayer, the
36 department shall compute the amount of such monies that was distributed to
37 each city, town and county under this section. The department shall notify
38 the state treasurer of that amount plus the proportionate share of additional
39 allocated costs required to be paid to the taxpayer. Each city's, town's and
40 county's proportionate share of the costs shall be based on the amount of the
41 original tax payment each municipality and county received. Each month the
42 state treasurer shall reduce the amount otherwise distributable to the city,
43 town and county under this section by one thirty-sixth of the total amount to
44 be recovered from the city, town or county until the total amount has been
45 recovered, but the monthly reduction for any city, town or county shall not

1 exceed ten per cent of the full monthly distribution to that entity. The
 2 reduction shall begin for the first calendar month after the final
 3 disposition of the case and shall continue until the total amount, including
 4 interest and costs, has been recovered.

5 ~~H~~ I. On receiving a certificate of default from the greater Arizona
 6 development authority pursuant to section 41-2257 or 41-2258 and to the
 7 extent not otherwise expressly prohibited by law, the state treasurer shall
 8 withhold from the next succeeding distribution of monies pursuant to this
 9 section due to the defaulting political subdivision the amount specified in
 10 the certificate of default and immediately deposit the amount withheld in the
 11 greater Arizona development authority revolving fund. The state treasurer
 12 shall continue to withhold and deposit the monies until the greater Arizona
 13 development authority certifies to the state treasurer that the default has
 14 been cured. In no event may the state treasurer withhold any amount that the
 15 defaulting political subdivision certifies to the state treasurer and the
 16 authority as being necessary to make any required deposits then due for the
 17 payment of principal and interest on bonds of the political subdivision that
 18 were issued before the date of the loan repayment agreement or bonds and that
 19 have been secured by a pledge of distributions made pursuant to this section.

20 ~~I~~ J. Except as provided by sections 42-5033 and 42-5033.01, the
 21 population of a county, city or town as determined by the most recent United
 22 States decennial census plus any revisions to the decennial census certified
 23 by the United States bureau of the census shall be used as the basis for
 24 apportioning monies pursuant to subsection D of this section.

25 ~~J~~ K. Except as otherwise provided by this subsection, on notice from
 26 the department of revenue pursuant to section 42-6010, subsection B, the
 27 state treasurer shall withhold from the distribution of monies pursuant to
 28 this section to the affected city or town the amount of the penalty for
 29 business location municipal tax incentives provided by the city or town to a
 30 business entity that locates a retail business facility in the city or town.
 31 The state treasurer shall continue to withhold monies pursuant to this
 32 subsection until the entire amount of the penalty has been withheld. The
 33 state treasurer shall credit any monies withheld pursuant to this subsection
 34 to the state general fund as provided by subsection D, paragraph 4 of this
 35 section. The state treasurer shall not withhold any amount that the city or
 36 town certifies to the department of revenue and the state treasurer as being
 37 necessary to make any required deposits or payments for debt service on bonds
 38 or other long-term obligations of the city or town that were issued or
 39 incurred before the location incentives provided by the city or town.

40 ~~K~~ L. On notice from the auditor general pursuant to section 9-626,
 41 subsection D, the state treasurer shall withhold from the distribution of
 42 monies pursuant to this section to the affected city the amount computed
 43 pursuant to section 9-626, subsection D. The state treasurer shall continue
 44 to withhold monies pursuant to this subsection until the entire amount
 45 specified in the notice has been withheld. The state treasurer shall credit

1 any monies withheld pursuant to this subsection to the state general fund as
2 provided by subsection D, paragraph 4 of this section.

3 ~~↳~~ M. For the purposes of this section, "community college district"
4 means a community college district that is established pursuant to sections
5 15-1402 and 15-1403 and that is a political subdivision of this state and,
6 subject to the distribution procedures specified in section 15-1472,
7 subsection D, paragraph 2, subdivision (b), includes a community college
8 district established pursuant to section 15-1402.01 and, subject to the
9 distribution procedures specified in section 15-1472, subsection D, paragraph
10 2, subdivision (b), includes a provisional community college district
11 established pursuant to section 15-1409.

12 Sec. 3. Section 42-5155, Arizona Revised Statutes, is amended to read:
13 42-5155. Levy of tax; tax rate; purchaser's liability

14 A. There is levied and imposed an excise tax on the storage, use or
15 consumption in this state of tangible personal property purchased from a
16 retailer or utility business, as a percentage of the sales price. A
17 manufactured building purchased outside this state and set up in this state
18 is subject to tax under this section and in this case the **RATE IS A**
19 percentage ~~↳~~ **OF** sixty-five per cent of the sales price.

20 B. The tax imposed by this section applies to any purchaser which
21 purchased tangible personal property for resale but subsequently uses or
22 consumes the property.

23 C. The tax rate shall equal the rate of tax prescribed by section
24 42-5010, subsection A as applied to retailers and utility businesses
25 according to the respective classification under articles 1 and 2 of this
26 chapter for the same type of transaction or business activity.

27 D. In addition to the rate prescribed by subsection C of this section,
28 if approved by the qualified electors voting at a statewide general election,
29 an additional rate increment of six-tenths of one per cent is imposed and
30 shall be collected through June 30, 2021. The taxpayer shall pay taxes
31 pursuant to this subsection at the same time and in the same manner as under
32 subsection C of this section. The department shall separately account for the
33 revenues collected with respect to the rate imposed pursuant to this
34 subsection, and the state treasurer shall pay all of those revenues in the
35 manner prescribed by section 42-5029, subsection E.

36 **E. IN ADDITION TO THE RATE PRESCRIBED BY SUBSECTION C OF THIS SECTION,**
37 **AN ADDITIONAL RATE INCREMENT OF ONE PER CENT IS IMPOSED AND SHALL BE**
38 **COLLECTED BEGINNING FROM AND AFTER MAY 31, 2013. THE TAXPAYER SHALL PAY**
39 **TAXES PURSUANT TO THIS SUBSECTION AT THE SAME TIME AND IN THE SAME MANNER AS**
40 **UNDER SUBSECTION C OF THIS SECTION. THE DEPARTMENT SHALL SEPARATELY ACCOUNT**
41 **FOR THE REVENUES COLLECTED WITH RESPECT TO THE RATE IMPOSED PURSUANT TO THIS**
42 **SUBSECTION, AND THE STATE TREASURER SHALL PAY ALL OF THOSE REVENUES IN THE**
43 **MANNER PRESCRIBED BY SECTION 42-5029, SUBSECTION F.**

1 subdivision provides such utility for transportation, water, sewer,
2 electrical, drainage, the fair market value of real property necessary for
3 the public infrastructure and other necessary public infrastructure. This
4 paragraph does not apply to parking lots, parking structures or parking
5 facilities or other structures or amenities owned or controlled by a private
6 entity.

7 5. Incentives that are offered for the purpose of preserving
8 historical buildings and other structures.

9 6. Incentives that are offered for cleanup or other remediation
10 activities at a brownfields site under title 49, chapter 2, article 1.1 or
11 the comprehensive environmental response, compensation, and liability act of
12 1980 (P.L. 96-510, 94 Stat. 2767; 42 United States Code sections 9601 through
13 9657), commonly known as "superfund".

14 E. To qualify as exempt from the penalty, an incentive under
15 subsection D of this section that is offered in exchange for expenses
16 incurred by the business entity must be in the form of a reimbursement of the
17 expenses and may not exceed or otherwise be disproportional to the actual
18 cost incurred.

19 F. This section does not apply to tax incentives that were referred to
20 a vote of the qualified electors of the city or town before July 1, 2007 and
21 approved by the qualified electors of the city or town.

22 G. For the purposes of this section:

23 1. "Metropolitan statistical area" means a geographical area
24 consisting of cities, towns and other populated areas defined for federal
25 statistical and census purposes by the United States office of management and
26 budget with technical assistance from the United States bureau of the census.

27 2. "Retail business facility" means a store, warehouse or other
28 improvement to real estate where at least one-half of the business conducted
29 on the premises consists of retail sales of tangible personal property to the
30 ultimate consumer, measured by either the number of employees assigned to
31 retail sales or the square footage of the facility used for retail
32 sales. For the purposes of this paragraph, retail sales do not include:

33 (a) Sales of food and beverage for consumption on the premises of the
34 facility.

35 (b) The distribution without charge of promotional products that
36 display the company logo or trademark.

37 (c) Sales solely to company employees.

38 3. "Tax incentive" means any waiver, exemption, deduction, credit,
39 rebate, discount, deferral or other abatement or reduction of the normal
40 municipal tax liability of an individual taxpayer that otherwise applies to
41 similar existing taxpayers and properties in the city or town, however
42 denominated, computed or applied, and generally understood as an inducement
43 for the taxpayer to locate a business facility or other operation in the city
44 or town.

1 Sec. 5. Section 43-206, Arizona Revised Statutes, is amended to read:
2 43-206. Urban revenue sharing fund; allocation; distribution

3 A. There is established an urban revenue sharing fund. The fund shall
4 consist of an amount equal to fifteen per cent of the net proceeds of the
5 state income taxes for the fiscal year two years preceding the current fiscal
6 year PLUS ANY AMOUNT APPROPRIATED PURSUANT TO SECTION 42-5029, SUBSECTION F.
7 The fund shall be distributed to incorporated cities and towns as provided in
8 this section, except that a city or town shall receive at least an amount
9 equal to what a city or town with a population of fifteen hundred or more
10 persons would receive. The transfer of net proceeds prescribed by section
11 49-282, subsection B does not affect the calculation of net proceeds
12 prescribed by this subsection.

13 B. Each city or town shall share in the urban revenue sharing fund in
14 the proportion that the population of each bears to the population of all.
15 Except as provided by sections 42-5033 and 42-5033.01, the population of a
16 city or town as determined by the most recent United States decennial census
17 plus any revisions to the decennial census certified by the United States
18 bureau of the census shall be used as the basis for apportioning monies
19 pursuant to this subsection.

20 C. The treasurer, upon instruction from the department, shall
21 transmit, no later than the tenth day of each month, to each city or town an
22 amount equal to one-twelfth of that city's or town's total entitlement for
23 the current fiscal year from the urban revenue sharing fund as determined by
24 the department.

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

28 E. On receipt of a certificate of default from the greater Arizona
29 development authority pursuant to section 41-2257 or 41-2258, the state
30 treasurer, to the extent not otherwise expressly prohibited by law, shall
31 withhold from the next succeeding distribution of monies pursuant to this
32 section due to the city or town the amount specified in the certificate of
33 default and immediately deposit the amount withheld in the greater Arizona
34 development authority revolving fund. The state treasurer shall continue to
35 withhold and deposit the monies until the authority certifies to the state
36 treasurer that the default has been cured. In no event shall the state
37 treasurer withhold any amount that is necessary, as certified by the
38 defaulting political subdivision to the state treasurer and the authority, to
39 make any required deposits then due for the payment of principal and interest
40 on bonds of the political subdivision that were issued prior to the date of
41 the loan repayment agreement or bonds and that have been secured by a pledge
42 of distributions made pursuant to this section.

1 Sec. 6. Section 43-1011, Arizona Revised Statutes, is amended to read:
2 43-1011. Taxes and tax rates

3 There shall be levied, collected and paid for each taxable year upon
4 the entire taxable income of every resident of this state and upon the entire
5 taxable income of every nonresident which is derived from sources within this
6 state taxes determined in the following manner:

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

9 (a) In the case of a single person or a married person filing
10 separately:

11	<u>If taxable income is:</u>	<u>The tax is:</u>
12	\$0 - \$10,000	2.90% of taxable income
13	\$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
14	\$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
15	\$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
16	\$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

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

19	<u>If taxable income is:</u>	<u>The tax is:</u>
20	\$0 - \$20,000	2.90% of taxable income
21	\$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
22	\$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
23	\$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
24	\$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

25 2. For taxable years beginning from and after December 31, 1997
26 through December 31, 1998:

27 (a) In the case of a single person or a married person filing
28 separately:

29	<u>If taxable income is:</u>	<u>The tax is:</u>
30	\$0 - \$10,000	2.88% of taxable income
31	\$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
32	\$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
33	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
34	\$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

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

37	<u>If taxable income is:</u>	<u>The tax is:</u>
38	\$0 - \$20,000	2.88% of taxable income
39	\$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
40	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
41	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
42	\$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

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

1 (a) In the case of a single person or a married person filing
2 separately:

3	<u>If taxable income is:</u>	<u>The tax is:</u>
4	\$0 - \$10,000	2.87% of taxable income
5	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
6	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000
7	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over \$50,000
8	\$150,001 and over	\$6,422, plus 5.04% of the excess over \$150,000

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

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

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

19 (a) In the case of a single person or a married person filing
20 separately:

21	<u>If taxable income is:</u>	<u>The tax is:</u>
22	\$0 - \$10,000	2.73% of taxable income
23	\$10,001 - \$25,000	\$273, plus 3.04% of the excess over \$10,000
24	\$25,001 - \$50,000	\$729, plus 3.55% of the excess over \$25,000
25	\$50,001 - \$150,000	\$1,617, plus 4.48% of the excess over \$50,000
26	\$150,001 and over	\$6,097, plus 4.79% of the excess over \$150,000

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

29	<u>If taxable income is:</u>	<u>The tax is:</u>
30	\$0 - \$20,000	2.73% of taxable income
31	\$20,001 - \$50,000	\$546, plus 3.04% of the excess over \$20,000
32	\$50,001 - \$100,000	\$1,458, plus 3.55% of the excess over \$50,000
33	\$100,001 - \$300,000	\$3,233, plus 4.48% of the excess over \$100,000
34	\$300,001 and over	\$12,193, plus 4.79% of the excess over \$300,000

35 5. For taxable years beginning from and after December 31, 2006
36 THROUGH DECEMBER 31, 2012:

37 (a) In the case of a single person or a married person filing
38 separately:

39	<u>If taxable income is:</u>	<u>The tax is:</u>
40	\$0 - \$10,000	2.59% of taxable income
41	\$10,001 - \$25,000	\$259, plus 2.88% of the excess over \$10,000
42	\$25,001 - \$50,000	\$691, plus 3.36% of the excess over \$25,000
43	\$50,001 - \$150,000	\$1,531, plus 4.24% of the excess over \$50,000
44	\$150,001 and over	\$5,771, plus 4.54% of the excess over \$150,000

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

3 If taxable income is: The tax is:

4 \$0 - \$20,000	2.59% of taxable income
5 \$20,001 - \$50,000	\$518, plus 2.88% of the excess over \$20,000
6 \$50,001 - \$100,000	\$1,382, plus 3.36% of the excess over \$50,000
7 \$100,001 - \$300,000	\$3,062, plus 4.24% of the excess over \$100,000
8 \$300,001 and over	\$11,542, plus 4.54% of the excess over \$300,000

9 6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012, THE
10 AMOUNT OF TAX IS 2.38 PER CENT FOR EACH TAX RATE BRACKET.