

REFERENCE TITLE: tax credit; education transformation fund

State of Arizona
Senate
Fiftieth Legislature
Second Regular Session
2012

SB 1455

Introduced by
Senator Crandall

AN ACT

AMENDING TITLE 15, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-901.07; AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.08; AMENDING SECTIONS 43-222 AND 43-1121, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1186; RELATING TO CORPORATE INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 15, chapter 9, article 1, Arizona Revised Statutes,
3 is amended by adding section 15-901.07, to read:

4 15-901.07. Education transformation fund; report

5 A. THE DEPARTMENT OF EDUCATION SHALL ESTABLISH THE EDUCATION
6 TRANSFORMATION FUND. THE PURPOSE OF THE FUND IS TO PROVIDE FUNDING TO PUBLIC
7 SCHOOLS TO IMPLEMENT TRANSFORMATIVE EDUCATIONAL PRACTICES, IMPROVE STUDENT
8 ACADEMIC PERFORMANCE, FUND IMPROVEMENTS AND ENHANCEMENTS TO THE STATEWIDE
9 DATA SYSTEMS AND TO PURCHASE SOFTWARE AND TECHNOLOGY FOR THE USE OF ALL
10 PUBLIC SCHOOLS IN THIS STATE.

11 B. THE DEPARTMENT SHALL ALLOCATE A MINIMUM OF EIGHTY PER CENT OF
12 AVAILABLE FUNDS EACH FISCAL YEAR TO PUBLIC SCHOOLS WHO SUBMIT APPLICATIONS
13 PURSUANT TO SUBSECTION D OF THIS SECTION THAT PROPOSE ACTIVITIES TO INCREASE
14 STUDENT ACADEMIC PERFORMANCE BY IMPLEMENTING TRANSFORMATIVE PRACTICES THAT
15 ARE IDENTIFIED BY THE DEPARTMENT OF EDUCATION, INCLUDING:

- 16 1. THE USE OF CLASSROOM TECHNOLOGY.
- 17 2. CHANGES OR ADDITIONS TO CAPITAL FACILITIES.
- 18 3. ADOPTION OF BLENDED LEARNING MODELS.

19 C. THE DEPARTMENT MAY RETAIN UP TO TWENTY PER CENT OF AVAILABLE FUNDS
20 EACH FISCAL YEAR TO IMPLEMENT TRANSFORMATIVE EDUCATIONAL PRACTICES IN
21 STRUGGLING SCHOOLS, FUND IMPROVEMENTS AND ENHANCEMENTS TO STATEWIDE DATA
22 SYSTEMS PURSUANT TO SECTION 15-249 AND TO PURCHASE SOFTWARE AND TECHNOLOGY
23 FOR THE USE OF ALL PUBLIC SCHOOLS IN THIS STATE.

24 D. THE DEPARTMENT SHALL DEVELOP AN APPLICATION, POLICIES AND
25 PROCEDURES FOR AWARDING FUNDS TO SCHOOLS PURSUANT TO SUBSECTION B OF THIS
26 SECTION AND TO COLLECT AND TRACK DATA REGARDING PROJECTS THAT ARE FUNDED
27 UNDER THIS SECTION.

28 E. THE DEPARTMENT SHALL ANNUALLY PROVIDE A REPORT TO THE GOVERNOR, THE
29 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVE AND TO
30 THE JOINT LEGISLATIVE BUDGET COMMITTEE WHICH INCLUDES A DESCRIPTION OF ALL
31 PROJECTS THAT ARE FUNDED PURSUANT TO THIS SECTION AND OTHER PERFORMANCE
32 MEASURES ADOPTED BY THE DEPARTMENT.

33 Sec. 2. Title 20, chapter 2, article 1, Arizona Revised Statutes, is
34 amended by adding section 20-224.08, to read:

35 20-224.08. Premium tax credit for contributions to the
36 education transformation fund

37 A. A CREDIT IS ALLOWED AGAINST THE PREMIUM TAX LIABILITY INCURRED BY
38 AN INSURER PURSUANT TO SECTION 20-224, 20-837, 20-1010, 20-1060 OR 20-1097.07
39 FOR FIFTY PER CENT OF THE AMOUNT OF VOLUNTARY CASH CONTRIBUTIONS MADE BY THE
40 INSURER DURING THE TAX YEAR TO THE EDUCATION TRANSFORMATION FUND ESTABLISHED
41 BY SECTION 15-901.07.

42 B. THE AMOUNT OF THE CREDIT IS FIFTY PER CENT OF THE TOTAL AMOUNT OF
43 THE INSURER'S CONTRIBUTIONS FOR THE TAX YEAR UNDER SUBSECTION A OF THIS
44 SECTION THAT IS PREAPPROVED BY THE DEPARTMENT OF REVENUE PURSUANT TO SECTION
45 43-1186, SUBSECTION D.

1 C. IF THE ALLOWABLE AMOUNT OF A CREDIT UNDER THIS SECTION EXCEEDS THE
2 INSURER'S STATE PREMIUM TAX LIABILITY, THE AMOUNT OF THE CLAIM NOT USED TO
3 OFFSET THE PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD AS A CREDIT AGAINST
4 THE INSURER'S SUBSEQUENT YEARS' PREMIUM TAX LIABILITY FOR A PERIOD NOT TO
5 EXCEED FIVE TAXABLE YEARS.

6 D. AN INSURER THAT CLAIMS A TAX CREDIT AGAINST STATE PREMIUM TAX
7 LIABILITY IS NOT REQUIRED TO PAY ANY ADDITIONAL RETALIATORY TAX IMPOSED
8 PURSUANT TO SECTION 20-230 AS A RESULT OF CLAIMING THAT TAX CREDIT.

9 E. THE DEPARTMENT OF INSURANCE, WITH THE COOPERATION OF THE DEPARTMENT
10 OF EDUCATION AND THE DEPARTMENT OF REVENUE, SHALL ADOPT RULES NECESSARY FOR
11 THE ADMINISTRATION OF THIS SECTION.

12 Sec. 3. 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 AND 43-1186.

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.

28 Sec. 4. Section 43-1121, Arizona Revised Statutes, is amended to read:
29 43-1121. Additions to Arizona gross income; corporations

30 In computing Arizona taxable income for a corporation, the following
31 amounts shall be added to Arizona gross income:

32 1. The amounts computed pursuant to section 43-1021, paragraphs 3
33 through 9, 12, 26, 27, 33, 34 and 35.

34 2. The amount of dividend income received from corporations and
35 allowed as a deduction pursuant to sections 243, 244 and 245 of the internal
36 revenue code.

37 3. Taxes which are based on income paid to states, local governments
38 or foreign governments and which were deducted in computing federal taxable
39 income.

40 4. Expenses and interest relating to tax-exempt income on indebtedness
41 incurred or continued to purchase or carry obligations the interest on which
42 is wholly exempt from the tax imposed by this title. Financial institutions,
43 as defined in section 6-101, shall be governed by section 43-961,
44 paragraph 2.

1 5. Commissions, rentals and other amounts paid or accrued to a
2 domestic international sales corporation controlled by the payor corporation
3 if the domestic international sales corporation is not required to report its
4 taxable income to this state because its income is not derived from or
5 attributable to sources within this state. If the domestic international
6 sales corporation is subject to article 4 of this chapter, the department
7 shall prescribe by rule the method of determining the portion of the
8 commissions, rentals and other amounts which are paid or accrued to the
9 controlled domestic international sales corporation and which shall be
10 deducted by the payor. For the purposes of this paragraph, "control" means
11 direct or indirect ownership or control of fifty per cent or more of the
12 voting stock of the domestic international sales corporation by the payor
13 corporation.

14 6. Federal income tax refunds received during the taxable year to the
15 extent they were deducted in arriving at Arizona taxable income in a previous
16 year.

17 7. The amount of net operating loss taken pursuant to section 172 of
18 the internal revenue code.

19 8. The amount of exploration expenses determined pursuant to section
20 617 of the internal revenue code to the extent that they exceed seventy-five
21 thousand dollars and to the extent that the election is made to defer those
22 expenses not in excess of seventy-five thousand dollars.

23 9. Amortization of costs incurred to install pollution control devices
24 and deducted pursuant to the internal revenue code or the amount of deduction
25 for depreciation taken pursuant to the internal revenue code on pollution
26 control devices for which an election is made pursuant to section 43-1129.

27 10. The amount of depreciation or amortization of costs of child care
28 facilities deducted pursuant to section 167 or 188 of the internal revenue
29 code for which an election is made to amortize pursuant to section 43-1130.

30 11. Arizona state income tax refunds received, to the extent the amount
31 of the refunds is not already included in Arizona gross income, if a tax
32 benefit was derived by deduction of this amount in a prior year.

33 12. The amount paid as taxes on property in this state by a qualified
34 defense contractor with respect to which a credit is claimed under section
35 43-1166.

36 13. The loss of an insurance company that is exempt under section
37 43-1201 to the extent that it is included in computing Arizona gross income
38 on a consolidated return pursuant to section 43-947.

39 14. The amount by which the depreciation or amortization computed under
40 the internal revenue code with respect to property for which a credit was
41 taken under section 43-1169 exceeds the amount of depreciation or
42 amortization computed pursuant to the internal revenue code on the Arizona
43 adjusted basis of the property.

44 15. The amount by which the adjusted basis computed under the internal
45 revenue code with respect to property for which a credit was claimed under

1 section 43-1169 and which is sold or otherwise disposed of during the taxable
2 year exceeds the adjusted basis of the property computed under section
3 43-1169.

4 16. The amount by which the depreciation or amortization computed under
5 the internal revenue code with respect to property for which a credit was
6 taken under either section 43-1170 or 43-1170.01 exceeds the amount of
7 depreciation or amortization computed pursuant to the internal revenue code
8 on the Arizona adjusted basis of the property.

9 17. The amount by which the adjusted basis computed under the internal
10 revenue code with respect to property for which a credit was claimed under
11 either section 43-1170 or 43-1170.01 and which is sold or otherwise disposed
12 of during the taxable year exceeds the adjusted basis of the property
13 computed under section 43-1170 or 43-1170.01, as applicable.

14 18. The deduction referred to in section 1341(a)(4) of the internal
15 revenue code for restoration of a substantial amount held under a claim of
16 right.

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

20 20. Any amount deducted in computing Arizona taxable income as expenses
21 for installing solar stub outs or electric vehicle recharge outlets in this
22 state with respect to which a credit is claimed pursuant to section 43-1176.

23 21. Any wage expenses deducted pursuant to the internal revenue code
24 for which a credit is claimed under section 43-1175 and representing net
25 increases in qualified employment positions for employment of temporary
26 assistance for needy families recipients.

27 22. Any amount of expenses that were deducted pursuant to the internal
28 revenue code and for which a credit is claimed under section 43-1178.

29 23. Any amount deducted for conveying ownership or development rights
30 of property to an agricultural preservation district under section 48-5702
31 for which a credit is claimed under section 43-1180.

32 24. The amount of any deduction that is claimed in computing Arizona
33 gross income and that represents a donation of a school site for which a
34 credit is claimed under section 43-1181.

35 25. The amount of any deductions that are claimed in computing federal
36 taxable income representing expenses for which a credit is claimed under
37 either section 43-1163 or 43-1163.01 or both.

38 26. Any amount deducted in computing Arizona taxable income as expenses
39 for installing water conservation system plumbing stub outs in this state
40 with respect to which a credit is claimed pursuant to section 43-1182.

41 27. Any amount deducted pursuant to section 170 of the internal revenue
42 code representing contributions to a school tuition organization for which a
43 credit is claimed under section 43-1183 or 43-1184.

1 CALCULATING THE LIMIT PRESCRIBED IN SUBSECTION C, PARAGRAPH 1 OF THIS
2 SECTION.

3 E. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
4 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
5 TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE
6 TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
7 YEARS' INCOME TAX LIABILITY.

8 F. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
9 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
10 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
11 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
12 ALLOWED A SOLE OWNER.

13 G. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY DEDUCTION
14 PURSUANT TO SECTION 170 OF THE INTERNAL REVENUE CODE AND TAKEN FOR STATE TAX
15 PURPOSES.

16 H. THE DEPARTMENT OF REVENUE, WITH THE COOPERATION OF THE DEPARTMENT
17 OF EDUCATION AND THE DEPARTMENT OF INSURANCE, SHALL ADOPT RULES AND PUBLISH
18 AND PRESCRIBE FORMS AND PROCEDURES NECESSARY FOR THE ADMINISTRATION OF THIS
19 SECTION.

20 Sec. 6. Purpose

21 Pursuant to section 43-223, Arizona Revised Statutes, the purpose of
22 section 43-1186, Arizona Revised Statutes, as added by this act, is to
23 encourage taxpayers to direct a portion of their taxes by contributing to the
24 education transformation fund in order to support transformative education
25 practices that improve academic performance in public schools and to purchase
26 software and technology for public schools.