

State of Arizona
House of Representatives
Fifty-first Legislature
First Regular Session
2013

HOUSE BILL 2264

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1526; AMENDING SECTIONS 42-12006, 42-12057 AND 43-1022, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. 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.

31 3. INVEST AT LEAST TWO MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN A
32 THREE-YEAR PERIOD AND CREATE AT LEAST FIFTEEN QUALIFIED EMPLOYMENT POSITIONS
33 IN ANY OTHER LOCATION, EXCEPT THAT IF THE BUSINESS IS RELOCATING FROM A
34 LOCATION WITHIN THIS STATE DESCRIBED IN PARAGRAPH 2 OF THIS SUBSECTION, IT
35 MUST MEET THE INVESTMENT AND EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH
36 2 OF THIS SUBSECTION.

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

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

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

1 5. CERTIFY TO THE AUTHORITY THAT NONE OF THE EMPLOYEES FILLING
2 QUALIFIED EMPLOYMENT POSITIONS WERE EMPLOYED BY THE BUSINESS DURING THE
3 TWELVE MONTHS BEFORE THE CURRENT DATE OF HIRE EXCEPT FOR THOSE RELOCATING TO
4 THIS STATE.

5 6. OBTAIN AND SUBMIT TO THE AUTHORITY A RESOLUTION OF THE GOVERNING
6 BODY OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE
7 COUNTY BOARD OF SUPERVISORS IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR
8 TOWN. THE RESOLUTION MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE
9 REQUIREMENTS OF THIS SECTION AND CONSENT TO THE REDUCED ASSESSED VALUATION OF
10 THE TAXABLE PROPERTY. THE GOVERNING BODY MUST ESTABLISH A POLICY REVIEW
11 COMMITTEE RESPONSIBLE FOR RECOMMENDING TO THE GOVERNING BODY APPROVAL OR
12 DISAPPROVAL OF THE RESOLUTION REQUIRED BY THIS PARAGRAPH. APPROVAL SHALL NOT
13 BE UNREASONABLY WITHHELD. AFTER MAKING ITS RECOMMENDATION WITH RESPECT TO
14 THE BUSINESS AND APPROVAL OR DISAPPROVAL BY THE GOVERNING BODY, THE POLICY
15 REVIEW COMMITTEE IS DISSOLVED. THE COMMITTEE SHALL INCLUDE:

- 16 (a) A REPRESENTATIVE OF THE COUNTY.
- 17 (b) A REPRESENTATIVE OF THE CITY OR TOWN, AS APPLICABLE.
- 18 (c) A REPRESENTATIVE OF ANY COMMUNITY COLLEGE DISTRICT IN WHICH THE
19 BUSINESS WILL BE LOCATED.
- 20 (d) A REPRESENTATIVE OF EACH SCHOOL DISTRICT IN WHICH THE BUSINESS
21 WILL BE LOCATED.
- 22 (e) A REPRESENTATIVE OF ANOTHER SPECIAL TAXING DISTRICT IN WHICH THE
23 BUSINESS WILL BE LOCATED.

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

29 C. TO BE ANNUALLY RECERTIFIED PURSUANT TO SUBSECTION B OF THIS
30 SECTION, A BUSINESS MUST CONTINUE TO MEET ALL THE ELIGIBILITY REQUIREMENTS OF
31 THIS SECTION AND MUST ANNUALLY REPORT THE FOLLOWING AND PROVIDE SUPPORTING
32 DOCUMENTATION TO THE AUTHORITY ON A FORM AND IN A MANNER APPROVED BY THE
33 AUTHORITY:

- 34 1. THE BUSINESS NAME AND MAILING ADDRESS AND ANY OTHER CONTACT
35 INFORMATION REQUESTED BY THE AUTHORITY.
- 36 2. THE PHYSICAL ADDRESS OF THE BUSINESS LOCATION.
- 37 3. THE ASSESSOR'S PARCEL NUMBER OF REAL PROPERTY TO WHICH THE CLASS
38 SIX ASSESSMENT CLASSIFICATION WILL APPLY.
- 39 4. IF AVAILABLE, THE ASSESSOR'S ACCOUNT NUMBER FOR PERSONAL PROPERTY
40 TO WHICH THE CLASS SIX ASSESSMENT CLASSIFICATION WILL APPLY.
- 41 5. FOR THE LOCATION, THE GROSS RECEIPTS, GROSS PAYROLL AND AVERAGE
42 HOURLY WAGE PAID TO EMPLOYEES FOR THE PRECEDING TAX YEAR.
- 43 6. DOCUMENTATION THAT ESTABLISHES THE TYPE AND AMOUNT OF BUSINESS
44 ACTIVITY CONDUCTED AT THE LOCATION.

- 1 7. OWNERSHIP AND FULL CASH VALUE OF REAL AND PERSONAL PROPERTY TO BE
2 CERTIFIED.
- 3 8. CHANGES IN LOCATION, OWNERSHIP AND OPERATIONS OF THE BUSINESS IN
4 THE IMMEDIATELY PRECEDING YEAR.
- 5 9. THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES AT THE LOCATION FOR THE
6 IMMEDIATELY PRECEDING YEAR.
- 7 10. OTHER INFORMATION NECESSARY FOR THE MANAGEMENT OF THESE PROPERTY
8 TAX INCENTIVES AS DETERMINED BY THE AUTHORITY.
- 9 D. TO RECEIVE CLASSIFICATION AS CLASS SIX PROPERTY FOR TAX PURPOSES,
10 ON OR BEFORE DECEMBER 10 OF EACH YEAR THE CERTIFIED BUSINESS MUST SUBMIT TO
11 THE ASSESSOR OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED:
- 12 1. A COPY OF THE AUTHORITY'S INITIAL CERTIFICATION.
- 13 2. A COPY OF THE CURRENT ANNUAL RECERTIFICATION.
- 14 3. A WRITTEN REQUEST TO CLASSIFY THE PROPERTY AS CLASS SIX.
- 15 E. A BUSINESS SHALL SUBMIT ITS APPLICATION FOR INITIAL CERTIFICATION
16 OR ANNUAL RECERTIFICATION TO THE AUTHORITY NOT LATER THAN OCTOBER 1 OF EACH
17 YEAR. THE AUTHORITY SHALL NOTIFY THE APPROPRIATE COUNTY ASSESSORS OF ALL
18 QUALIFIED PROPERTIES LOCATED IN THE ASSESSOR'S COUNTY NOT LATER THAN
19 DECEMBER 1 OF EACH YEAR.
- 20 F. IF A BUSINESS MOVES FROM THE ORIGINALLY CERTIFIED LOCATION, IT
21 LOSES ITS ELIGIBILITY. THE BUSINESS MAY APPLY FOR CERTIFICATION AT A NEW
22 LOCATION FOR THE REMAINDER OF ITS TEN YEARS IF IT MEETS THE MINIMUM
23 INVESTMENT REQUIREMENTS IN FIXED ASSETS THAT WERE NOT MOVED FROM THE PRIOR
24 LOCATION, MEETS ALL OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION AND HAS
25 NOT REACHED THE TEN YEAR ELIGIBILITY LIMIT. FOR THE PURPOSES OF THIS
26 SUBSECTION, "FIXED ASSETS" MEANS PROPERTY THAT IS USED IN OPERATING A
27 BUSINESS, SUCH AS FURNITURE, LAND, BUILDINGS AND MACHINERY, AND THAT IS NOT
28 ORDINARILY CONVERTED INTO CASH AFTER IT IS DECLARED A FIXED ASSET.
- 29 G. IF A CERTIFIED BUSINESS IS PURCHASED BY ANOTHER ENTITY OR CHANGES
30 BY MORE THAN TWENTY PER CENT OF THE OWNERSHIP INTEREST THROUGH
31 REORGANIZATION, STOCK PURCHASE OR MERGER, THE CERTIFICATION IS TERMINATED.
32 THE NEW BUSINESS MAY APPLY FOR CERTIFICATION ACCORDING TO ELIGIBILITY
33 REQUIREMENTS OF THIS SECTION.
- 34 H. THE AUTHORITY BY RULE MAY PRESCRIBE ADDITIONAL REPORTING
35 REQUIREMENTS FOR PERSONS WHO CLAIM A TAX BENEFIT PURSUANT TO THIS SECTION.
- 36 I. THE AUTHORITY SHALL:
- 37 1. MONITOR THE IMPLEMENTATION AND OPERATION OF THIS SECTION AND
38 CONTINUALLY EVALUATE THE PROGRESS MADE IN ATTRACTING NEW BUSINESSES.
- 39 2. ASSIST AN EMPLOYER OR PROSPECTIVE EMPLOYER TO OBTAIN THE BENEFITS
40 OF ANY INCENTIVE OR INDUCEMENT AUTHORIZED PURSUANT TO THIS SECTION.
- 41 3. PROVIDE INFORMATION REGARDING THE BUSINESS INCENTIVES ON REQUEST
42 AND CONDUCT INFORMATIONAL AND INSTRUCTIONAL SEMINARS AND TRAINING.
- 43 4. NOTIFY THE DEPARTMENT OF REVENUE AND THE COUNTY ASSESSOR IF A
44 CERTIFIED BUSINESS CLOSES, MOVES OR FAILS TO MAINTAIN ITS ELIGIBILITY, AND
45 THE ASSESSOR SHALL MAKE THE APPROPRIATE CHANGES TO THE CLASSIFICATION OF THE

1 PROPERTY ON THE TAX ROLL. THE AUTHORITY MAY GIVE SPECIAL CONSIDERATION, OR
2 ALLOW TEMPORARY EXEMPTION FROM DISQUALIFICATION UNDER THIS PARAGRAPH, IN THE
3 CASE OF EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE CONTROL OF THE
4 QUALIFYING BUSINESS.

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

8 K. DOCUMENTS FILED WITH THE AUTHORITY PURSUANT TO THIS SECTION SHALL
9 CONTAIN EITHER A SWORN STATEMENT OR CERTIFICATION, SIGNED BY AN OFFICER OF
10 THE BUSINESS UNDER PENALTY OF PERJURY, THAT THE INFORMATION CONTAINED IS TRUE
11 AND CORRECT ACCORDING TO THE BEST BELIEF AND KNOWLEDGE OF THE PERSON
12 SUBMITTING THE INFORMATION AFTER A REASONABLE INVESTIGATION OF THE FACTS. IF
13 THE DOCUMENT CONTAINS INFORMATION THAT IS MATERIALLY FALSE, THE TAXPAYER IS
14 INELIGIBLE FOR THE TAX BENEFITS UNDER THIS SECTION AND IS SUBJECT TO RECOVERY
15 OF THE AMOUNT OF TAX BENEFITS ALLOWED IN PRECEDING YEARS BASED ON THE FALSE
16 INFORMATION, INCLUDING PENALTIES AND INTEREST.

17 L. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE AUTHORITY SHALL
18 TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER
19 OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE FINANCE
20 COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE, OR THEIR
21 SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY
22 OF STATE. THE REPORT IS IN ADDITION TO, BUT MAY BE COMBINED WITH, THE REPORT
23 UNDER SECTION 41-1525, SUBSECTION K. THE REPORT SHALL CONTAIN THE FOLLOWING
24 INFORMATION:

25 1. THE AMOUNT OF CAPITAL INVESTMENT MADE DURING THE PRECEDING FISCAL
26 YEAR AND CUMULATIVELY FOR THE PURPOSES OF QUALIFYING FOR THE TAX INCENTIVES
27 UNDER THIS SECTION.

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

30 (a) THE NAME AND LOCATION.

31 (b) THE NUMBER OF EMPLOYEES.

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

34 3. AN EVALUATION OF THE EFFECTIVENESS OF THE INCENTIVES AND ANY
35 SUGGESTIONS TO IMPROVE THE INCENTIVES.

36 M. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE DEPARTMENT OF REVENUE
37 SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE
38 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE
39 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE,
40 OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THE REPORT TO THE
41 SECRETARY OF STATE. THE REPORT SHALL CONTAIN THE FOLLOWING INFORMATION:

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

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

4 N. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

12 3. "QUALIFIED EMPLOYMENT POSITION" MEANS EMPLOYMENT THAT MEETS THE
13 FOLLOWING REQUIREMENTS:

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

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

18 (c) THE EMPLOYMENT PROVIDES HEALTH INSURANCE COVERAGE FOR THE EMPLOYEE
19 FOR WHICH THE EMPLOYER PAYS AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR
20 MEMBERSHIP COST. IF THE BUSINESS IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST
21 SIXTY-FIVE PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
22 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
23 CLAIMS.

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

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

28 42-12006. Class six property

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

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

32 2. Real and personal property that is located within the area of a
33 foreign trade zone or subzone established under 19 United States Code section
34 81 and title 44, chapter 18, that is activated for foreign trade zone use by
35 the district director of the United States customs service pursuant to
36 19 Code of Federal Regulations section 146.6 and that is valued at full cash
37 value. Property that is classified under this paragraph shall not thereafter
38 be classified under paragraph 6 of this section.

39 3. Real and personal property and improvements that are located in a
40 military reuse zone that is established under title 41, chapter 10, article 3
41 and that is devoted to providing aviation or aerospace services or to
42 manufacturing, assembling or fabricating aviation or aerospace products,
43 valued at full cash value and subject to the following terms and conditions:

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

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

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

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

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

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

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

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

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

23 5. That portion of real and personal property that is used on or after
24 January 1, 1999 specifically and solely for remediation of the environment by
25 an action that has been determined to be reasonable and necessary to respond
26 to the release or threatened release of a hazardous substance by the
27 department of environmental quality pursuant to section 49-282.06 or pursuant
28 to its corrective action authority under rules adopted pursuant to section
29 49-922, subsection B, paragraph 4 or by the United States environmental
30 protection agency pursuant to the national contingency plan (40 Code of
31 Federal Regulations part 300) and that is valued at full cash value.
32 Property that is not being used specifically and solely for the remediation
33 objectives described in this paragraph shall not be classified under this
34 paragraph. For the purposes of this paragraph, "remediation of the
35 environment" means one or more of the following actions:

36 (a) Monitoring, assessing or evaluating the release or threatened
37 release.

38 (b) Excavating, removing, transporting, treating and disposing of
39 contaminated soil.

40 (c) Pumping and treating contaminated water.

41 (d) Treatment, containment or removal of contaminants in groundwater
42 or soil.

43 6. Real and personal property and improvements constructed or
44 installed from and after December 31, 2004 through December 31, 2024 and
45 owned by a qualified business under section 41-1516 and used solely for the

1 purpose of harvesting, transporting or processing qualifying forest products
2 removed from qualifying projects as defined in section 41-1516. The
3 classification under this paragraph is subject to the following terms and
4 conditions:

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

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

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

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

15 7. Real and personal property and improvements to the property that
16 are used specifically and solely to manufacture from and after December 31,
17 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent
18 biodiesel and its by-products and that are valued at full cash value. This
19 paragraph applies only to the portion of property that is used specifically
20 for manufacturing and processing one hundred per cent biodiesel fuel, or its
21 related by-products, from raw feedstock obtained from off-site sources,
22 including necessary on-site storage facilities that are intrinsically
23 associated with the manufacturing process. Any other commercial or
24 industrial use disqualifies the entire property from classification under
25 this paragraph.

26 8. Real and personal property and improvements that are certified
27 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
28 renewable energy manufacturing or headquarters operations as provided by
29 section 42-12057. This paragraph applies only to property that is used in
30 manufacturing and headquarters operations of renewable energy companies,
31 including necessary on-site research and development, testing and storage
32 facilities that are associated with the manufacturing process. Up to ten per
33 cent of the aggregate full cash value of the property may be derived from
34 uses that are ancillary to and intrinsically associated with the
35 manufacturing process or headquarters operation. Any additional ancillary
36 property is not qualified for classification under this paragraph. No new
37 properties may be classified pursuant to this paragraph from and after
38 December 31, 2014. Classification under this paragraph is limited to the
39 time periods determined by the Arizona commerce authority pursuant to section
40 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
41 classified under this paragraph shall not thereafter be classified under any
42 other paragraph of this section.

43 9. NEW PERSONAL PROPERTY AND REAL PROPERTY IMPROVEMENTS THAT ARE NEWLY
44 CONSTRUCTED OR UNDERGO A MAJOR RENOVATION FROM AND AFTER DECEMBER 31, 2013
45 THROUGH JUNE 30, 2019 AND THAT ARE OWNED OR USED BY A BUSINESS THAT MEETS THE

1 REQUIREMENTS OF, AND IS CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT
2 TO SECTION 41-1526. PROPERTY MAY NOT BE CLASSIFIED UNDER THIS PARAGRAPH FOR
3 MORE THAN TEN TAX YEARS. PROPERTY THAT HAS BEEN CLASSIFIED UNDER THIS
4 PARAGRAPH SHALL NOT THEREAFTER BE CLASSIFIED UNDER ANY OTHER PROVISION OF
5 THIS SECTION.

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

8 42-12057. Criteria for renewable energy property

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

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

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

24 43-1022. Subtractions from Arizona gross income

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

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

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

31 (a) The United States government service retirement and disability
32 fund, retired or retainer pay of the uniformed services of the United States,
33 the United States foreign service retirement and disability system and any
34 other retirement system or plan established by federal law.

35 (b) The Arizona state retirement system, the corrections officer
36 retirement plan, the public safety personnel retirement system, the elected
37 officials' retirement plan, an optional retirement program established by the
38 Arizona board of regents under section 15-1628, an optional retirement
39 program established by a community college district board under section
40 15-1451 or a retirement plan established for employees of a county, city or
41 town in this state.

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

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

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

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

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

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

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

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

28 11. The amount by which the adjusted basis of property described in
29 this paragraph and computed pursuant to this title and the income tax act of
30 1954, as amended, exceeds the adjusted basis of such property computed
31 pursuant to the internal revenue code. This paragraph shall apply to all
32 property that is held for the production of income and that is sold or
33 otherwise disposed of during the taxable year other than depreciable property
34 used in a trade or business.

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

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

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

44 15. The portion of any wages or salaries paid or incurred by the
45 taxpayer for the taxable year that is equal to the amount of the federal work

1 opportunity credit, the empowerment zone employment credit, the credit for
2 employer paid social security taxes on employee cash tips and the Indian
3 employment credit that the taxpayer received under sections 45A, 45B, 51(a)
4 and 1396 of the internal revenue code.

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

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

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

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

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

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

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

37 (a) An eligible individual may subtract:

38 (i) The amount of contributions made by the individual's employer
39 during the taxable year to the individual's medical savings account pursuant
40 to section 43-1028 to the extent that the employer contributions are included
41 in the individual's federal adjusted gross income.

42 (ii) The amount deposited by the individual in the account during the
43 taxable year to the extent that the individual's contributions are included
44 in the individual's federal adjusted gross income.

1 (b) The individual's employer may subtract the amount of contributions
2 made by the employer to a medical savings account established on the
3 individual's behalf to the extent that the contributions are not deductible
4 under the internal revenue code.

5 23. The amount by which a net operating loss carryover or capital loss
6 carryover allowable pursuant to section 43-1029, subsection F exceeds the net
7 operating loss carryover or capital loss carryover allowable pursuant to
8 section 1341(b)(5) of the internal revenue code.

9 24. Any amount of qualified educational expenses that is distributed
10 from a qualified state tuition program determined pursuant to section 529 of
11 the internal revenue code and that is included in income in computing federal
12 adjusted gross income.

13 25. Any item of income resulting from an installment sale that has been
14 properly subjected to income tax in another state in a previous taxable year
15 and that is included in Arizona gross income in the current taxable year.

16 26. The amount authorized by section 43-1030 relating to holocaust
17 survivors.

18 27. For property placed in service:

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

24 (b) In taxable years beginning from and after December 31, 2012
25 through December 31, 2013, an amount determined in the year the asset was
26 placed in service based on the calculation in subdivision (a) of this
27 paragraph. In the first taxable year beginning from and after December 31,
28 2013, the amount necessary to make the depreciation claimed to date for the
29 purposes of this title the same as it would have been if subdivision (c) of
30 this paragraph had applied for the entire time the asset was in service.
31 Subdivision (c) of this paragraph applies for the remainder of the asset's
32 life.

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

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

1 29. With respect to property for which an adjustment was made under
2 section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of
3 the adjustment pursuant to section 43-1021, paragraph 26 in the year in which
4 the amount was adjusted under section 43-1021, paragraph 26 and in each of
5 the following four years.

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

10 (a) Seven hundred fifty dollars for a single individual or a head of
11 household.

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

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

22 32. The amount of previously deferred discharge of indebtedness income
23 that is included in the computation of federal adjusted gross income or
24 federal taxable income in the current taxable year pursuant to section 108(i)
25 of the internal revenue code as added by section 1231 of the American
26 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
27 amount was previously added to Arizona gross income pursuant to section
28 43-1021, paragraph 32.

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

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

43 35. An amount of any net long-term capital gain included in federal
44 adjusted gross income for the taxable year that is derived from an investment
45 in an 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, ten per cent of the net long-term 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, twenty per cent of the net long-term capital gain
6 included in federal adjusted gross income.

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

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

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

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

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

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

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

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

30 Sec. 5. Adoption of rules

31 The Arizona commerce authority shall adopt rules to implement section
32 41-1526, Arizona Revised Statutes, as added by this act, on or before January
33 1, 2014.