

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

HOUSE BILL 2815

AN ACT

AMENDING TITLE 41, CHAPTER 6, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 5.1; AMENDING TITLE 41, CHAPTER 10, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1541.01; AMENDING SECTIONS 42-5029, 43-222, 43-1022, 43-1122 AND 43-1123, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1082.01; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1171; PROVIDING FOR THE DELAYED REPEAL OF SECTION 41-1541.01, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; MAKING AN APPROPRIATION; RELATING TO BUSINESS INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 6, Arizona Revised Statutes, is amended
3 by adding article 5.1, to read:

4 ARTICLE 5.1. UNIVERSAL REGULATORY TAX CREDIT

5 41-1058. Definitions

6 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "CLAIMANT" MEANS EITHER:

8 (a) A BUSINESS ENTITY ON WHICH ANY TAX AUTHORIZED BY TITLE 9, 11, 15,
9 20, 28, 42, 43 OR 48 IS IMPOSED, LEVIED OR ASSESSED.

10 (b) A BUSINESS ENTITY THAT OWNS PROPERTY AGAINST WHICH TAX IS ASSESSED
11 PURSUANT TO TITLE 9, 11, 15, 42 OR 48.

12 2. "CREDITABLE EXPENSE" MEANS ANY ACTUAL BUSINESS EXPENSE THAT IS
13 INCURRED AS A DIRECT RESULT OF AN ADDITIONAL REGULATION. CREDITABLE EXPENSE
14 DOES NOT INCLUDE THE NORMAL COST OF TAX COMPLIANCE, INCLUDING ACCOUNTING,
15 PREPARATION AND FILING TAX RETURNS.

16 3. "REGULATION" OR "ADDITIONAL REGULATION" MEANS ANY LEGISLATION,
17 ADMINISTRATIVE RULE OR EXECUTIVE ACTION BY THIS STATE OR ITS AGENCIES OR
18 POLITICAL SUBDIVISIONS TO WHICH ALL OF THE FOLLOWING APPLY:

19 (a) THE REGULATION DOES NOT PROTECT HEALTH AND SAFETY.

20 (b) THE REGULATION DOES NOT PROTECT AGAINST CIVIL OR CRIMINAL FRAUD.

21 (c) THE REGULATION MANDATES THAT BUSINESSES TAKE ACTION THAT IS LIKELY
22 TO CAUSE SUBSTANTIALLY MORE ECONOMIC COSTS THAN BENEFITS AS DEMONSTRATED BY
23 QUANTITATIVE AND QUALITATIVE EVIDENCE SUPPLIED BY THE CLAIMANT.

24 4. "TAXABLE YEAR" MEANS A CLAIMANT'S TAXABLE YEAR FOR PAYING
25 INDIVIDUAL OR CORPORATE INCOME TAX, AS APPLICABLE, UNDER TITLE 43.

26 41-1058.01. Allowance of credit

27 A. A CREDIT IS ALLOWED AGAINST INCOME TAX LIABILITY ASSESSED PURSUANT
28 TO TITLE 43, CHAPTER 10 OR 11 FOR THE CREDITABLE EXPENSES DUE TO ADDITIONAL
29 REGULATION INCURRED BY A BUSINESS ENTITY AFTER DECEMBER 31, 2013. A CLAIM
30 FOR CREDIT MADE UNDER THIS ARTICLE IS IN LIEU, AND CONSTITUTES A WAIVER, OF
31 LITIGATION OR PURSUING JUDICIAL REMEDIES AND APPEALS AGAINST THE RESPONSIBLE
32 REGULATING ENTITY FOR DAMAGES OR COSTS ARISING FROM THE REGULATION.

33 B. NO CREDIT IS ALLOWED UNLESS CREDITABLE EXPENSES TOTAL MORE THAN TWO
34 HUNDRED DOLLARS IN THE TAXABLE YEAR. A CLAIMANT IS ALLOWED ONLY ONE CREDIT
35 FOR CREDITABLE EXPENSES WITH RESPECT TO ONLY ONE REGULATION OF ONLY ONE
36 REGULATING ENTITY IN A TAXABLE YEAR.

37 C. SUBJECT TO SUBSECTION D OF THIS SECTION, THE AMOUNT OF CREDIT UNDER
38 THIS SECTION IS THE LESSER OF:

39 1. THE TOTAL AMOUNT OF CREDITABLE EXPENSES INCURRED BY A CLAIMANT IN
40 THE TAXABLE YEAR FOR WHICH THE TAX LIABILITY IS COMPUTED AND ASSESSED.

41 2. TWO THOUSAND DOLLARS.

42 D. THE AMOUNT OF CREDITS THAT ARE APPROVED UNDER THIS ARTICLE SHALL
43 NOT EXCEED IN THE ANNUAL AGGREGATE:

1 8. A DECLARATION OR VERIFICATION THAT THE CLAIM IS TRUE, COMPLETE AND
2 ACCURATE TO THE CLAIMANT'S BEST KNOWLEDGE AND BELIEF AND MADE UNDER PENALTY
3 OF PERJURY.

4 C. A CLAIMANT MAY FILE A CLAIM FOR A CREDIT UNDER THIS ARTICLE AT ANY
5 TIME DURING THE YEAR USING THE ELECTRONIC CLAIM FORM PRESCRIBED BY THE
6 COUNCIL. IF THE CLAIMANT FAILS TO SUBMIT A COMPLETE, CORRECT AND TIMELY
7 CLAIM FORM, THE COUNCIL SHALL DENY THE CLAIM UNTIL THE CLAIMANT IS IN FULL
8 COMPLIANCE. THE COUNCIL AT ANY TIME MAY LIMIT OR DISCONTINUE THE RECEIPT OF
9 NEW CLAIMS FOR THE PURPOSE OF PROPER AND ADEQUATE MANAGEMENT OF AND ATTENTION
10 TO CURRENTLY EXISTING CLAIMS.

11 D. ON RECEIVING A COMPLETE, CORRECT AND TIMELY CLAIM, THE COUNCIL
12 SHALL IMMEDIATELY DETERMINE WHETHER THERE IS CAPACITY UNDER THE AGGREGATE
13 MAXIMUM DOLLAR AMOUNTS PRESCRIBED BY SECTION 41-1058.01, SUBSECTION D TO
14 ACCOMMODATE THE CLAIMED AMOUNT OF CREDITABLE EXPENSES.

15 E. IF THE COUNCIL DETERMINES THAT CAPACITY EXISTS UNDER THE AGGREGATE
16 MAXIMUM DOLLAR AMOUNTS AND THAT THE CLAIM APPEARS TO HAVE GOOD FAITH MERIT ON
17 ITS FACE, THE COUNCIL MAY:

18 1. FORWARD A COPY OF THE CLAIM, AS FORMAL NOTICE, TO THE RESPONSIBLE
19 REGULATING ENTITY IDENTIFIED IN THE CLAIM.

20 2. REQUEST A WRITTEN RESPONSE TO THE CLAIM WITH SUPPORTING
21 DOCUMENTATION.

22 F. WITHIN SIXTY DAYS AFTER THE CLAIMANT'S SUBMISSION OF THE CLAIM, THE
23 COUNCIL SHALL MAKE AN INITIAL EVALUATION AND DETERMINATION TO APPROVE OR DENY
24 THE ENTIRE CLAIM AS SUBMITTED AND NOTIFY BOTH THE CLAIMANT AND, IF A
25 RESPONSIBLE REGULATING ENTITY WAS NOTIFIED PURSUANT TO SUBSECTION E OF THIS
26 SECTION, THE RESPONSIBLE REGULATING ENTITY OF THE DECISION BY CERTIFIED MAIL,
27 RETURN RECEIPT REQUESTED. IF THE COUNCIL:

28 1. FAILS TO MAKE A DECISION WITHIN SIXTY DAYS AFTER THE SUBMISSION OF
29 THE CLAIM, THE CLAIM IS CONSIDERED TO BE APPROVED FOR PROCESSING AS PROVIDED
30 BY PARAGRAPH 2 OF THIS SUBSECTION.

31 2. APPROVES THE CLAIM, THE COUNCIL SHALL NOTIFY THE DEPARTMENT OF
32 REVENUE.

33 3. DENIES THE CLAIM, THE COUNCIL SHALL DENY SUBSEQUENT CLAIMS WITH
34 RESPECT TO THE SAME REGULATION BASED ON SUBSTANTIALLY SIMILAR FACTUAL
35 CIRCUMSTANCES.

36 G. IF THE COUNCIL APPROVES A CLAIM AGAINST A COUNTY, CITY, TOWN OR
37 SPECIAL TAXING DISTRICT, THE COUNCIL SHALL TRANSFER THE CLAIM TO THE
38 RESPONSIBLE REGULATING ENTITY FOR REVIEW. THE GOVERNING BODY OF THE COUNTY,
39 CITY, TOWN OR DISTRICT MUST:

40 1. NOTIFY THE CLAIMANT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OF
41 THE DATE, TIME AND PLACE WHEN THE CLAIM WILL BE CONSIDERED BY THE GOVERNING
42 BODY.

43 2. REVIEW THE COUNCIL'S DETERMINATION.

44 3. WITHIN SIXTY DAYS AFTER RECEIVING THE CLAIM FROM THE COUNCIL, OR AT
45 THE FIRST REGULARLY SCHEDULED MEETING OF THE GOVERNING BODY AFTER SIXTY DAYS

1 AFTER RECEIVING THE CLAIM FROM THE COUNCIL, EITHER APPROVE OR DENY ALL OR
2 PART OF THE CLAIM BY A MAJORITY VOTE OF THE MEMBERS OF THE GOVERNING BODY.

3 4. NOTIFY THE CLAIMANT AND THE COUNCIL OF THE DECISION BY CERTIFIED
4 MAIL, RETURN RECEIPT REQUESTED. IF THE GOVERNING BODY APPROVES ALL OR PART
5 OF THE CLAIM, THE GOVERNING BODY SHALL ALSO NOTIFY THE DEPARTMENT OF REVENUE.

6 H. IF AT ANY TIME DURING ANY PROCEEDING DESCRIBED BY SUBSECTION D, E
7 OR F OF THIS SECTION THE COUNCIL DETERMINES THAT THE MAXIMUM ANNUAL AMOUNT OF
8 CREDITS PRESCRIBED BY SECTION 41-1058.01, SUBSECTION D HAS BEEN AWARDED, THE
9 COUNCIL SHALL NOTIFY ALL PARTIES, AND FURTHER PROCEEDINGS ARE TERMINATED AND
10 NO FURTHER CREDITS MAY BE AWARDED WITH RESPECT TO THE CALENDAR YEAR.

11 I. ANY AMOUNT OF A CLAIM FINALLY APPROVED BY THE COUNCIL, OR BY A
12 COUNTY, CITY OR TOWN, UNDER THIS SECTION CONSTITUTES A CREDIT AGAINST THE
13 CLAIMANT'S INCOME TAX LIABILITY AS PROVIDED BY SECTION 43-1082.01 OR 43-1171,
14 AS APPLICABLE. THE COUNCIL SHALL ISSUE TO THE CLAIMANT A CREDIT CERTIFICATE
15 THAT INCLUDES THE AMOUNT OF THE APPROVED CLAIM. TO CLAIM THE CREDIT, THE
16 CLAIMANT MUST SUBMIT A COPY OF THE CREDIT CERTIFICATE AT THE TIME OF FILING
17 THE TAXPAYER'S INCOME TAX RETURN UNDER TITLE 43.

18 J. THE COUNCIL SHALL MAINTAIN A PUBLIC ELECTRONIC REGISTER OF CLAIMS
19 FILED UNDER THIS SECTION, WHETHER ULTIMATELY APPROVED OR DENIED, THE LOCATION
20 OF THE CLAIM, THE DOLLAR AMOUNT OF THE CLAIM AND ANY APPROVED AMOUNT, THE
21 REGULATION AND CREDITABLE EXPENSES ASSOCIATED WITH EACH REGULATION BY
22 REGULATING ENTITY AND CITED, CLASSIFIED AND CODED IN UNIFORM COMMON
23 NOMENCLATURE TO EXPEDITE PUBLIC ACCESS AND APPLICATION IN INDIVIDUAL
24 CIRCUMSTANCES. IF A REGULATION IS REPEALED OR MODIFIED IN ANY WAY TO AFFECT
25 THE ASSOCIATED CREDITABLE EXPENSES, THE COUNCIL SHALL ANNOTATE THE REGISTER
26 ACCORDINGLY.

27 41-1058.03. Administration: forms and procedures: public
28 information

29 THE COUNCIL SHALL:

30 1. ADMINISTER THIS ARTICLE AND ADOPT, PUBLISH AND PRESCRIBE FORMS AND
31 PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS ARTICLE TO
32 ENCOURAGE THE REPEAL, RESCISSION OR MODERATION OF REGULATION.

33 2. MAINTAIN AND, ON REQUEST, PROVIDE TO THE PUBLIC ANNUAL DATA ON THE
34 NUMBER OF CLAIMS FILED WITH THE COUNCIL, NUMBER OF CLAIMS ACCEPTED FOR
35 REVIEW, NUMBER OF CLAIMS APPROVED IN WHOLE OR IN PART AND TOTAL AMOUNT OF
36 MONIES CREDITED PURSUANT TO THIS ARTICLE, IN ELECTRONIC FORMAT, BOTH
37 AGGREGATED AND DISAGGREGATED AND CATEGORIZED ACCORDING TO REGULATION,
38 REGULATING ENTITY AND RESPONSIBLE STATE AGENCY OR POLITICAL SUBDIVISION,
39 WITHOUT PERSONAL IDENTIFYING INFORMATION OF ANY TAXPAYER.

40 41-1058.04. Debt financing and increased tax or fee revenue
41 prohibited

42 A REGULATING ENTITY THAT IS RESPONSIBLE FOR A REGULATION THAT RESULTS
43 IN TAX CREDITS UNDER THIS ARTICLE SHALL NOT ENGAGE IN DEBT FINANCING OR
44 IMPOSE NEW OR INCREASED TAXES OR FEES TO OFFSET THE FISCAL IMPACT OF ANY
45 CREDIT ALLOWED UNDER THIS ARTICLE.

1 H. FOR THE PURPOSES OF THIS SECTION:
2 1. "QUALIFIED EMPLOYER" MEANS A BUSINESS IN THIS STATE THAT INTENDS TO
3 OFFER QUALIFIED NEW EMPLOYMENT.
4 2. "QUALIFIED NEW EMPLOYMENT" MEANS NEW OR ADDITIONAL JOBS THAT MEET
5 ALL OF THE FOLLOWING:
6 (a) ARE PERMANENT NEW OR ADDITIONAL POSITIONS THAT RESULT FROM THE
7 OPENING OF A NEW BUSINESS, THE EXPANSION OF AN EXISTING BUSINESS OR THE
8 RELOCATION OF AN EXISTING BUSINESS OR BUSINESS OPERATION FROM ANOTHER STATE.
9 (b) REQUIRE SPECIFIC JOB SKILLS BEYOND THOSE NORMALLY REQUIRED FOR
10 HIGH SCHOOL GRADUATION.
11 (c) EACH NEW OR ADDITIONAL JOB HAS COMPENSATION THAT IS EQUAL TO OR
12 GREATER THAN ONE HUNDRED TWENTY-FIVE PER CENT OF THE MEDIAN WAGE OF THE
13 COUNTY WHERE THE QUALIFIED NEW EMPLOYMENT IS LOCATED.
14 Sec. 3. Section 42-5029, Arizona Revised Statutes, is amended to read:
15 42-5029. Remission and distribution of monies; definition
16 A. The department shall deposit, pursuant to sections 35-146 and
17 35-147, all revenues collected under this article and articles 4, 5 and 8 of
18 this chapter pursuant to section 42-1116, separately accounting for:
19 1. Payments of estimated tax under section 42-5014, subsection D.
20 2. Revenues collected pursuant to section 42-5070.
21 3. Revenues collected under this article and article 5 of this chapter
22 from and after June 30, 2000 from sources located on Indian reservations in
23 this state.
24 4. Revenues collected pursuant to section 42-5010, subsection G and
25 section 42-5155, subsection D.
26 B. The department shall credit payments of estimated tax to an
27 estimated tax clearing account and each month shall transfer all monies in
28 the estimated tax clearing account to a fund designated as the transaction
29 privilege and severance tax clearing account. The department shall credit
30 all other payments to the transaction privilege and severance tax clearing
31 account, separately accounting for the monies designated as distribution base
32 under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the
33 department shall report to the state treasurer the amount of monies collected
34 pursuant to this article and articles 4, 5 and 8 of this chapter.
35 C. On notification by the department, the state treasurer shall
36 distribute the monies deposited in the transaction privilege and severance
37 tax clearing account in the manner prescribed by this section and by sections
38 42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the
39 account pursuant to sections 42-1118 and 42-1254.
40 D. Of the monies designated as distribution base the department shall:
41 1. Pay twenty-five per cent to the various incorporated municipalities
42 in this state in proportion to their population to be used by the
43 municipalities for any municipal purpose.
44 2. Pay 38.08 per cent to the counties in this state by averaging the
45 following proportions:

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

3 (b) The proportion that the distribution base monies collected during
4 the calendar month in each county under this article, section 42-5164,
5 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
6 total distribution base monies collected under this article, section 42-5164,
7 subsection B, section 42-5205, subsection B and section 42-5353 throughout
8 the state for the calendar month.

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

11 (a) Average the following proportions:

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

24 (ii) The proportion that the distribution base monies collected during
25 the calendar month in each county under this article, section 42-5164,
26 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
27 total distribution base monies collected under this article, section 42-5164,
28 subsection B, section 42-5205, subsection B and section 42-5353 throughout
29 the state for the calendar month.

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

40 4. After any distributions required by sections 42-5030, 42-5030.01,
41 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water
42 quality assurance revolving fund as required by section 49-282, subsection B,
43 credit the remainder of the monies designated as distribution base to the
44 state general fund. From this amount:

- 1 (a) The legislature shall annually appropriate to:
2 (i) The department of revenue sufficient monies to administer and
3 enforce this article and articles 5 and 8 of this chapter.
4 (ii) The department of economic security monies to be used for the
5 purposes stated in title 46, chapter 1.
6 (iii) The firearms safety and ranges fund established by section
7 17-273, fifty thousand dollars derived from the taxes collected from the
8 retail classification pursuant to section 42-5061 for the current fiscal
9 year.

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

- 13 (i) Three and one-half per cent of the gross revenues derived from the
14 transient lodging classification pursuant to section 42-5070 during the
15 preceding fiscal year.
16 (ii) Three per cent of the gross revenues derived from the amusement
17 classification pursuant to section 42-5073 during the preceding fiscal year.
18 (iii) Two per cent of the gross revenues derived from the restaurant
19 classification pursuant to section 42-5074 during the preceding fiscal year.

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

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

38 2. After any transfer of monies pursuant to paragraph 1 of this
39 subsection, twelve per cent of the remaining monies collected during the
40 preceding month shall be transferred to the technology and research
41 initiative fund established by section 15-1648 to be distributed among the
42 universities for the purpose of investment in technology and research-based
43 initiatives.

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

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

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

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

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

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

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

27 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
28 \$86,280,500.

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

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

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

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

5 10. After the payment of monies pursuant to paragraphs 1 through 9 of
6 this subsection, the remaining monies collected during the preceding month
7 shall be transferred to the classroom site fund established by section
8 15-977. The monies shall be allocated as follows in the manner prescribed by
9 section 15-977:

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

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

14 (c) Forty per cent shall be allocated for maintenance and operation
15 purposes.

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

19 G. Notwithstanding subsection D of this section, if a court of
20 competent jurisdiction finally determines that tax monies distributed under
21 this section were illegally collected under this article or articles 5 and 8
22 of this chapter and orders the monies to be refunded to the taxpayer, the
23 department shall compute the amount of such monies that was distributed to
24 each city, town and county under this section. The department shall notify
25 the state treasurer of that amount plus the proportionate share of additional
26 allocated costs required to be paid to the taxpayer. Each city's, town's and
27 county's proportionate share of the costs shall be based on the amount of the
28 original tax payment each municipality and county received. Each month the
29 state treasurer shall reduce the amount otherwise distributable to the city,
30 town and county under this section by one thirty-sixth of the total amount to
31 be recovered from the city, town or county until the total amount has been
32 recovered, but the monthly reduction for any city, town or county shall not
33 exceed ten per cent of the full monthly distribution to that entity. The
34 reduction shall begin for the first calendar month after the final
35 disposition of the case and shall continue until the total amount, including
36 interest and costs, has been recovered.

37 H. On receiving a certificate of default from the greater Arizona
38 development authority pursuant to section 41-2257 or 41-2258 and to the
39 extent not otherwise expressly prohibited by law, the state treasurer shall
40 withhold from the next succeeding distribution of monies pursuant to this
41 section due to the defaulting political subdivision the amount specified in
42 the certificate of default and immediately deposit the amount withheld in the
43 greater Arizona development authority revolving fund. The state treasurer
44 shall continue to withhold and deposit the monies until the greater Arizona
45 development authority certifies to the state treasurer that the default has

1 been cured. In no event may the state treasurer withhold any amount that the
2 defaulting political subdivision certifies to the state treasurer and the
3 authority as being necessary to make any required deposits then due for the
4 payment of principal and interest on bonds of the political subdivision that
5 were issued before the date of the loan repayment agreement or bonds and that
6 have been secured by a pledge of distributions made pursuant to this section.

7 I. Except as provided by sections 42-5033 and 42-5033.01, the
8 population of a county, city or town as determined by the most recent United
9 States decennial census plus any revisions to the decennial census certified
10 by the United States bureau of the census shall be used as the basis for
11 apportioning monies pursuant to subsection D of this section.

12 J. Except as otherwise provided by this subsection, on notice from the
13 department of revenue pursuant to section 42-6010, subsection B, the state
14 treasurer shall withhold from the distribution of monies pursuant to this
15 section to the affected city or town the amount of the penalty for business
16 location municipal tax incentives provided by the city or town to a business
17 entity that locates a retail business facility in the city or town. The
18 state treasurer shall continue to withhold monies pursuant to this subsection
19 until the entire amount of the penalty has been withheld. The state
20 treasurer shall credit any monies withheld pursuant to this subsection to the
21 state general fund as provided by subsection D, paragraph 4 of this section.
22 The state treasurer shall not withhold any amount that the city or town
23 certifies to the department of revenue and the state treasurer as being
24 necessary to make any required deposits or payments for debt service on bonds
25 or other long-term obligations of the city or town that were issued or
26 incurred before the location incentives provided by the city or town.

27 K. On notice from the auditor general pursuant to section 9-626,
28 subsection D, the state treasurer shall withhold from the distribution of
29 monies pursuant to this section to the affected city the amount computed
30 pursuant to section 9-626, subsection D. The state treasurer shall continue
31 to withhold monies pursuant to this subsection until the entire amount
32 specified in the notice has been withheld. The state treasurer shall credit
33 any monies withheld pursuant to this subsection to the state general fund as
34 provided by subsection D, paragraph 4 of this section.

35 L. ON NOTICE FROM THE DEPARTMENT OF REVENUE PURSUANT TO SECTION
36 43-1082.01, SUBSECTION D, PARAGRAPH 2 OR SECTION 43-1171, SUBSECTION D,
37 PARAGRAPH 2, THE STATE TREASURER SHALL:

38 1. WITHHOLD FROM THE DISTRIBUTION OF MONIES PURSUANT TO THIS SECTION
39 TO THE AFFECTED COUNTY, CITY OR TOWN THE CURRENT AGGREGATE AMOUNT OF
40 REGULATORY TAX CREDITS APPROVED WITH RESPECT TO EXCESSIVE REGULATIONS
41 ENACTED, ADOPTED OR ENFORCED BY THE COUNTY, CITY OR TOWN.

42 2. CONTINUE TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION AS LONG AS
43 APPROVED AMOUNTS REMAIN OUTSTANDING AGAINST THE RESPECTIVE COUNTY, CITY OR
44 TOWN.

1 3. CREDIT MONIES WITHHELD PURSUANT TO THIS SUBSECTION TO THE STATE
2 GENERAL FUND AS PROVIDED BY SUBSECTION D, PARAGRAPH 4 OF THIS SECTION.

3 ~~L~~ 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. 4. Section 43-222, Arizona Revised Statutes, is amended to read:
13 43-222. Income tax credit review schedule

14 The joint legislative income tax credit review committee shall review
15 the following income tax credits:

16 1. For years ending in 0 and 5, sections 43-1075, 43-1075.01,
17 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01,
18 43-1175 and 43-1182.

19 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
20 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

21 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
22 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1164, 43-1167,
23 43-1169, 43-1176 and 43-1181.

24 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
25 43-1170 and 43-1178.

26 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
27 43-1083.01, 43-1084, 43-1162, 43-1164.01, 43-1170.01 and 43-1184 AND,
28 BEGINNING IN 2019, SECTIONS 43-1082.01 AND 43-1171.

29 Sec. 5. Section 43-1022, Arizona Revised Statutes, is amended to read:
30 43-1022. Subtractions from Arizona gross income

31 In computing Arizona adjusted gross income, the following amounts shall
32 be subtracted from Arizona gross income:

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

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

37 (a) The United States government service retirement and disability
38 fund, retired or retainer pay of the uniformed services of the United States,
39 the United States foreign service retirement and disability system and any
40 other retirement system or plan established by federal law.

41 (b) The Arizona state retirement system, the corrections officer
42 retirement plan, the public safety personnel retirement system, the elected
43 officials' retirement plan, an optional retirement program established by the
44 Arizona board of regents under section 15-1628, an optional retirement
45 program established by a community college district board under section

1 15-1451 or a retirement plan established for employees of a county, city or
2 town in this state.

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

6 4. The amount of any distributions from an individual retirement
7 account as provided for in section 408 of the internal revenue code or from a
8 qualified retirement plan of a self-employed individual as provided for in
9 section 401 of the internal revenue code to the extent that total adjustments
10 made pursuant to this paragraph in all tax years do not exceed the total of
11 all contributions made by the taxpayer to such plans ~~prior to~~ BEFORE December
12 31, 1975, which were included in computing Arizona taxable income.

13 5. The amount of income on an installment receivable ~~which~~ THAT is
14 recognized pursuant to the internal revenue code and ~~which~~ THAT has already
15 been recognized on the death of the taxpayer for purposes of this title for
16 tax years ending before January 1, 1990.

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

21 7. The amount of any income tax refunds ~~which~~ THAT were received from
22 states other than Arizona and ~~which~~ THAT were included as income in computing
23 federal adjusted gross income.

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

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

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

33 11. The amount by which the adjusted basis of property described in
34 this paragraph and computed pursuant to this title and the income tax act of
35 1954, as amended, exceeds the adjusted basis of such property computed
36 pursuant to the internal revenue code. This paragraph shall apply to all
37 property ~~which~~ THAT is held for the production of income and ~~which~~ THAT is
38 sold or otherwise disposed of during the taxable year other than depreciable
39 property used in a trade or business.

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

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

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

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

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

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

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

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

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

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

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

- 1 (a) An eligible individual may subtract:
2 (i) The amount of contributions made by the individual's employer
3 during the taxable year to the individual's medical savings account pursuant
4 to section 43-1028 to the extent that the employer contributions are included
5 in the individual's federal adjusted gross income.
6 (ii) The amount deposited by the individual in the account during the
7 taxable year to the extent that the individual's contributions are included
8 in the individual's federal adjusted gross income.
9 (b) The individual's employer may subtract the amount of contributions
10 made by the employer to a medical savings account established on the
11 individual's behalf to the extent that the contributions are not deductible
12 under the internal revenue code.
13 23. The amount by which a net operating loss carryover or capital loss
14 carryover allowable pursuant to section 43-1029, subsection F exceeds the net
15 operating loss carryover or capital loss carryover allowable pursuant to
16 section 1341(b)(5) of the internal revenue code.
17 24. Any amount of qualified educational expenses that is distributed
18 from a qualified state tuition program determined pursuant to section 529 of
19 the internal revenue code and that is included in income in computing federal
20 adjusted gross income.
21 25. Any item of income resulting from an installment sale that has been
22 properly subjected to income tax in another state in a previous taxable year
23 and that is included in Arizona gross income in the current taxable year.
24 26. The amount authorized by section 43-1030 relating to holocaust
25 survivors.
26 27. The amount authorized by section 43-1031 for constructing an energy
27 efficient residence.
28 28. An amount equal to the depreciation allowable pursuant to section
29 167(a) of the internal revenue code for the taxable year computed as if the
30 election described in section 168(k)(2)(D)(iii) of the internal revenue code
31 had been made for each applicable class of property in the year the property
32 was placed in service.
33 29. With respect to property that is sold or otherwise disposed of
34 during the taxable year by a taxpayer that complied with section 43-1021,
35 paragraph 26 with respect to that property, the amount of depreciation that
36 has been allowed pursuant to section 167(a) of the internal revenue code to
37 the extent that the amount has not already reduced Arizona taxable income in
38 the current or prior taxable years.
39 30. With respect to property for which an adjustment was made under
40 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
41 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
42 the amount was adjusted under section 43-1021, paragraph 27 and in each of
43 the following four years.
44 31. For taxable years beginning from and after December 31, 2007
45 through December 31, 2012, the amount contributed during the taxable year to

1 college savings plans established pursuant to section 529 of the internal
2 revenue code to the extent that the contributions were not deducted in
3 computing federal adjusted gross income. The amount subtracted shall not
4 exceed:

5 (a) Seven hundred fifty dollars for a single individual or a head of
6 household.

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

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

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

20 34. The amount of previously deferred discharge of indebtedness income
21 that is included in the computation of federal adjusted gross income or
22 federal taxable income in the current taxable year pursuant to section 108(i)
23 of the internal revenue code as added by section 1231 of the American
24 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
25 amount was previously added to Arizona gross income pursuant to section
26 43-1021, paragraph 33.

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

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

41 37. AN AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED
42 GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM AN INVESTMENT IN A
43 CAPITAL ASSET ACQUIRED AFTER DECEMBER 31, 2011, AS FOLLOWS:

1 (a) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
2 THROUGH DECEMBER 31, 2013, TWENTY-FIVE PER CENT OF THE NET CAPITAL GAIN
3 INCLUDED IN FEDERAL ADJUSTED GROSS INCOME.

4 (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013
5 THROUGH DECEMBER 31, 2014, FIFTY PER CENT OF THE NET CAPITAL GAIN INCLUDED IN
6 FEDERAL ADJUSTED GROSS INCOME.

7 (c) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014
8 THROUGH DECEMBER 31, 2015, SEVENTY-FIVE PER CENT OF THE NET CAPITAL GAIN
9 INCLUDED IN FEDERAL ADJUSTED GROSS INCOME.

10 (d) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015, ONE
11 HUNDRED PER CENT OF THE NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED GROSS
12 INCOME.

13 Sec. 6. Section 43-1122, Arizona Revised Statutes, is amended to read:
14 43-1122. Subtractions from Arizona gross income; corporations

15 In computing Arizona taxable income for a corporation, the following
16 amounts shall be subtracted from Arizona gross income:

17 1. The amounts computed pursuant to section 43-1022, paragraphs 8
18 through 15, 28, 29, 30, 33, ~~and~~ 34 AND 37. For the purposes of this
19 paragraph, "federal adjusted gross income" as used in section 43-1022 means
20 "federal taxable income".

21 2. The amount of Arizona capital loss carryover as defined in section
22 43-1124 in an amount not to exceed one thousand dollars.

23 3. With respect to a financial institution as defined in section
24 6-101, expenses and interest relating to tax-exempt income disallowed
25 pursuant to section 265 of the internal revenue code.

26 4. Dividends received from another corporation owned or controlled
27 directly or indirectly by a recipient corporation. For the purposes of this
28 paragraph, "control" means direct or indirect ownership or control of fifty
29 per cent or more of the voting stock of the payor corporation by the
30 recipient corporation. Dividends shall have the meaning provided in section
31 316 of the internal revenue code. This subtraction shall apply without
32 regard to the provisions of section 43-961, paragraph 2 and article 4 of this
33 chapter. A corporation that has its commercial domicile, as defined in
34 section 43-1131, in this state may subtract the full amount of the dividends.
35 A corporation that does not have its commercial domicile in this state may
36 subtract:

37 (a) For its taxable year beginning in 1990, an amount equal to
38 one-half of the dividends.

39 (b) For taxable years beginning in 1991 and thereafter, the full
40 amount of the dividends.

41 5. Interest income received on obligations of the United States.

42 6. The amount of dividend income from foreign corporations.

43 7. The amount of net operating loss allowed by section 43-1123.

44 8. The amount of any state income tax refunds received which were
45 included as income in computing federal taxable income.

1 9. The amount of expense recapture included in income pursuant to
2 section 617 of the internal revenue code for mine exploration expenses.

3 10. The amount of deferred exploration expenses allowed by section
4 43-1127.

5 11. The amount of exploration expenses related to the exploration of
6 oil, gas or geothermal resources, computed in the same manner and on the same
7 basis as a deduction for mine exploration pursuant to section 617 of the
8 internal revenue code. This computation is subject to the adjustments
9 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this
10 section relating to exploration expenses.

11 12. The amortization of pollution control devices allowed by section
12 43-1129.

13 13. The amount of amortization of the cost of child care facilities
14 pursuant to section 43-1130.

15 14. The amount of income from a domestic international sales
16 corporation required to be included in the income of its shareholders
17 pursuant to section 995 of the internal revenue code.

18 15. The income of an insurance company that is exempt under section
19 43-1201 to the extent that it is included in computing Arizona gross income
20 on a consolidated return pursuant to section 43-947.

21 16. The amount of contributions by the taxpayer during the taxable year
22 to medical savings accounts established on behalf of the taxpayer's employees
23 as provided by section 43-1028, to the extent that the contributions are not
24 deductible under the internal revenue code.

25 17. The amount by which a capital loss carryover allowable pursuant to
26 section 43-1130.01, subsection F exceeds the capital loss carryover allowable
27 pursuant to section 1341(b)(5) of the internal revenue code.

28 Sec. 7. Section 43-1123, Arizona Revised Statutes, is amended to read:
29 43-1123. Net operating loss: definition

30 A. ~~As used in~~ FOR THE PURPOSES OF this section, "net operating loss"
31 means:

32 1. In the case of a taxpayer who has a net operating loss for the
33 taxable year within the meaning of section 172(c) of the internal revenue
34 code, the amount of the net operating loss increased by the subtractions
35 specified in section 43-1122, except the ~~deduction~~ SUBTRACTION allowed in
36 section 43-1122, paragraph 7, and reduced by the additions specified in
37 section 43-1121.

38 2. In the case of a taxpayer not described in paragraph 1 of this
39 subsection, any excess of the subtractions specified in section 43-1122,
40 except the ~~deduction~~ SUBTRACTION allowed in section 43-1122, paragraph 7,
41 over the sum of the Arizona gross income plus the additions specified in
42 section 43-1121.

43 B. If for any taxable year the taxpayer has a net operating loss: ~~—~~

44 1. Such net operating loss shall be a net operating loss carryover
45 for:

1 (a) Each of the five succeeding taxable years, ~~except that~~ FOR NET
2 OPERATING LOSSES ARISING IN TAXABLE PERIODS THROUGH DECEMBER 31, 2012.

3 (b) EACH OF THE TWENTY SUCCEEDING TAXABLE YEARS FOR NET OPERATING
4 LOSSES ARISING IN TAXABLE PERIODS BEGINNING FROM AND AFTER DECEMBER 31, 2012.

5 2. The carryover in the case of each such succeeding taxable year,
6 other than the first succeeding taxable year, shall be the excess, if any, of
7 the amount of such net operating loss over the sum of the taxable income for
8 each of the intervening years computed by determining the net operating loss
9 ~~deduction~~ SUBTRACTION for each intervening taxable year, without regard to
10 such net operating loss or to the net operating loss for any succeeding
11 taxable year.

12 C. The amount of the net operating loss ~~deduction~~ SUBTRACTION shall be
13 the aggregate of the net operating loss carryovers to the taxable year.

14 Sec. 8. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
15 amended by adding section 43-1082.01, to read:

16 43-1082.01. Regulatory tax credit

17 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013, A
18 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR CREDITABLE
19 EXPENSES OF REGULATION INCURRED BY A TAXPAYER AFTER DECEMBER 31, 2013 AS
20 APPROVED AND CERTIFIED PURSUANT TO TITLE 41, CHAPTER 6, ARTICLE 5.1.

21 B. THE AMOUNT OF THE CREDIT IS THE APPROVED AMOUNT DETERMINED AND
22 CERTIFIED PURSUANT TO SECTION 41-1058.02. TO CLAIM THE CREDIT, THE TAXPAYER
23 MUST SUBMIT WITH THE INCOME TAX RETURN A COPY OF THE CREDIT CERTIFICATE
24 ISSUED TO THE TAXPAYER PURSUANT TO SECTION 41-1058.02, SUBSECTION I.

25 C. IF THE AMOUNT OF THE CREDIT EXCEEDS THE TAXES DUE FOR THE TAXABLE
26 YEAR, THE AMOUNT OF THE CREDIT NOT USED AS AN OFFSET AGAINST THE TAX
27 LIABILITY FOR THAT TAXABLE YEAR MAY BE CARRIED FORWARD AS A CREDIT AGAINST UP
28 TO FIVE CONSECUTIVE SUBSEQUENT TAXABLE YEARS, BUT NOT EXCEEDING THE
29 CLAIMANT'S INCOME TAX LIABILITY IN EACH SUBSEQUENT TAXABLE YEAR.

30 D. THE AMOUNT OF CREDIT UNDER THIS SECTION CONSTITUTES:

31 1. A DEBIT AGAINST THE STATE GENERAL FUND APPROPRIATION TO ANY STATE
32 AGENCY DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE
33 REGULATION THAT RESULTED IN THE TAX CREDIT. NOTWITHSTANDING ANY OTHER LAW,
34 THE DEPARTMENT OF REVENUE SHALL NOTIFY THE DEPARTMENT OF ADMINISTRATION TO
35 DEDUCT AND WITHHOLD THE AMOUNT OF THE CREDIT FROM MONIES OTHERWISE
36 APPROPRIATED TO THE AGENCY IN THE CURRENT FISCAL YEAR. MONIES AFFECTED BY
37 THIS PARAGRAPH REVERT TO THE STATE GENERAL FUND.

38 2. A DEBIT AGAINST STATE SHARED REVENUES DISTRIBUTED TO ANY COUNTY,
39 CITY OR TOWN DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE
40 REGULATION THAT RESULTED IN THE CREDIT. THE DEPARTMENT OF REVENUE SHALL
41 NOTIFY THE STATE TREASURER TO WITHHOLD THE AMOUNT OF THE APPROVED CLAIM FROM
42 MONIES OTHERWISE PAYABLE TO THE COUNTY, CITY OR TOWN AS PROVIDED BY SECTION
43 42-5029, SUBSECTION L.

44 3. A DEBIT AGAINST THE GENERAL REVENUES OF ANY SPECIAL TAXING DISTRICT
45 DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE REGULATION THAT

1 RESULTED IN THE CREDIT. THE GOVERNING BODY OF THE DISTRICT SHALL BUDGET AND
2 PAY THE AMOUNT OF THE CREDIT TO THE STATE GENERAL FUND IN THE NEXT FULL
3 FISCAL YEAR AFTER THE CREDIT IS ALLOWED TO THE TAXPAYER.

4 Sec. 9. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
5 amended by adding section 43-1171, to read:

6 43-1171. Regulatory tax credit

7 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013, A
8 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR CREDITABLE
9 EXPENSES OF REGULATION INCURRED BY A TAXPAYER AFTER DECEMBER 31, 2013 AS
10 APPROVED AND CERTIFIED PURSUANT TO TITLE 41, CHAPTER 6, ARTICLE 5.1.

11 B. THE AMOUNT OF THE CREDIT IS THE APPROVED AMOUNT DETERMINED AND
12 CERTIFIED PURSUANT TO SECTION 41-1058.02. TO CLAIM THE CREDIT, THE TAXPAYER
13 MUST SUBMIT WITH THE INCOME TAX RETURN A COPY OF THE CREDIT CERTIFICATE
14 ISSUED TO THE TAXPAYER PURSUANT TO SECTION 41-1058.02, SUBSECTION I.

15 C. IF THE AMOUNT OF THE CREDIT EXCEEDS THE TAXES DUE FOR THE TAXABLE
16 YEAR, THE AMOUNT OF THE CREDIT NOT USED AS AN OFFSET AGAINST THE TAX
17 LIABILITY FOR THAT TAXABLE YEAR MAY BE CARRIED FORWARD AS A CREDIT AGAINST UP
18 TO FIVE CONSECUTIVE SUBSEQUENT TAXABLE YEARS, BUT NOT EXCEEDING THE
19 CLAIMANT'S INCOME TAX LIABILITY IN EACH SUBSEQUENT TAXABLE YEAR.

20 D. THE AMOUNT OF CREDIT UNDER THIS SECTION CONSTITUTES:

21 1. A DEBIT AGAINST THE STATE GENERAL FUND APPROPRIATION TO ANY STATE
22 AGENCY DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE
23 REGULATION THAT RESULTED IN THE TAX CREDIT. NOTWITHSTANDING ANY OTHER LAW,
24 THE DEPARTMENT OF REVENUE SHALL NOTIFY THE DEPARTMENT OF ADMINISTRATION TO
25 DEDUCT AND WITHHOLD THE AMOUNT OF THE CREDIT FROM MONIES OTHERWISE
26 APPROPRIATED TO THE AGENCY IN THE CURRENT FISCAL YEAR. MONIES AFFECTED BY
27 THIS PARAGRAPH REVERT TO THE STATE GENERAL FUND.

28 2. A DEBIT AGAINST STATE SHARED REVENUES DISTRIBUTED TO ANY COUNTY,
29 CITY OR TOWN DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE
30 REGULATION THAT RESULTED IN THE CREDIT. THE DEPARTMENT OF REVENUE SHALL
31 NOTIFY THE STATE TREASURER TO WITHHOLD THE AMOUNT OF THE APPROVED CLAIM FROM
32 MONIES OTHERWISE PAYABLE TO THE COUNTY, CITY OR TOWN AS PROVIDED BY SECTION
33 42-5029, SUBSECTION L.

34 3. A DEBIT AGAINST THE GENERAL REVENUES OF ANY SPECIAL TAXING DISTRICT
35 DIRECTLY RESPONSIBLE FOR ENACTING, ADOPTING OR ENFORCING THE REGULATION THAT
36 RESULTED IN THE CREDIT. THE GOVERNING BODY OF THE DISTRICT SHALL BUDGET AND
37 PAY THE AMOUNT OF THE CREDIT TO THE STATE GENERAL FUND IN THE NEXT FULL
38 FISCAL YEAR AFTER THE CREDIT IS ALLOWED TO THE TAXPAYER.

39 Sec. 10. Appropriation; governor's regulatory review council;
40 exemption

41 A. The sum of \$350,000 is appropriated from the state general fund in
42 fiscal year 2014-2015 to the governor's regulatory review council for the
43 administration of title 41, chapter 6, article 5.1, Arizona Revised Statutes,
44 as added by this act, including four full-time equivalent employment
45 positions. The council shall ensure that employees hired for those positions

1 are knowledgeable or experienced in regulatory issues at all levels of
2 government.

3 B. The appropriation made in subsection A of this section is exempt
4 from the provisions of section 35-190, Arizona Revised Statutes, relating to
5 lapsing of appropriations.

6 Sec. 11. Purpose

7 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
8 enacts sections 43-1082.01 and 43-1171, Arizona Revised Statutes, as added by
9 this act, to promote job creation and a business-friendly economic
10 development environment at all levels of government throughout this state,
11 encourage the repeal, rescission or moderation of government regulation that
12 does not protect health and safety, that does not protect against civil or
13 criminal fraud and that requires businesses to take action that is likely to
14 cause substantially more economic costs than benefits, as demonstrated by
15 quantitative and qualitative evidence.

16 Sec. 12. Delayed repeal

17 Section 41-1541.01, Arizona Revised Statutes, as added by this act, is
18 repealed from and after December 31, 2016.