

COMMITTEE ON COMMERCE

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2264

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 41, chapter 10, article 1, Arizona Revised Statutes,  
3 is amended by adding section 41-1526, to read:

4 41-1526. Certification of businesses for property tax  
5 classification; employment and capital investment  
6 requirements; reports; definitions

7 A. BEGINNING JULY 1, 2014 THROUGH JUNE 30, 2019, THE ARIZONA COMMERCE  
8 AUTHORITY SHALL ANNUALLY CERTIFY BUSINESSES THAT QUALIFY FOR PROPERTY TAX  
9 INCENTIVES UNDER THIS SECTION. NEW PERSONAL PROPERTY AND REAL PROPERTY  
10 IMPROVEMENTS THAT ARE NEWLY CONSTRUCTED OR UNDERGO A MAJOR RENOVATION FROM  
11 AND AFTER DECEMBER 31, 2013 THROUGH JUNE 30, 2019 AND THAT ARE OWNED OR USED  
12 BY A CERTIFIED BUSINESS MAY BE CLASSIFIED AS CLASS SIX PROPERTY PURSUANT TO  
13 SECTION 42-12006. TO QUALIFY FOR CLASSIFICATION AS CLASS SIX PROPERTY, THE  
14 NEW PERSONAL PROPERTY OR REAL PROPERTY IMPROVEMENTS SHALL NOT BE USED  
15 PRIMARILY FOR RETAIL, UTILITY, HOSPITAL OR MINING OPERATIONS. TO QUALIFY  
16 UNDER THIS SECTION, THE BUSINESS MUST:

17 1. BE A MANUFACTURING OPERATION, CORPORATE OR REGIONAL HEADQUARTERS,  
18 ADMINISTRATIVE OFFICE OR RESEARCH AND DEVELOPMENT OPERATIONS OF AN EXPORT  
19 ORIENTED MANUFACTURER. FOR THE PURPOSES OF THIS PARAGRAPH, "EXPORT ORIENTED  
20 MANUFACTURER" MEANS A MANUFACTURER THAT DOES BOTH OF THE FOLLOWING:

21 (a) MAKES SIXTY-FIVE PER CENT OR MORE OF ITS SALES OUT OF THIS STATE.

22 (b) IS CLASSIFIED IN SECTIONS 31, 32 AND 33 OF THE 2007 EDITION OF THE  
23 NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM AS PUBLISHED BY THE NATIONAL  
24 TECHNICAL INFORMATION SERVICE OF THE UNITED STATES DEPARTMENT OF COMMERCE.

25 2. INVEST AT LEAST TWENTY-FIVE MILLION DOLLARS OF CAPITAL INVESTMENT  
26 WITHIN A THREE-YEAR PERIOD AND CREATE AT LEAST ONE HUNDRED TWENTY-FIVE NEW  
27 QUALIFIED EMPLOYMENT POSITIONS WITHIN THE EXTERIOR BOUNDARIES OF A CITY OR  
28 TOWN THAT HAS A POPULATION OF FIFTY THOUSAND PERSONS OR MORE AND THAT IS  
29 LOCATED IN A COUNTY THAT HAS A POPULATION OF EIGHT HUNDRED THOUSAND PERSONS  
30 OR MORE.

1           3. INVEST AT LEAST TWO MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN A  
2 THREE-YEAR PERIOD AND CREATE AT LEAST FIFTEEN QUALIFIED EMPLOYMENT POSITIONS  
3 IN ANY OTHER LOCATION, EXCEPT THAT IF THE BUSINESS IS RELOCATING FROM A  
4 LOCATION WITHIN THIS STATE DESCRIBED IN PARAGRAPH 2 OF THIS SUBSECTION, IT  
5 MUST MEET THE INVESTMENT AND EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH  
6 2 OF THIS SUBSECTION.

7           4. PAY AT LEAST FIFTY-ONE PER CENT OF THE NEW EMPLOYEES IN QUALIFIED  
8 EMPLOYMENT POSITIONS COMPENSATION EQUAL TO:

9           (a) ONE HUNDRED TWENTY-FIVE PER CENT OF THE MEDIAN WAGE BY COUNTY AS  
10 COMPUTED ANNUALLY BY THE AUTHORITY WITHIN THE EXTERIOR BOUNDARIES OF A CITY  
11 OR TOWN THAT HAS A POPULATION OF FIFTY THOUSAND PERSONS OR MORE AND THAT IS  
12 LOCATED IN A COUNTY THAT HAS A POPULATION OF EIGHT HUNDRED THOUSAND PERSONS  
13 OR MORE.

14           (b) ONE HUNDRED TEN PER CENT OF THE MEDIAN WAGE BY COUNTY AS COMPUTED  
15 ANNUALLY BY THE AUTHORITY IN ANY OTHER LOCATION.

16           5. CERTIFY TO THE AUTHORITY THAT NONE OF THE EMPLOYEES FILLING  
17 QUALIFIED EMPLOYMENT POSITIONS WERE EMPLOYED BY THE BUSINESS DURING THE  
18 TWELVE MONTHS BEFORE THE CURRENT DATE OF HIRE EXCEPT FOR THOSE RELOCATING TO  
19 THIS STATE.

20           6. OBTAIN AND SUBMIT TO THE AUTHORITY A RESOLUTION OF THE GOVERNING  
21 BODY OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE  
22 COUNTY BOARD OF SUPERVISORS IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR  
23 TOWN. THE RESOLUTION MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE  
24 REQUIREMENTS OF THIS SECTION AND CONSENT TO THE REDUCED ASSESSED VALUATION OF  
25 THE TAXABLE PROPERTY. THE GOVERNING BODY MUST ESTABLISH A POLICY REVIEW  
26 COMMITTEE RESPONSIBLE FOR RECOMMENDING TO THE GOVERNING BODY APPROVAL OR  
27 DISAPPROVAL OF THE RESOLUTION REQUIRED BY THIS PARAGRAPH. APPROVAL SHALL NOT  
28 BE UNREASONABLY WITHHELD. AFTER MAKING ITS RECOMMENDATION WITH RESPECT TO  
29 THE BUSINESS AND APPROVAL OR DISAPPROVAL BY THE GOVERNING BODY, THE POLICY  
30 REVIEW COMMITTEE IS DISSOLVED. THE COMMITTEE SHALL INCLUDE:

31           (a) A REPRESENTATIVE OF THE COUNTY.

32           (b) A REPRESENTATIVE OF THE CITY OR TOWN, AS APPLICABLE.

1           (c) A REPRESENTATIVE OF ANY COMMUNITY COLLEGE DISTRICT IN WHICH THE  
2 BUSINESS WILL BE LOCATED.

3           (d) A REPRESENTATIVE OF EACH SCHOOL DISTRICT IN WHICH THE BUSINESS  
4 WILL BE LOCATED.

5           (e) A REPRESENTATIVE OF ANOTHER SPECIAL TAXING DISTRICT IN WHICH THE  
6 BUSINESS WILL BE LOCATED.

7           B. THE AUTHORITY SHALL NOT CERTIFY ANY BUSINESS FOR QUALIFICATION FOR  
8 PROPERTY TAX INCENTIVES AFTER JUNE 30, 2019 EXCEPT AS PROVIDED BY SUBSECTIONS  
9 F AND G OF THIS SECTION. HOWEVER, CERTIFICATION UNDER THIS SECTION IS VALID  
10 FOR TEN YEARS, INCLUDING AFTER 2019, SUBJECT TO ANNUAL RECERTIFICATION IF THE  
11 BUSINESS CONTINUES TO MEET THE OTHER ELIGIBILITY REQUIREMENTS.

12           C. TO BE ANNUALLY RECERTIFIED PURSUANT TO SUBSECTION B OF THIS  
13 SECTION, A BUSINESS MUST CONTINUE TO MEET ALL THE ELIGIBILITY REQUIREMENTS OF  
14 THIS SECTION AND MUST ANNUALLY REPORT THE FOLLOWING AND PROVIDE SUPPORTING  
15 DOCUMENTATION TO THE AUTHORITY ON A FORM AND IN A MANNER APPROVED BY THE  
16 AUTHORITY:

17           1. THE BUSINESS NAME AND MAILING ADDRESS AND ANY OTHER CONTACT  
18 INFORMATION REQUESTED BY THE AUTHORITY.

19           2. THE PHYSICAL ADDRESS OF THE BUSINESS LOCATION.

20           3. THE ASSESSOR'S PARCEL NUMBER OF REAL PROPERTY TO WHICH THE CLASS  
21 SIX ASSESSMENT CLASSIFICATION WILL APPLY.

22           4. IF AVAILABLE, THE ASSESSOR'S ACCOUNT NUMBER FOR PERSONAL PROPERTY  
23 TO WHICH THE CLASS SIX ASSESSMENT CLASSIFICATION WILL APPLY.

24           5. FOR THE LOCATION, THE GROSS RECEIPTS, GROSS PAYROLL AND AVERAGE  
25 HOURLY WAGE PAID TO EMPLOYEES FOR THE PRECEDING TAX YEAR.

26           6. DOCUMENTATION THAT ESTABLISHES THE TYPE AND AMOUNT OF BUSINESS  
27 ACTIVITY CONDUCTED AT THE LOCATION.

28           7. OWNERSHIP AND FULL CASH VALUE OF REAL AND PERSONAL PROPERTY TO BE  
29 CERTIFIED.

30           8. CHANGES IN LOCATION, OWNERSHIP AND OPERATIONS OF THE BUSINESS IN  
31 THE IMMEDIATELY PRECEDING YEAR.

1           9. THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES AT THE LOCATION FOR THE  
2 IMMEDIATELY PRECEDING YEAR.

3           10. OTHER INFORMATION NECESSARY FOR THE MANAGEMENT OF THESE PROPERTY  
4 TAX INCENTIVES AS DETERMINED BY THE AUTHORITY.

5           D. TO RECEIVE CLASSIFICATION AS CLASS SIX PROPERTY FOR TAX PURPOSES,  
6 ON OR BEFORE DECEMBER 10 OF EACH YEAR THE CERTIFIED BUSINESS MUST SUBMIT TO  
7 THE ASSESSOR OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED:

8                 1. A COPY OF THE AUTHORITY'S INITIAL CERTIFICATION.

9                 2. A COPY OF THE CURRENT ANNUAL RECERTIFICATION.

10                3. A WRITTEN REQUEST TO CLASSIFY THE PROPERTY AS CLASS SIX.

11           E. A BUSINESS SHALL SUBMIT ITS APPLICATION FOR INITIAL CERTIFICATION  
12 OR ANNUAL RECERTIFICATION TO THE AUTHORITY NOT LATER THAN OCTOBER 1 OF EACH  
13 YEAR. THE AUTHORITY SHALL NOTIFY THE APPROPRIATE COUNTY ASSESSORS OF ALL  
14 QUALIFIED PROPERTIES LOCATED IN THE ASSESSOR'S COUNTY NOT LATER THAN  
15 DECEMBER 1 OF EACH YEAR.

16           F. IF A BUSINESS MOVES FROM THE ORIGINALLY CERTIFIED LOCATION, IT  
17 LOSES ITS ELIGIBILITY. THE BUSINESS MAY APPLY FOR CERTIFICATION AT A NEW  
18 LOCATION FOR THE REMAINDER OF ITS TEN YEARS IF IT MEETS THE MINIMUM  
19 INVESTMENT REQUIREMENTS IN FIXED ASSETS THAT WERE NOT MOVED FROM THE PRIOR  
20 LOCATION, MEETS ALL OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION AND HAS  
21 NOT REACHED THE TEN YEAR ELIGIBILITY LIMIT. FOR THE PURPOSES OF THIS  
22 SUBSECTION, "FIXED ASSETS" MEANS PROPERTY THAT IS USED IN OPERATING A  
23 BUSINESS, SUCH AS FURNITURE, LAND, BUILDINGS AND MACHINERY, AND THAT IS NOT  
24 ORDINARILY CONVERTED INTO CASH AFTER IT IS DECLARED A FIXED ASSET.

25           G. IF A CERTIFIED BUSINESS IS PURCHASED BY ANOTHER ENTITY OR CHANGES  
26 BY MORE THAN TWENTY PER CENT OF THE OWNERSHIP INTEREST THROUGH  
27 REORGANIZATION, STOCK PURCHASE OR MERGER, THE CERTIFICATION IS TERMINATED.  
28 THE NEW BUSINESS MAY APPLY FOR CERTIFICATION ACCORDING TO ELIGIBILITY  
29 REQUIREMENTS OF THIS SECTION.

30           H. THE AUTHORITY BY RULE MAY PRESCRIBE ADDITIONAL REPORTING  
31 REQUIREMENTS FOR PERSONS WHO CLAIM A TAX BENEFIT PURSUANT TO THIS SECTION.

32           I. THE AUTHORITY SHALL:

1           1. MONITOR THE IMPLEMENTATION AND OPERATION OF THIS SECTION AND  
2 CONTINUALLY EVALUATE THE PROGRESS MADE IN ATTRACTING NEW BUSINESSES.

3           2. ASSIST AN EMPLOYER OR PROSPECTIVE EMPLOYER TO OBTAIN THE BENEFITS  
4 OF ANY INCENTIVE OR INDUCEMENT AUTHORIZED PURSUANT TO THIS SECTION.

5           3. PROVIDE INFORMATION REGARDING THE BUSINESS INCENTIVES ON REQUEST  
6 AND CONDUCT INFORMATIONAL AND INSTRUCTIONAL SEMINARS AND TRAINING.

7           4. NOTIFY THE DEPARTMENT OF REVENUE AND THE COUNTY ASSESSOR IF A  
8 CERTIFIED BUSINESS CLOSES, MOVES OR FAILS TO MAINTAIN ITS ELIGIBILITY, AND  
9 THE ASSESSOR SHALL MAKE THE APPROPRIATE CHANGES TO THE CLASSIFICATION OF THE  
10 PROPERTY ON THE TAX ROLL. THE AUTHORITY MAY GIVE SPECIAL CONSIDERATION, OR  
11 ALLOW TEMPORARY EXEMPTION FROM DISQUALIFICATION UNDER THIS PARAGRAPH, IN THE  
12 CASE OF EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE CONTROL OF THE  
13 QUALIFYING BUSINESS.

14           J. THE AUTHORITY MAY MAKE SITE VISITS TO A TAXPAYER'S FACILITIES IF IT  
15 IS NECESSARY TO FURTHER DOCUMENT OR CLARIFY REPORTED INFORMATION. THE  
16 TAXPAYER MUST FREELY PROVIDE THE ACCESS.

17           K. DOCUMENTS FILED WITH THE AUTHORITY PURSUANT TO THIS SECTION SHALL  
18 CONTAIN EITHER A SWORN STATEMENT OR CERTIFICATION, SIGNED BY AN OFFICER OF  
19 THE BUSINESS UNDER PENALTY OF PERJURY, THAT THE INFORMATION CONTAINED IS TRUE  
20 AND CORRECT ACCORDING TO THE BEST BELIEF AND KNOWLEDGE OF THE PERSON  
21 SUBMITTING THE INFORMATION AFTER A REASONABLE INVESTIGATION OF THE FACTS. IF  
22 THE DOCUMENT CONTAINS INFORMATION THAT IS MATERIALLY FALSE, THE TAXPAYER IS  
23 INELIGIBLE FOR THE TAX BENEFITS UNDER THIS SECTION AND IS SUBJECT TO RECOVERY  
24 OF THE AMOUNT OF TAX BENEFITS ALLOWED IN PRECEDING YEARS BASED ON THE FALSE  
25 INFORMATION, INCLUDING PENALTIES AND INTEREST.

26           L. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE AUTHORITY SHALL  
27 TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER  
28 OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE FINANCE  
29 COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE, OR THEIR  
30 SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY  
31 OF STATE. THE REPORT IS IN ADDITION TO, BUT MAY BE COMBINED WITH, THE REPORT

1 UNDER SECTION 41-1525, SUBSECTION K. THE REPORT SHALL CONTAIN THE FOLLOWING  
2 INFORMATION:

3 1. THE AMOUNT OF CAPITAL INVESTMENT MADE DURING THE PRECEDING FISCAL  
4 YEAR AND CUMULATIVELY FOR THE PURPOSES OF QUALIFYING FOR THE TAX INCENTIVES  
5 UNDER THIS SECTION.

6 2. THE NUMBER OF BUSINESSES CERTIFIED FOR PROPERTY TAX INCENTIVES IN  
7 THE PRECEDING FISCAL YEAR AND CUMULATIVELY, AND FOR EACH SUCH BUSINESS:

8 (a) THE NAME AND LOCATION.

9 (b) THE NUMBER OF EMPLOYEES.

10 (c) THE FULL CASH VALUE OF THE PROPERTY QUALIFYING FOR CLASSIFICATION  
11 AS CLASS SIX PURSUANT TO SECTION 42-12006.

12 3. AN EVALUATION OF THE EFFECTIVENESS OF THE INCENTIVES AND ANY  
13 SUGGESTIONS TO IMPROVE THE INCENTIVES.

14 M. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE DEPARTMENT OF REVENUE  
15 SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE  
16 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE  
17 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE,  
18 OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE REPORT TO THE  
19 SECRETARY OF STATE. THE REPORT SHALL CONTAIN THE FOLLOWING INFORMATION:

20 1. THE FULL CASH VALUE AND ASSESSED VALUATION OF PROPERTY CLASSIFIED  
21 AS CLASS SIX PURSUANT TO SECTION 42-12006, PARAGRAPH 9 AND THE ASSESSED  
22 VALUATION OF THAT PROPERTY IF IT WERE NOT CLASSIFIED AS CLASS SIX.

23 2. THE FISCAL IMPACT ON EACH TAXING JURISDICTION FOR THE CURRENT TAX  
24 YEAR OF CLASSIFYING PROPERTY AS CLASS SIX RATHER THAN IN THE CLASSIFICATION  
25 IN WHICH IT WOULD OTHERWISE BE CLASSIFIED.

26 N. FOR THE PURPOSES OF THIS SECTION:

27 1. "CAPITAL INVESTMENT" MEANS AN EXPENDITURE TO:

28 (a) ACQUIRE OR IMPROVE PROPERTY THAT IS USED IN OPERATING A BUSINESS,  
29 INCLUDING LAND, BUILDINGS, MACHINERY AND FIXTURES.

30 (b) LEASE MACHINERY OR EQUIPMENT THAT IS USED IN OPERATING A BUSINESS.

1           2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
2 LEASED LAND IN THIS STATE, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON  
3 THE LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY THE OWNER.

4           3. "QUALIFIED EMPLOYMENT POSITION" MEANS EMPLOYMENT THAT MEETS THE  
5 FOLLOWING REQUIREMENTS:

6           (a) THE POSITION CONSISTS OF AT LEAST ONE THOUSAND SEVEN HUNDRED FIFTY  
7 HOURS PER YEAR OF FULL-TIME PERMANENT EMPLOYMENT.

8           (b) THE JOB DUTIES ARE PERFORMED PRIMARILY AT THE LOCATION OR  
9 LOCATIONS OF THE BUSINESS.

10           (c) THE EMPLOYMENT PROVIDES HEALTH INSURANCE COVERAGE FOR THE EMPLOYEE  
11 FOR WHICH THE EMPLOYER PAYS AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR  
12 MEMBERSHIP COST. IF THE BUSINESS IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST  
13 SIXTY-FIVE PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN  
14 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED  
15 CLAIMS.

16           (d) THE POSITION DOES NOT INCLUDE EMPLOYMENT IN RETAIL, UTILITY,  
17 HOSPITAL OR MINING OPERATIONS.

18           Sec. 2. Section 42-12006, Arizona Revised Statutes, is amended to  
19 read:

20           42-12006. Class six property

21           For purposes of taxation, class six is established consisting of:

22           1. Noncommercial historic property as defined in section 42-12101 and  
23 valued at full cash value.

24           2. Real and personal property that is located within the area of a  
25 foreign trade zone or subzone established under 19 United States Code section  
26 81 and title 44, chapter 18, that is activated for foreign trade zone use by  
27 the district director of the United States customs service pursuant to  
28 19 Code of Federal Regulations section 146.6 and that is valued at full cash  
29 value. Property that is classified under this paragraph shall not thereafter  
30 be classified under paragraph 6 of this section.

31           3. Real and personal property and improvements that are located in a  
32 military reuse zone that is established under title 41, chapter 10, article 3

1 and that is devoted to providing aviation or aerospace services or to  
2 manufacturing, assembling or fabricating aviation or aerospace products,  
3 valued at full cash value and subject to the following terms and conditions:

4 (a) Property may not be classified under this paragraph for more than  
5 five tax years.

6 (b) Any new addition or improvement to property already classified  
7 under this paragraph qualifies separately for classification under this  
8 paragraph for not more than five tax years.

9 (c) If a military reuse zone is terminated, the property in that zone  
10 that was previously classified under this paragraph shall be reclassified as  
11 prescribed by this article.

12 (d) Property that is classified under this paragraph shall not  
13 thereafter be classified under paragraph 6 of this section.

14 4. Real and personal property and improvements or a portion of such  
15 property comprising an environmental technology manufacturing, producing or  
16 processing facility that qualified under section 41-1514.02, valued at full  
17 cash value and subject to the following terms and conditions:

18 (a) Property shall be classified under this paragraph for twenty tax  
19 years from the date placed in service.

20 (b) Any addition or improvement to property already classified under  
21 this paragraph qualifies separately for classification under this subdivision  
22 for an additional twenty tax years from the date placed in service.

23 (c) After revocation of certification under section 41-1514.02,  
24 property that was previously classified under this paragraph shall be  
25 reclassified as prescribed by this article.

26 (d) Property that is classified under this paragraph shall not  
27 thereafter be classified under paragraph 6 of this section.

28 5. That portion of real and personal property that is used on or after  
29 January 1, 1999 specifically and solely for remediation of the environment by  
30 an action that has been determined to be reasonable and necessary to respond  
31 to the release or threatened release of a hazardous substance by the  
32 department of environmental quality pursuant to section 49-282.06 or pursuant

1 to its corrective action authority under rules adopted pursuant to section  
2 49-922, subsection B, paragraph 4 or by the United States environmental  
3 protection agency pursuant to the national contingency plan (40 Code of  
4 Federal Regulations part 300) and that is valued at full cash value.  
5 Property that is not being used specifically and solely for the remediation  
6 objectives described in this paragraph shall not be classified under this  
7 paragraph. For the purposes of this paragraph, "remediation of the  
8 environment" means one or more of the following actions:

9 (a) Monitoring, assessing or evaluating the release or threatened  
10 release.

11 (b) Excavating, removing, transporting, treating and disposing of  
12 contaminated soil.

13 (c) Pumping and treating contaminated water.

14 (d) Treatment, containment or removal of contaminants in groundwater  
15 or soil.

16 6. Real and personal property and improvements constructed or  
17 installed from and after December 31, 2004 through December 31, 2024 and  
18 owned by a qualified business under section 41-1516 and used solely for the  
19 purpose of harvesting, transporting or processing qualifying forest products  
20 removed from qualifying projects as defined in section 41-1516. The  
21 classification under this paragraph is subject to the following terms and  
22 conditions:

23 (a) Property may be initially classified under this paragraph only in  
24 valuation years 2005 through 2024.

25 (b) Property may not be classified under this paragraph for more than  
26 five years.

27 (c) Any new addition or improvement, constructed or installed from and  
28 after December 31, 2004 through December 31, 2024, to property already  
29 classified under this paragraph qualifies separately for classification and  
30 assessment under this paragraph for not more than five years.

31 (d) Property that is classified under this paragraph shall not  
32 thereafter be classified under paragraph 2, 3 or 4 of this section.

1           7. Real and personal property and improvements to the property that  
2 are used specifically and solely to manufacture from and after December 31,  
3 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent  
4 biodiesel and its by-products and that are valued at full cash value. This  
5 paragraph applies only to the portion of property that is used specifically  
6 for manufacturing and processing one hundred per cent biodiesel fuel, or its  
7 related by-products, from raw feedstock obtained from off-site sources,  
8 including necessary on-site storage facilities that are intrinsically  
9 associated with the manufacturing process. Any other commercial or  
10 industrial use disqualifies the entire property from classification under  
11 this paragraph.

12           8. Real and personal property and improvements that are certified  
13 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for  
14 renewable energy manufacturing or headquarters operations as provided by  
15 section 42-12057. This paragraph applies only to property that is used in  
16 manufacturing and headquarters operations of renewable energy companies,  
17 including necessary on-site research and development, testing and storage  
18 facilities that are associated with the manufacturing process. Up to ten per  
19 cent of the aggregate full cash value of the property may be derived from  
20 uses that are ancillary to and intrinsically associated with the  
21 manufacturing process or headquarters operation. Any additional ancillary  
22 property is not qualified for classification under this paragraph. No new  
23 properties may be classified pursuant to this paragraph from and after  
24 December 31, 2014. Classification under this paragraph is limited to the  
25 time periods determined by the Arizona commerce authority pursuant to section  
26 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is  
27 classified under this paragraph shall not thereafter be classified under any  
28 other paragraph of this section.

29           9. NEW PERSONAL PROPERTY AND REAL PROPERTY IMPROVEMENTS THAT ARE NEWLY  
30 CONSTRUCTED OR UNDERGO A MAJOR RENOVATION FROM AND AFTER DECEMBER 31, 2013  
31 THROUGH JUNE 30, 2019 AND THAT ARE OWNED OR USED BY A BUSINESS THAT MEETS THE  
32 REQUIREMENTS OF, AND IS CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT

1 TO SECTION 41-1526. PROPERTY MAY NOT BE CLASSIFIED UNDER THIS PARAGRAPH FOR  
2 MORE THAN TEN TAX YEARS. PROPERTY THAT HAS BEEN CLASSIFIED UNDER THIS  
3 PARAGRAPH SHALL NOT THEREAFTER BE CLASSIFIED UNDER ANY OTHER PROVISION OF  
4 THIS SECTION.

5 Sec. 3. Section 42-12057, Arizona Revised Statutes, is amended to  
6 read:

7 42-12057. Criteria for renewable energy property

8 A. To qualify for the classification as class six pursuant to section  
9 42-12006, paragraph ~~9~~ 8, the owner of a manufacturing facility or  
10 headquarters facility must be certified pursuant to section 41-1511,  
11 subsection C and must provide documentation to the county assessor each year  
12 that the facility is primarily dedicated to renewable energy manufacturing or  
13 regional, national or global renewable energy business headquarters  
14 operations.

15 B. For the purposes of this section, renewable energy operations are  
16 limited to manufacturers of, and headquarters for, systems and components  
17 that are used or useful in manufacturing renewable energy equipment for the  
18 generation, storage, testing and research and development, transmission or  
19 distribution of electricity from renewable resources, including specialized  
20 crates necessary to package the renewable energy equipment manufactured at  
21 the facility.

22 Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:

23 43-1022. Subtractions from Arizona gross income

24 In computing Arizona adjusted gross income, the following amounts shall  
25 be subtracted from Arizona gross income:

- 26 1. The amount of exemptions allowed by section 43-1023.
- 27 2. Benefits, annuities and pensions in an amount totaling not more  
28 than two thousand five hundred dollars received from one or more of the  
29 following:

30 (a) The United States government service retirement and disability  
31 fund, retired or retainer pay of the uniformed services of the United States,

1 the United States foreign service retirement and disability system and any  
2 other retirement system or plan established by federal law.

3 (b) The Arizona state retirement system, the corrections officer  
4 retirement plan, the public safety personnel retirement system, the elected  
5 officials' retirement plan, an optional retirement program established by the  
6 Arizona board of regents under section 15-1628, an optional retirement  
7 program established by a community college district board under section  
8 15-1451 or a retirement plan established for employees of a county, city or  
9 town in this state.

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

13 4. The amount of any distributions from an individual retirement  
14 account as provided for in section 408 of the internal revenue code or from a  
15 qualified retirement plan of a self-employed individual as provided for in  
16 section 401 of the internal revenue code to the extent that total adjustments  
17 made pursuant to this paragraph in all tax years do not exceed the total of  
18 all contributions made by the taxpayer to such plans before December 31,  
19 1975, which were included in computing Arizona taxable income.

20 5. The amount of income on an installment receivable that is  
21 recognized pursuant to the internal revenue code and that has already been  
22 recognized on the death of the taxpayer for purposes of this title for tax  
23 years ending before January 1, 1990.

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

28 7. The amount of any income tax refunds that were received from states  
29 other than Arizona and that were included as income in computing federal  
30 adjusted gross income.

1           8. Annuity income included in federal adjusted gross income pursuant  
2 to section 72 of the internal revenue code if the first payment with respect  
3 to such annuity was received before December 31, 1978.

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

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

10           11. The amount by which the adjusted basis of property described in  
11 this paragraph and computed pursuant to this title and the income tax act of  
12 1954, as amended, exceeds the adjusted basis of such property computed  
13 pursuant to the internal revenue code. This paragraph shall apply to all  
14 property that is held for the production of income and that is sold or  
15 otherwise disposed of during the taxable year other than depreciable property  
16 used in a trade or business.

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

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

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

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

1           16. The amount of prizes or winnings less than five thousand dollars in  
2 a single taxable year from any of the state lotteries established and  
3 operated pursuant to title 5, chapter 5.1, article 1, except that all such  
4 winnings before March 22, 1983, including periodic distributions from such  
5 winnings made after March 22, 1983, may be subtracted.

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

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

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

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

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

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

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. For property placed in service:

27 (a) In taxable years ending through December 31, 2012, an amount equal  
28 to the depreciation allowable pursuant to section 167(a) of the internal  
29 revenue code for the taxable year computed as if the election described in  
30 section 168(k)(2)(D)(iii) of the internal revenue code had been made for each  
31 applicable class of property in the year the property was placed in service.

1           (b) In taxable years beginning from and after December 31, 2012  
2 through December 31, 2013, an amount determined in the year the asset was  
3 placed in service based on the calculation in subdivision (a) of this  
4 paragraph. In the first taxable year beginning from and after December 31,  
5 2013, the amount necessary to make the depreciation claimed to date for the  
6 purposes of this title the same as it would have been if subdivision (c) of  
7 this paragraph had applied for the entire time the asset was in service.  
8 Subdivision (c) of this paragraph applies for the remainder of the asset's  
9 life.

10           (c) In taxable years beginning from and after December 31, 2013, an  
11 amount equal to the depreciation allowable pursuant to section 167(a) of the  
12 internal revenue code for the taxable year as computed as if the additional  
13 allowance for depreciation had been ten per cent of the amount allowed  
14 pursuant to section 168(k) of the internal revenue code.

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

21           29. With respect to property for which an adjustment was made under  
22 section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of  
23 the adjustment pursuant to section 43-1021, paragraph 26 in the year in which  
24 the amount was adjusted under section 43-1021, paragraph 26 and in each of  
25 the following four years.

26           30. The amount contributed during the taxable year to college savings  
27 plans established pursuant to section 529 of the internal revenue code to the  
28 extent that the contributions were not deducted in computing federal adjusted  
29 gross income. The amount subtracted shall not exceed:

30           (a) Seven hundred fifty dollars for a single individual or a head of  
31 household.

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

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

11           32. The amount of previously deferred discharge of indebtedness income  
12 that is included in the computation of federal adjusted gross income or  
13 federal taxable income in the current taxable year pursuant to section 108(i)  
14 of the internal revenue code as added by section 1231 of the American  
15 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the  
16 amount was previously added to Arizona gross income pursuant to section  
17 43-1021, paragraph 32.

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

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

1           35. An amount of any net long-term capital gain included in federal  
2 adjusted gross income for the taxable year that is derived from an investment  
3 in an asset acquired after December 31, 2011, as follows:

4           (a) For taxable years beginning from and after December 31, 2012  
5 through December 31, 2013, ten per cent of the net long-term capital gain  
6 included in federal adjusted gross income.

7           (b) For taxable years beginning from and after December 31, 2013  
8 through December 31, 2014, twenty per cent of the net long-term capital gain  
9 included in federal adjusted gross income.

10           (c) For taxable years beginning from and after December 31, 2014,  
11 twenty-five per cent of the net long-term capital gain included in federal  
12 adjusted gross income.

13           36. If an individual is not claiming itemized deductions pursuant to  
14 section 43-1042, the amount of premium costs for long-term care insurance, as  
15 defined in section 20-1691.

16           37. With respect to a long-term health care savings account established  
17 pursuant to section 43-1032, the amount deposited by the taxpayer in the  
18 account during the taxable year to the extent that the taxpayer's  
19 contributions are included in the taxpayer's federal adjusted gross income.

20           38. THE FOLLOWING PERCENTAGE OF COMPENSATION AND NET INCOME FROM  
21 SELF-EMPLOYMENT, UP TO ONE HUNDRED THIRTEEN THOUSAND SEVEN HUNDRED DOLLARS OF  
22 COMPENSATION AND NET INCOME FROM SELF-EMPLOYMENT, TO THE EXTENT THAT THE  
23 COMPENSATION AND NET INCOME ARE NOT OTHERWISE SUBTRACTED PURSUANT TO THIS  
24 SECTION:

25           (a) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012  
26 THROUGH DECEMBER 31, 2013, ONE-HALF PER CENT.

27           (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013  
28 THROUGH DECEMBER 31, 2014, ONE PER CENT.

29           (c) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014  
30 THROUGH DECEMBER 31, 2015, ONE AND ONE-HALF PER CENT.

31           (d) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015, TWO  
32 PER CENT.

1                   Sec. 5. Adoption of rules

2                   The Arizona commerce authority shall adopt rules to implement section  
3                   41-1526, Arizona Revised Statutes, as added by this act, on or before  
4                   January 1, 2014."

5 Amend title to conform

and, as so amended, it do pass

THOMAS FORESE  
Chairman

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