

REFERENCE TITLE: **income tax credits; repeal; dates**

State of Arizona
Senate
Fifty-first Legislature
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2013

SB 1222

Introduced by
Senator Farley; Representative Steele; Senator Pancrazi; Representatives
Dalessandro, Gabaldón, Otondo

AN ACT

AMENDING SECTIONS 43-223, 43-1071, 43-1072, 43-1072.01, 43-1073 AND 43-1074, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 47; AMENDING SECTIONS 43-1079, 43-1079.01, 43-1081, 43-1081.01, 43-1083, 43-1083.02, 43-1084, 43-1087, 43-1088, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090, 43-1161, 43-1164.03, 43-1167 AND 43-1167.01, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 54; AMENDING SECTIONS 43-1170, 43-1170.01, 43-1175, 43-1176, 43-1178, 43-1181, 43-1183 AND 43-1184, ARIZONA REVISED STATUTES; RELATING TO TAXATION OF INCOME.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-223, Arizona Revised Statutes, is amended to
3 read:

4 43-223. Requirements for new income tax credits established by
5 the legislature

6 Any new individual or corporate income tax credit that is enacted by
7 the legislature shall include in its enabling legislation:

8 1. A specific review year for the joint legislative income tax credit
9 review committee to review the credit. The specific review year shall be the
10 fifth full calendar year following the date the credit is enacted.

11 2. A SPECIFIC REPEAL DATE FOR THE TAX CREDIT. THE REPEAL DATE SHALL
12 BE FROM AND AFTER DECEMBER 31 OF THE SEVENTH FULL CALENDAR YEAR FOLLOWING THE
13 DATE THE CREDIT IS ENACTED. THE REQUIRED REPEAL DOES NOT AFFECT THE
14 CARRYFORWARD OF ANY TAX CREDIT TO WHICH A TAXPAYER IS ENTITLED. A TAXPAYER
15 MAY CONTINUE TO APPLY THE AMOUNTS CARRIED FORWARD TO SUBSEQUENT YEARS' INCOME
16 TAX LIABILITIES AS PROVIDED BY THE CREDIT.

17 ~~2-~~ 3. A purpose clause that explains the rationale and objective of
18 the tax credit.

19 Sec. 2. Section 43-1071, Arizona Revised Statutes, is amended to read:

20 43-1071. Credit for income taxes paid to other states;
21 definitions

22 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021 AND subject to the
23 following conditions, residents shall be allowed a credit against the taxes
24 imposed by this chapter for net income taxes imposed by and paid to another
25 state or country on income taxable under this chapter:

26 1. The credit shall be allowed only for taxes paid to the other state
27 or country on income that is derived from sources within that state or
28 country and that is taxable under its laws irrespective of the residence or
29 domicile of the recipient.

30 2. The credit shall not be allowed if the other state or country
31 allows residents of this state a credit against the taxes imposed by that
32 state or country for taxes paid or payable under this chapter.

33 3. The credit shall not exceed the proportion of the tax payable under
34 this chapter as the income subject to tax in the other state or country and
35 also taxable under this title bears to the taxpayer's entire income on which
36 the tax is imposed by this chapter.

37 B. If any taxes paid to another state or country for which a taxpayer
38 has been allowed a credit under this section are at any time credited or
39 refunded to the taxpayer:

40 1. The taxpayer shall immediately report that fact to the department.

41 2. A tax equal to the credit allowed for the taxes credited or
42 refunded by the other state or country is due and payable from the taxpayer
43 on notice and demand from the department.

1 3. Interest shall be added to and collected as a part of the tax at
2 the rate determined pursuant to section 42-1123 from the date the credit was
3 allowed under this chapter to the date of the notice and demand.

4 4. If the tax and interest are not paid within ten days from the date
5 of notice and demand, there shall be collected as a part of the tax interest
6 on the unpaid amount of tax and interest at the rate of twelve per cent a
7 year from the date of the notice and demand until the amount is paid.

8 C. The credit against the taxes imposed by this chapter for net income
9 taxes paid to another state or country shall not be allowed to any taxpayer
10 or any class of taxpayers if the allowances of the credit will result in any
11 invalid or illegal discrimination against another taxpayer or another class
12 of taxpayers.

13 D. For taxable years beginning on or after January 1, 2002 AND ENDING
14 BEFORE JANUARY 1, 2021 and subject to the following conditions, a resident of
15 this state, who is also considered to be a resident of another state under
16 the laws of the other state, is allowed a credit against the taxes imposed by
17 this title for net income taxes imposed by and paid to that state on income
18 taxable under this title as follows:

19 1. The credit is allowed only if the other state taxes the income to
20 the resident of this state and does not allow the taxpayer a credit against
21 taxes imposed by that state on that income for taxes paid or payable on that
22 income under this title.

23 2. The credit is allowed only for the proportion of the taxes paid to
24 the other state as the income taxable under this title and also subject to
25 tax in the other state bears to the entire income on which the taxes paid to
26 the other state are imposed.

27 3. The credit may not exceed the proportion of the tax payable under
28 this title as the income taxable under this title and also subject to tax in
29 the other state bears to the entire income taxable under this title.

30 4. For the purpose of the credit allowed under this subsection,
31 "income taxable under this title and also subject to tax in the other state"
32 means income that would be sourced to the other state if the other state were
33 imposing its income tax on the taxpayer as if the taxpayer was a nonresident
34 of that other state.

35 E. For the purposes of this section, net income taxes imposed by
36 another country include taxes that qualify for a credit under sections 901
37 and 903 of the internal revenue code and the regulations under those
38 sections.

39 F. For the purposes of this section:

40 1. "Entire income on which the other state's or country's tax is
41 imposed" means the other state's or country's income computed under the
42 equivalent of section 43-1094 but does not include any exemption allowable
43 under the equivalent of section 43-1023.

	<u>Household Income</u>	<u>Tax Credit</u>
1		
2	\$ 0-1,750	\$502
3	1,751-1,850	479
4	1,851-1,950	457
5	1,951-2,050	435
6	2,051-2,150	412
7	2,151-2,250	390
8	2,251-2,350	368
9	2,351-2,450	345
10	2,451-2,550	323
11	2,551-2,650	301
12	2,651-2,750	279
13	2,751-2,850	256
14	2,851-2,950	234
15	2,951-3,050	212
16	3,051-3,150	189
17	3,151-3,250	167
18	3,251-3,350	145
19	3,351-3,450	123
20	3,451-3,550	100
21	3,551-3,650	78
22	3,651-3,750	56

23 2. For a person eligible under subsection A, paragraph 3, subdivision
 24 (b) of this section, according to the following table:

	<u>Household Income</u>	<u>Tax Credit</u>
25		
26	\$ 0-2,500	\$502
27	2,501-2,650	479
28	2,651-2,800	457
29	2,801-2,950	435
30	2,951-3,100	412
31	3,101-3,250	390
32	3,251-3,400	368
33	3,401-3,550	345
34	3,551-3,700	323
35	3,701-3,850	301
36	3,851-4,000	279
37	4,001-4,150	256
38	4,151-4,300	234
39	4,301-4,450	212
40	4,451-4,600	189
41	4,601-4,750	167
42	4,751-4,900	145
43	4,901-5,050	123

1	5,051-5,200	100
2	5,201-5,350	78
3	5,351-5,500	56

4 C. The owner or lessor of property leased or rented solely for
5 residential purposes, on request, shall furnish to the tenants of the
6 property a written statement of the percentage of rental payments that are
7 attributable to property tax for purposes of this section.

8 D. Disposition of the claimant's allowable credit shall be as provided
9 below:

10 1. If the allowable amount of such claim exceeds the income taxes
11 otherwise due on the claimant's income, the amount of the claim not used as
12 an offset against income taxes, after audit by the department, shall be paid
13 in the same manner as a refund granted under chapter 6, article 1 of this
14 title. Refunds made pursuant to this paragraph are subject to setoff under
15 section 42-1122.

16 2. The amount of any claim otherwise payable for credit for property
17 taxes accrued or rent may be applied by the department against any liability
18 outstanding on the books of the department against the claimant or against
19 the claimant's spouse who was a member of the claimant's household in the
20 taxable year.

21 E. The department shall make available suitable forms with
22 instructions for claimants. Claimants who certify on the prescribed form
23 that they have no income tax liability for the taxable year shall not be
24 required to file an individual income tax return. The claim shall be in such
25 form as the department may prescribe but shall require the social security
26 numbers of persons who were allowed to claim as dependents for the taxes
27 imposed by this title claimants filing pursuant to this section. The
28 claimant shall also submit a copy of the claimant's property tax statement or
29 a suitable representation of the statement as prescribed by the department.
30 The department shall audit a sufficient number of claims to enforce the
31 provisions of this chapter.

32 F. No claim with respect to property taxes or with respect to rent
33 shall be allowed or paid unless the claim is actually filed on or before
34 April 15 for the next preceding calendar year. The department ~~may, upon~~ **ON**
35 request, **MAY** grant for a period of not to exceed six months an extension of
36 time for filing the claim.

37 G. Only one claimant per household per year shall be entitled to a tax
38 credit pursuant to this section.

39 H. ~~It~~ **FOR THE PURPOSES OF** this section, unless the context otherwise
40 requires:

41 1. "Claimant" means a person who has filed a claim for credit under
42 this section and was a resident of this state during the entire taxable year.
43 In the case of a claim for rent, the claimant shall have rented property in
44 this state during the entire taxable year except as otherwise provided by
45 this section. If two individuals of a household are able to meet the

1 qualifications for a claimant, they may determine between them as to whom the
2 claimant shall be. If they are unable to agree, the matter shall be referred
3 to the department and its decision shall be final. If a homestead is
4 occupied by two or more individuals and more than one individual is able to
5 qualify as a claimant, and some or all of the qualified individuals are not
6 related, the individuals may determine among them as to whom the claimant
7 shall be. If they are unable to agree, the matter shall be referred to the
8 department, and its decision shall be final.

9 2. "Gross rent" means rental paid for the right of occupancy of a
10 homestead or space rental paid to a landlord for the parking of a mobile
11 home. If the department is satisfied that the gross rent charge was paid
12 solely for purposes of receiving a credit pursuant to this section, it shall
13 not allow a claim.

14 3. "Homestead" means the principal dwelling, whether owned or rented
15 by the claimant. "Homestead" may also include a mobile home and the land
16 upon which it is located.

17 4. "Household" means the household of the claimant and such other
18 persons as resided with the claimant in the claimant's homestead during the
19 taxable year.

20 5. "Household income" means all income received by all persons of a
21 household in a taxable year while members of the household.

22 6. "Income" means the sum of the following:

23 (a) Adjusted gross income as defined by the department.

24 (b) The amount of capital gains excluded from adjusted gross income.

25 (c) Nontaxable strike benefits.

26 (d) Nontaxable interest received from the federal government or any of
27 its instrumentalities.

28 (e) Payments received from a retirement program paid by this state or
29 any of its political subdivisions.

30 (f) Payments received from a retirement program paid by the United
31 States through any of its agencies, instrumentalities or programs, except as
32 provided in subsection I of this section.

33 (g) The gross amount of any pension or annuity not otherwise exempted
34 except as provided in subsection I of this section.

35 7. "Property taxes" means property taxes levied on a claimant's
36 homestead in this state in any taxable year. For purposes of this paragraph,
37 property taxes are "levied" when the tax roll is delivered to the county
38 treasurer for collection. If a claimant and the claimant's household own
39 their homestead part of the taxable year and rent it or different homesteads
40 for the rest of the same year, provided property taxes were levied on the
41 homestead which was owned by the claimant and the claimant's household, such
42 claimant shall be eligible for a credit pursuant to this section.

43 I. Income as defined in subsection H, paragraph 6, subdivisions (f)
44 and (g) of this section shall not include monies received from cash public
45 assistance and relief, relief granted under the provisions of this section,

1 railroad retirement benefits, payments received under the federal social
2 security act (49 Stat. 620), payments received under Arizona state
3 unemployment insurance laws, payments received from veterans' disability
4 pensions, payments received as workers' compensation, the gross amount of
5 "loss of time" insurance, and gifts from nongovernmental sources or surplus
6 foods or other relief in kind supplied by a governmental agency.

7 Sec. 4. Section 43-1072.01, Arizona Revised Statutes, is amended to
8 read:

9 43-1072.01. Credit for increased excise taxes paid

10 A. Subject to the conditions prescribed by this section and if
11 approved by the qualified electors voting at a statewide general election,
12 for ~~tax~~ TAXABLE years beginning from and after December 31, 2000 AND ENDING
13 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
14 chapter for a taxable year for a taxpayer who is not claimed as a dependent
15 by any other taxpayer and whose federal adjusted gross income is:

16 1. Twenty-five thousand dollars or less for a married couple or a
17 single person who is a head of a household.

18 2. Twelve thousand five hundred dollars or less for a single person or
19 a married person filing separately.

20 B. The credit is considered to be in mitigation of increased tax rates
21 pursuant to section 42-5010, subsection G and section 42-5155, subsection D.

22 C. The amount of the credit shall not exceed twenty-five dollars for
23 each person who is a resident of this state and for whom a personal or
24 dependent exemption is allowed with respect to the taxpayer pursuant to
25 section 43-1023, subsection B, paragraph 1 and section 43-1043, but not more
26 than one hundred dollars for all persons in the taxpayer's household, as
27 defined in section 43-1072.

28 D. If the allowable amount of the credit exceeds the income taxes
29 otherwise due on the claimant's income, the amount of the claim not used as
30 an offset against income taxes shall be paid in the same manner as a refund
31 granted under section 42-1118. Refunds made pursuant to this subsection are
32 subject to setoff under section 42-1122.

33 E. The department shall make available suitable forms with
34 instructions for claimants. Claimants who certify on the prescribed form
35 that they have no income tax liability for the taxable year and who do not
36 meet the filing requirements of section 43-301 are not required to file an
37 individual income tax return. The claim shall be in a form prescribed by the
38 department.

39 F. For taxable years beginning from and after December 31, 2002, a
40 person who is sentenced for at least sixty days of the taxable year to the
41 custody of the federal bureau of prisons, the state department of corrections
42 or a county jail is not eligible to claim a credit pursuant to this section.

1 Sec. 5. Section 43-1073, Arizona Revised Statutes, is amended to read:
2 43-1073. Family income tax credit

3 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021 AND subject to the
4 conditions prescribed by this section, a credit is allowed against the taxes
5 imposed by this chapter for a taxable year for taxpayers whose Arizona
6 adjusted gross income, plus the amount subtracted for exemptions under
7 section 43-1023, is:

8 1. Twenty thousand dollars or less in the case of a married couple
9 filing a joint return with no more than one dependent or a single person who
10 is a head of a household with no more than one dependent.

11 2. Twenty-three thousand six hundred dollars or less in the case of a
12 married couple filing a joint return with two dependents.

13 3. Twenty-seven thousand three hundred dollars or less in the case of
14 a married couple filing a joint return with three dependents.

15 4. Thirty-one thousand dollars or less in the case of a married couple
16 filing a joint return with four or more dependents.

17 5. Twenty thousand one hundred thirty-five dollars or less in the case
18 of a single person who is a head of a household with two dependents.

19 6. Twenty-three thousand eight hundred dollars or less in the case of
20 a single person who is a head of a household with three dependents.

21 7. Twenty-five thousand two hundred dollars or less in the case of a
22 single person who is a head of a household with four dependents.

23 8. Twenty-six thousand five hundred seventy-five dollars or less in
24 the case of a single person who is a head of a household with five or more
25 dependents.

26 9. Ten thousand dollars or less in the case of a single person or a
27 married person filing separately.

28 B. The amount of the credit is equal to forty dollars for each person
29 who is a resident of this state and for whom a personal or dependent
30 exemption is allowed with respect to the taxpayer pursuant to section 43-1043
31 and SECTION 43-1023, subsection B, paragraph 1, but not to exceed:

32 1. Two hundred forty dollars in the case of a married couple filing a
33 joint return or a single person who is a head of a household.

34 2. One hundred twenty dollars in the case of a single person or a
35 married couple filing separately.

36 3. For any taxpayer, the amount of taxes due under this chapter for
37 the taxable year.

38 Sec. 6. Section 43-1074, Arizona Revised Statutes, is amended to read:
39 43-1074. Credit for new employment

40 A. For taxable years beginning from and after June 30, 2011 AND ENDING
41 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
42 title for net increases in full-time employees residing in this state and
43 hired in qualified employment positions in this state as computed and
44 certified by the Arizona commerce authority pursuant to section 41-1525.

1 B. Subject to subsection F of this section, the amount of the credit
2 is equal to:

3 1. Three thousand dollars for each full-time employee hired in a
4 qualified employment position in the first year or partial year of
5 employment. Employees hired in the last ninety days of the taxable year are
6 excluded for that taxable year and are considered to be new employees in the
7 following taxable year.

8 2. Three thousand dollars for each full-time employee in a qualified
9 employment position for the full taxable year in the second year of
10 continuous employment.

11 3. Three thousand dollars for each full-time employee in a qualified
12 employment position for the full taxable year in the third year of continuous
13 employment.

14 C. The capital investment and the new qualified employment positions
15 requirements of section 41-1525, subsection B must be accomplished within
16 twelve months after the start of the required capital investment. No credit
17 may be claimed until both requirements are met. A business that meets the
18 requirements of section 41-1525, subsection B for a location is eligible to
19 claim first year credits for three years beginning with the taxable year in
20 which those requirements are completed. Employees hired at the location
21 before the beginning of the taxable year but during the twelve-month period
22 allowed in this subsection are considered to be new employees for the taxable
23 year in which all of those requirements are completed. The employees that
24 are considered to be new employees for the taxable year under this subsection
25 shall not be included in the average number of full-time employees during the
26 immediately preceding taxable year until the taxable year in which all of the
27 requirements of section 41-1525, subsection B are completed. An employee
28 working at a temporary work site in this state while the designated location
29 is under construction is considered to be working at the designated location
30 if all of the following occur:

31 1. The employee is hired after the start of the required investment at
32 the designated location.

33 2. The employee is hired to work at the designated location after it
34 is completed.

35 3. The payroll for the employees destined for the designated location
36 is segregated from other employees.

37 4. The employee is moved to the designated location within thirty days
38 after its completion.

39 D. To qualify for a credit under this section, the taxpayer and the
40 employment positions must meet the requirements prescribed by section
41 41-1525.

42 E. A credit is allowed for employment in the second and third year
43 only for qualified employment positions for which a credit was claimed and
44 allowed in the first year.

1 F. The net increase in the number of qualified employment positions is
2 the lesser of the total number of filled qualified employment positions
3 created at the designated location or locations during the taxable year or
4 the difference between the average number of full-time employees in this
5 state in the current taxable year and the average number of full-time
6 employees in this state during the immediately preceding taxable year. The
7 net increase in the number of qualified employment positions computed under
8 this subsection may not exceed the difference between the average number of
9 full-time employees in this state in the current taxable year and the average
10 number of full-time employees in this state during the immediately preceding
11 taxable year.

12 G. A taxpayer who claims a credit under section 43-1079 or 43-1083.01
13 shall not claim a credit under this section with respect to the same
14 employment positions.

15 H. If the allowable tax credit exceeds the income taxes otherwise due
16 on the claimant's income, or if there are no state income taxes due on the
17 claimant's income, the amount of the claim not used as an offset against the
18 income taxes may be carried forward as a tax credit against subsequent years'
19 income tax liability for a period not exceeding five taxable years.

20 I. Co-owners of a business, including partners in a partnership and
21 shareholders of an S corporation, as defined in section 1361 of the internal
22 revenue code, may each claim only the pro rata share of the credit allowed
23 under this section based on the ownership interest. The total of the credits
24 allowed all such owners of the business may not exceed the amount that would
25 have been allowed for a sole owner of the business.

26 J. If the business is sold or changes ownership through
27 reorganization, stock purchase or merger, the new taxpayer may claim first
28 year credits only for the qualified employment positions that it created and
29 filled with an eligible employee after the purchase or reorganization was
30 complete. If a person purchases a taxpayer that had qualified for first or
31 second year credits or changes ownership through reorganization, stock
32 purchase or merger, the new taxpayer may claim the second or third year
33 credits if it meets other eligibility requirements of this section. Credits
34 for which a taxpayer qualified before the changes described in this
35 subsection are terminated and lost at the time the changes are implemented.

36 K. A failure to timely report and certify to the Arizona commerce
37 authority the information prescribed by section 41-1525, subsection E, and in
38 the manner prescribed by section 41-1525, subsection F disqualifies the
39 taxpayer from the credit under this section. The department shall require
40 written evidence of the timely report to the Arizona commerce authority.

41 L. A tax credit under this section is subject to recovery for a
42 violation described in section 41-1525, subsection H.

1 Sec. 7. Section 43-1074.01, Arizona Revised Statutes, as amended by
2 Laws 2012, chapter 3, section 47, is amended to read:

3 43-1074.01. Credit for increased research activities

4 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
5 allowed against the taxes imposed by this title in an amount determined
6 pursuant to section 41 of the internal revenue code, except that:

7 1. The amount of the credit is based on the excess, if any, of the
8 qualified research expenses for the taxable year over the base amount as
9 defined in section 41(c) of the internal revenue code and is computed as
10 follows:

11 (a) If the excess is two million five hundred thousand dollars or
12 less, the credit is equal to twenty per cent of that amount.

13 (b) If the excess is over two million five hundred thousand dollars,
14 the credit is equal to five hundred thousand dollars plus eleven per cent of
15 any amount exceeding two million five hundred thousand dollars, except that:

16 (i) For taxable years beginning from and after December 31, 2000
17 through December 31, 2001, the credit shall not exceed one million five
18 hundred thousand dollars.

19 (ii) For taxable years beginning from and after December 31, 2001
20 through December 31, 2002, the credit shall not exceed two million five
21 hundred thousand dollars.

22 (c) For taxable years beginning from and after December 31, 2011, an
23 additional credit amount is allowed if the taxpayer made basic research
24 payments during the taxable year to a university under the jurisdiction of
25 the Arizona board of regents. The additional credit amount is equal to ten
26 per cent of the excess, if any, of the basic research payments over the
27 qualified organization base period amount for the taxable year. The
28 department shall not allow credit amounts under this subdivision and section
29 43-1168, subsection A, paragraph 1, subdivision (d) that exceed, in the
30 aggregate, a combined total of ten million dollars in any calendar year.
31 Subject to that limit, on application by the taxpayer, the department shall
32 certify credit amounts under this subdivision and section 43-1168, subsection
33 A, paragraph 1, subdivision (d) based on priority placement established by
34 the date that the taxpayer filed the application. The additional credit
35 amount under this subdivision shall not exceed the amount allowed based on
36 actual basic research payments or the department's certification, whichever
37 is less. If an application, if certified in full, would exceed the ten
38 million dollar limit, the department shall certify only an amount within that
39 limit. After the limit is attained, the department shall deny any subsequent
40 applications regardless of whether other certified amounts are not actually
41 claimed as a credit or other taxpayers fail to qualify to actually claim
42 certified amounts. Notwithstanding subsections B and C of this section, any
43 amount of the additional credit under this subdivision that exceeds the taxes
44 otherwise due under this title is not refundable, but may be carried forward
45 to the next five consecutive taxable years. For the purposes of this

1 subdivision, "basic research payments" and "qualified organization base
2 period amount" have the same meanings prescribed by section 41(e) of the
3 internal revenue code without regard to whether the taxpayer is or is not a
4 corporation.

5 2. Qualified research includes only research conducted in this state,
6 including research conducted at a university in this state and paid for by
7 the taxpayer.

8 3. If two or more taxpayers, including partners in a partnership and
9 shareholders of an S corporation, as defined in section 1361 of the internal
10 revenue code, share in the eligible expenses, each taxpayer is eligible to
11 receive a proportionate share of the credit.

12 4. The credit under this section applies only to expenses incurred
13 from and after December 31, 2000.

14 5. The termination provisions of section 41 of the internal revenue
15 code do not apply.

16 B. Except as provided by subsection C of this section, if the
17 allowable credit under this section exceeds the taxes otherwise due under
18 this title on the claimant's income, or if there are no taxes due under this
19 title, the amount of the credit not used to offset taxes may be carried
20 forward to the next fifteen consecutive taxable years. The amount of credit
21 carryforward from taxable years beginning from and after December 31, 2000
22 through December 31, 2002 that may be used in any taxable year may not exceed
23 the taxpayer's tax liability under this title or five hundred thousand
24 dollars, whichever is less, minus the credit under this section for the
25 current taxable year's qualified research expenses. The amount of credit
26 carryforward from taxable years beginning from and after December 31, 2002
27 that may be used in any taxable year may not exceed the taxpayer's tax
28 liability under this title minus the credit under this section for the
29 current taxable year's qualified research expenses. A taxpayer who carries
30 forward any amount of credit under this subsection may not thereafter claim a
31 refund of any amount of the credit under subsection C of this section.

32 C. For taxable years beginning from and after December 31, 2009, if a
33 taxpayer who claims a credit under this section employs fewer than one
34 hundred fifty persons in the taxpayer's trade or business and if the
35 allowable credit under this section exceeds the taxes otherwise due under
36 this title on the claimant's income, or if there are no taxes due under this
37 title, in lieu of carrying the excess amount of credit forward to subsequent
38 taxable years under subsection B of this section, the taxpayer may elect to
39 receive a refund as follows:

40 1. The taxpayer must apply to the Arizona commerce authority for
41 qualification for the refund pursuant to section 41-1507 and submit a copy of
42 the authority's certificate of qualification to the department of revenue
43 with the taxpayer's income tax return.

1 2. The amount of the refund is limited to seventy-five per cent of the
2 amount by which the allowable credit under this section exceeds the
3 taxpayer's tax liability under this title for the taxable year. The
4 remainder of the excess amount of the credit is waived.

5 3. The refund shall be paid in the manner prescribed by section
6 42-1118.

7 4. The refund is subject to setoff under section 42-1122.

8 5. If the department determines that a credit refunded pursuant to
9 this subsection is incorrect or invalid, the excess credit issued may be
10 treated as a tax deficiency pursuant to section 42-1108.

11 D. A taxpayer that claims a credit for increased research and
12 development activity under this section shall not claim a credit under
13 section 43-1085.01 for the same expenses.

14 Sec. 8. Section 43-1079, Arizona Revised Statutes, is amended to read:
15 43-1079. Credit for increased employment in military reuse
16 zones; definition

17 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
18 allowed against the taxes imposed by this title for net increases in
19 employment by the taxpayer of full-time employees **WHO ARE** working in a
20 military reuse zone, established under title 41, chapter 10, article 3, and
21 who are primarily engaged in providing aviation or aerospace services or in
22 manufacturing, assembling or fabricating aviation or aerospace products. The
23 amount of the credit is a dollar amount allowed for each new employee,
24 determined as follows:

25 1. With respect to each employee other than a dislocated military base
26 employee:

27 1st year of employment	\$ 500
28 2nd year of employment	\$1,000
29 3rd year of employment	\$1,500
30 4th year of employment	\$2,000
31 5th year of employment	\$2,500

32 2. With respect to each dislocated military base employee:

33 1st year of employment	\$1,000
34 2nd year of employment	\$1,500
35 3rd year of employment	\$2,000
36 4th year of employment	\$2,500
37 5th year of employment	\$3,000

38 B. If the allowable tax credit exceeds the taxes otherwise due under
39 this title on the claimant's income, or if there are no taxes due under this
40 title, the amount of the claim not used to offset the taxes under this title
41 may be carried forward as a credit against subsequent years' income tax
42 liability for the period, not to exceed five taxable years, if the business
43 remains in the military reuse zone.

1 C. The net increase in the number of employees for purposes of this
2 section shall be determined by comparing the taxpayer's average employment in
3 the military reuse zone during the taxable year with the taxpayer's previous
4 year's fourth quarter employment in the zone, based on the taxpayer's report
5 to the department of economic security for unemployment insurance purposes
6 but considering only employment in the zone.

7 D. Co-owners of a business, including partners in a partnership and
8 shareholders of an S corporation, as defined in section 1361 of the internal
9 revenue code, 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 for a sole owner of the business.

13 E. A credit is not allowed under this section with respect to an
14 employee whose place of employment is relocated by the taxpayer from a
15 location in this state to the military reuse zone, unless the employee is
16 engaged in aviation or aerospace services or in manufacturing, assembling or
17 fabricating aviation or aerospace products and the taxpayer maintains at
18 least the same number of employees in this state but outside the zone.

19 F. A taxpayer who claims a credit under section 43-1074 or 43-1083.01
20 may not claim a credit under this section with respect to the same employees.

21 G. For the purposes of this section, "dislocated military base
22 employee" means a civilian who previously had permanent full-time civilian
23 employment on the military facility as of the date the closure of the
24 facility was finally determined under federal law, as certified by the
25 Arizona commerce authority.

26 Sec. 9. Section 43-1079.01, Arizona Revised Statutes, is amended to
27 read:

28 43-1079.01. Credit for employing national guard members

29 A. For taxable years beginning from and after December 31, 2005 AND
30 ENDING BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed
31 by this title for a taxpayer whose employee is a member of the Arizona
32 national guard if the employee is placed on active duty. The amount of the
33 credit is one thousand dollars for each employee who is placed on active duty
34 by the Arizona national guard.

35 B. To qualify for the credit:

36 1. The employee must be a member of the Arizona national guard who is
37 employed by the taxpayer in a full-time equivalent position when the employee
38 is placed on active duty.

39 2. Each member of the Arizona national guard who is employed must have
40 served during the taxable year on active duty for training that exceeds the
41 required annual training period, including any activation for federal or
42 state contingencies or emergencies.

43 C. If the allowable credit exceeds the taxes otherwise due under this
44 title on the claimant's income, or if there are no taxes due under this
45 title, the amount of the claim not used to offset taxes under this title may

1 be carried forward for not more than five consecutive taxable years as a
2 credit against subsequent years' income tax liability.

3 D. The credit under this section may be claimed only once by the
4 taxpayer in any taxable year with respect to each employee who is placed on
5 active duty by the Arizona national guard, but may be claimed again for that
6 employee in a subsequent taxable year if that employee remains on active duty
7 or is placed again on active duty in a subsequent taxable year.

8 E. Co-owners of a business, including partners in a partnership and
9 shareholders of an S corporation as defined in section 1361 of the internal
10 revenue code, may each claim only the pro rata share of the credit allowed
11 under this section based on the ownership interest. The total of the credits
12 allowed all such owners may not exceed the amount that would have been
13 allowed a sole owner.

14 Sec. 10. Section 43-1081, Arizona Revised Statutes, is amended to
15 read:

16 43-1081. Credit for pollution control equipment

17 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
18 allowed against the taxes imposed by this title for expenses that the
19 taxpayer incurred during the taxable year to purchase real or personal
20 property that is used in the taxpayer's trade or business in this state to
21 control or prevent pollution. The amount of the credit is equal to ten per
22 cent of the purchase price.

23 B. Property that qualifies for the credit under this section includes
24 that portion of a structure, building, installation, excavation, machine,
25 equipment or device and any attachment or addition to or reconstruction,
26 replacement or improvement of that property that is directly used,
27 constructed, or installed in this state for the purpose of meeting or
28 exceeding rules or regulations adopted by the United States environmental
29 protection agency, the department of environmental quality or a political
30 subdivision of this state to prevent, monitor, control or reduce air, water
31 or land pollution that results from the taxpayer's direct operating
32 activities in conducting a trade or business in this state.

33 C. The credit allowed pursuant to this section does not apply to:

34 1. The purchase of any personal property that is attached to a motor
35 vehicle.

36 2. Any property that has a substantial use for a purpose other than
37 the purposes described in subsection B OF THIS SECTION.

38 3. Any portion of pollution control property that is included as a
39 standard and integral part of another property.

40 D. Amounts that qualify for a credit under this section must be
41 includible in the taxpayer's adjusted basis for the property. The adjusted
42 basis of any property with respect to which the taxpayer has claimed a credit
43 shall be reduced by the amount of credit claimed with respect to that
44 asset. This credit does not affect the deductibility for depreciation or
45 amortization of the remaining adjusted basis of the asset.

1 E. Co-owners of a business, including partners in a partnership and
2 shareholders of an S corporation, as defined in section 1361 of the internal
3 revenue code, may each claim only the pro rata share of the credit allowed
4 under this section based on the ownership interest. The total of the credits
5 allowed all such owners may not exceed the amount that would have been
6 allowed a sole owner.

7 F. If the allowable tax credit exceeds the taxes otherwise due under
8 this title on the claimant's income, or if there are no taxes due under this
9 title, the taxpayer may carry the amount of the claim not used to offset the
10 taxes under this title forward for not more than five taxable years' income
11 tax liability.

12 G. The maximum credit that a taxpayer may claim under this section is
13 five hundred thousand dollars in a taxable year.

14 Sec. 11. Section 43-1081.01, Arizona Revised Statutes, is amended to
15 read:

16 43-1081.01. Credit for agricultural pollution control equipment

17 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
18 allowed against the taxes imposed by this title for expenses that a taxpayer,
19 involved in the commercial production of livestock, livestock products or
20 agricultural, horticultural, viticultural or floricultural crops or products,
21 incurred during the taxable year to purchase tangible personal property that
22 is primarily used in the taxpayer's trade or business in this state to
23 control or prevent pollution. The amount of the credit is equal to
24 twenty-five per cent of the cost of the real or personal property. The
25 maximum credit that a taxpayer may claim under this section is twenty-five
26 thousand dollars in a taxable year.

27 B. Property that qualifies for the credit under this section includes
28 the portion of a structure, building, installation, excavation, machine,
29 equipment or device and any attachment or addition to or reconstruction,
30 replacement or improvement of that property that is directly used,
31 constructed or installed in this state to prevent, monitor, control or reduce
32 air, water or land pollution.

33 C. Amounts that qualify for a credit under this section must be
34 includible in the taxpayer's adjusted basis for the property. The adjusted
35 basis of any property with respect to which the taxpayer has claimed a credit
36 shall be reduced by the amount of credit claimed with respect to that asset.
37 This credit does not affect the deductibility for depreciation or
38 amortization of the remaining adjusted basis of the asset.

39 D. Co-owners of a business, including partners in a partnership and
40 shareholders of an S corporation, as defined in section 1361 of the internal
41 revenue code, may each claim only the pro rata share of the credit allowed
42 under this section based on the ownership interest. The total of the credits
43 allowed all such owners may not exceed the amount that would have been
44 allowed a sole owner.

1 E. If the allowable tax credit exceeds the taxes otherwise due under
2 this title on the claimant's income, or if there are no taxes due under this
3 title, the amount of the claim not used to offset the taxes under this title
4 may be carried forward to the next five consecutive taxable years as a credit
5 against subsequent years' income tax liability.

6 F. A taxpayer who claims a credit for pollution control equipment
7 under this section shall not claim a credit under section 43-1081 for the
8 same equipment or expense.

9 Sec. 12. Section 43-1083, Arizona Revised Statutes, is amended to
10 read:

11 43-1083. Credit for solar energy devices

12 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
13 allowed against the taxes imposed by this title for each resident who is not
14 a dependent of another taxpayer for installing a solar energy device, as
15 defined in section 42-5001, during the taxable year in the taxpayer's
16 residence located in this state. The credit is equal to twenty-five per cent
17 of the cost of the device.

18 B. The maximum credit in a taxable year may not exceed one thousand
19 dollars. The person who provides the solar energy device shall furnish the
20 taxpayer with an accounting of the cost to the taxpayer. A taxpayer may
21 claim the credit under this section only once in a tax year and may not
22 cumulate over different tax years tax credits under this section exceeding,
23 in the aggregate, one thousand dollars for the same residence.

24 C. If the allowable tax credit exceeds the taxes otherwise due under
25 this title on the claimant's income, or if there are no taxes due under this
26 title, the amount of the claim not used to offset taxes under this title may
27 be carried forward for not more than five consecutive taxable years as a
28 credit against subsequent years' income tax liability.

29 D. A husband and wife who file separate returns for a taxable year in
30 which they could have filed a joint return may each claim only one-half of
31 the tax credit that would have been allowed for a joint return.

32 E. The credit allowed under this section is in lieu of any allowance
33 for state tax purposes for exhaustion, wear and tear of the solar energy
34 device under section 167 of the internal revenue code.

35 F. To qualify for the credit under this section the solar energy
36 device and its installation shall meet the requirements of title 44, chapter
37 11, article 11.

38 G. A solar hot water heater plumbing stub out that was installed by
39 the builder of a house or dwelling unit before title was conveyed to the
40 taxpayer does not qualify for a credit under this section, but the taxpayer
41 may claim a credit for the device under section 43-1090 or 43-1176 under the
42 circumstances, conditions and limitations prescribed by section 43-1090,
43 subsection C or SECTION 43-1176, subsection C, as applicable.

1 Sec. 13. Section 43-1083.02, Arizona Revised Statutes, is amended to
2 read:

3 43-1083.02. Renewable energy production tax credit; definitions

4 A. SUBJECT TO SUBSECTION B OF THIS SECTION, FOR TAXABLE YEARS ENDING
5 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
6 title for the production of electricity using renewable energy resources.

7 B. The taxpayer is eligible for the credit:

8 1. If the taxpayer holds title to a qualified energy generator that
9 first produces electricity from and after December 31, 2010 and before
10 January 1, 2021.

11 2. For ten consecutive calendar years beginning with the calendar year
12 in which the qualified energy generator begins producing electricity that is
13 transmitted through a transmission facility to a grid connection with a
14 public or private electric transmission or distribution utility system. That
15 same date applies with respect to that generator until the expiration of the
16 ten-year period regardless of whether the generator is sold to another
17 taxpayer or goes out of production before the expiration of the ten-year
18 period.

19 C. The credit authorized by this section is based on the electricity
20 that is generated by a qualified energy generator during a calendar year.
21 For a taxpayer that files on a fiscal year basis, the credit shall be claimed
22 on the return for the taxable year in which the calendar year ends.

23 D. Subject to subsection G of this section, the amount of the credit
24 is:

25 1. One cent per kilowatt-hour of the first two hundred thousand
26 megawatt-hours of electricity produced by a qualified energy generator in the
27 calendar year using a wind or biomass derived qualified energy resource.

28 2. The following amounts for electricity produced by a qualified
29 energy generator using a solar light derived or solar heat derived qualified
30 energy resource:

31 (a) Four cents per kilowatt-hour in the first calendar year in which
32 the qualified energy generator produces electricity.

33 (b) Four cents per kilowatt-hour in the second calendar year in which
34 the qualified energy generator produces electricity.

35 (c) Three and one-half cents per kilowatt-hour in the third calendar
36 year in which the qualified energy generator produces electricity.

37 (d) Three and one-half cents per kilowatt-hour in the fourth calendar
38 year in which the qualified energy generator produces electricity.

39 (e) Three cents per kilowatt-hour in the fifth calendar year in which
40 the qualified energy generator produces electricity.

41 (f) Three cents per kilowatt-hour in the sixth calendar year in which
42 the qualified energy generator produces electricity.

43 (g) Two cents per kilowatt-hour in the seventh calendar year in which
44 the qualified energy generator produces electricity.

1 (h) Two cents per kilowatt-hour in the eighth calendar year in which
2 the qualified energy generator produces electricity.

3 (i) One and one-half cents per kilowatt-hour in the ninth calendar
4 year in which the qualified energy generator produces electricity.

5 (j) One cent per kilowatt-hour in the tenth calendar year in which the
6 qualified energy generator produces electricity.

7 E. To qualify for the purposes of this section, an energy generator
8 may be located within one mile of an existing qualified energy generator only
9 if the owner of the energy generator or the owner's corporate affiliates are
10 not the owner of or the corporate affiliate of the owner of the existing
11 qualified energy generator.

12 F. To be eligible for the credit under this section, the taxpayer must
13 apply to the department, on a form prescribed by the department, for
14 certification of the credit. The department shall only accept applications
15 beginning January 2 through January 31 of the year following the calendar
16 year for which the credit is being requested. The application shall include:

17 1. The name, address and social security number or federal employer
18 identification number of the applicant.

19 2. The location of the taxpayer's facility that produces electricity
20 using renewable energy resources for which the credit is claimed.

21 3. The amount of the credit that is claimed.

22 4. The date the qualified energy generator began producing
23 commercially marketable amounts of electricity.

24 5. Any additional information that the department requires.

25 G. The department shall review each application under subsection F of
26 this section and certify to the taxpayer the amount of the credit that is
27 authorized. The amount of the credit for any calendar year shall not exceed
28 two million dollars per facility that produces electricity using renewable
29 energy resources. Credits are allowed under this section and section
30 43-1164.03 on a first come, first served basis. The department shall not
31 authorize tax credits under this section and section 43-1164.03 that exceed
32 in the aggregate a total of twenty million dollars for any calendar year.
33 The first time that a taxpayer submits a qualified application for a
34 qualified energy generator under subsection F of this section, the department
35 shall add the taxpayer's name to a credit authorization list that is
36 maintained in the order in which qualified applications are first received by
37 the department on behalf of the qualified energy generator. A taxpayer's
38 position on the credit authorization list shall be determined in the first
39 year the taxpayer submits an application under subsection F of this section
40 for the qualified energy generator. The taxpayer's position on the credit
41 authorization list for a particular qualified energy generator shall remain
42 unchanged for the ten years that are specified in subsection B, paragraph 2
43 of this section or until a year in which the taxpayer fails to submit a
44 timely application under subsection F of this section or otherwise fails to
45 comply with this section. If a taxpayer is removed from the credit

1 authorization list for a qualified energy generator, the taxpayer may
2 establish a new position on the credit authorization list in a subsequent
3 year by filing a timely application for a qualified energy generator that
4 qualifies for the credit. If an application is received that, if authorized,
5 would require the department to exceed the twenty million dollar limit, the
6 department shall grant the applicant only the remaining credit amount that
7 would not exceed the twenty million dollar limit. After the department
8 authorizes twenty million dollars in tax credits, the department shall deny
9 any subsequent applications that are received for that calendar year. The
10 department shall not authorize any additional tax credits that exceed the
11 twenty million dollar limit even if the amounts that have been certified to
12 any taxpayer were not claimed or a taxpayer otherwise fails to meet the
13 requirements to claim the additional credit.

14 H. Co-owners of a qualified energy generator, including partners in a
15 partnership, members of a limited liability company and shareholders of an S
16 corporation as defined in section 1361 of the internal revenue code, may each
17 claim the pro rata share of the credit allowed under this section based on
18 ownership interest. The total of the credits allowed all such owners of the
19 qualified energy generator may not exceed the amount that would have been
20 allowed for a sole owner of the generator.

21 I. If the allowable tax credit for a taxpayer exceeds the taxes
22 otherwise due under this title on the claimant's income, or if there are no
23 taxes due under this title, the amount of the claim not used to offset taxes
24 under this title may be carried forward for not more than five consecutive
25 taxable years as a credit against subsequent years' income tax liability.

26 J. The department shall adopt rules and publish and prescribe forms
27 and procedures as necessary to effectuate the purposes of this section.

28 K. For the purposes of this section:

29 1. "Biomass" means organic material that is available on a renewable
30 or recurring basis, including:

31 (a) Forest-related materials, including mill residues, logging
32 residues, forest thinnings, slash, brush, low-commercial value materials or
33 undesirable species, salt cedar and other phreatophyte or woody vegetation
34 removed from river basins or watersheds and woody material harvested for the
35 purpose of forest fire fuel reduction or forest health and watershed
36 improvement.

37 (b) Agricultural-related materials, including orchard trees, vineyard,
38 grain or crop residues, including straws and stover, aquatic plants and
39 agricultural processed coproducts and waste products, including fats, oils,
40 greases, whey and lactose.

41 (c) Animal waste, including manure and slaughterhouse and other
42 processing waste.

43 (d) Solid woody waste materials, including landscape or right-of-way
44 tree trimmings, rangeland maintenance residues, waste pallets, crates and
45 manufacturing, construction and demolition wood wastes, excluding

1 pressure-treated, chemically-treated or painted wood wastes and wood
2 contaminated with plastic.

3 (e) Crops and trees planted for the purpose of being used to produce
4 energy.

5 (f) Landfill gas, wastewater treatment gas and biosolids, including
6 organic waste byproducts generated during the wastewater treatment process.

7 2. "Qualified energy generator" means a facility that has at least
8 five megawatts generating capacity, that is located on land in this state
9 owned or leased by the taxpayer, that produces electricity using a qualified
10 energy resource and that sells that electricity to an unrelated entity,
11 unless the electricity is sold to a public service corporation.

12 3. "Qualified energy resource" means a resource that generates
13 electricity through the use of only the following energy sources:

14 (a) Solar light.

15 (b) Solar heat.

16 (c) Wind.

17 (d) Biomass.

18 Sec. 14. Section 43-1084, Arizona Revised Statutes, is amended to
19 read:

20 43-1084. Credit for agricultural water conservation system

21 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
22 allowed against the taxes imposed by this title for expenses that the
23 taxpayer incurred during the taxable year to purchase and install an
24 agricultural water conservation system in this state. The amount of the
25 credit is equal to seventy-five per cent of the qualifying expenses.

26 B. To qualify for the credit under this section:

27 1. The agricultural water conservation system must be primarily
28 designed to substantially conserve water on land that is used by the taxpayer
29 or the taxpayer's tenant to:

30 (a) Produce crops, fruits or other agricultural products.

31 (b) Raise, harvest or grow trees.

32 (c) Sustain livestock.

33 2. The expense must be consistent with a conservation plan that the
34 taxpayer has filed and that is in effect with the United States department of
35 agriculture soil conservation service.

36 C. Co-owners of the land on which the water conservation system is
37 installed, including partners in a partnership and shareholders of an S
38 corporation, as defined in section 1361 of the internal revenue code, may
39 each claim only the pro rata share of the credit allowed under this section
40 based on the ownership interest. The total of the credits allowed all such
41 owners may not exceed the amount that would have been allowed a sole owner.

42 D. If the allowable tax credit exceeds the taxes otherwise due under
43 this title on the claimant's income, or if there are no taxes due under this
44 title, the taxpayer may carry the amount of the claim not used to offset the

1 taxes under this title forward for not more than five taxable years' income
2 tax liability.

3 E. The credit allowed by this section is in lieu of any deduction for
4 such expenses allowed by the internal revenue code and included under section
5 43-1042 in computing taxable income.

6 Sec. 15. Section 43-1087, Arizona Revised Statutes, is amended to
7 read:

8 43-1087. Credit for employment of temporary assistance for
9 needy families recipients

10 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
11 allowed against the taxes imposed by this title for net increases in
12 qualified employment by the taxpayer of recipients of temporary assistance
13 for needy families as defined in section 46-101 who are residents of this
14 state. The amount of the credit is equal to the sum of the following:

15 1. One-fourth of the taxable wages paid to each employee in qualified
16 employment positions, not to exceed five hundred dollars per qualified
17 employment position, in the first year or partial year of employment. Wages
18 that were subsidized as provided by section 46-299 shall not be included.

19 2. One-third of the taxable wages paid to each employee in qualified
20 employment positions, not to exceed one thousand dollars per qualified
21 employment position, in the second year of continuous employment. Wages that
22 were subsidized as provided by section 46-299 shall not be included.

23 3. One-half of the taxable wages paid to each employee in qualified
24 employment positions, not to exceed one thousand five hundred dollars per
25 qualified employment position, in the third year of continuous employment.
26 Wages that were subsidized as provided by section 46-299 shall not be
27 included.

28 B. The credit allowed in this section is in lieu of any wage expense
29 deduction taken for state tax purposes.

30 C. To qualify for a credit under this section:

31 1. All of the employees with respect to whom a credit is claimed must
32 reside in this state and must be recipients of temporary assistance for needy
33 families as defined in section 46-101 at the time the employee is hired.

34 2. A qualified employment position must meet all of the following
35 requirements:

36 (a) The position must be classified as full-time employment.

37 (b) The employment must include health insurance coverage for the
38 employee if the employer offers this coverage for employees who are not
39 recipients of temporary assistance for needy families.

40 (c) The employer must pay compensation at least equal to the minimum
41 wage or a wage comparable to that paid to employees who are not receiving
42 temporary assistance for needy families based on the employee's training,
43 skills and job classification.

44 (d) The employee must have been employed for at least ninety days
45 during the first taxable year. An employee who is hired during the last

1 ninety days of the taxable year shall be considered a new employee during the
2 next taxable year. Periods for which the employee's wages were subsidized as
3 provided by section 46-299 shall not be included as periods of employment.

4 (e) The employee was not employed by the taxpayer within twelve months
5 before the current date of hire.

6 (f) The employee position is not eligible for any other employment
7 credit pursuant to this title based on wages paid.

8 D. The net increase in the number of qualified employment positions
9 shall be determined by comparing the average number of qualified employment
10 positions during the taxable year with the immediately preceding taxable year
11 based on the taxpayer's report to the department of economic security for
12 unemployment purposes.

13 E. If the allowable tax credit exceeds the income taxes otherwise due
14 on the claimant's income, the amount of the claim not used as an offset
15 against income taxes may be carried forward as a tax credit against
16 subsequent years' income tax liability for the period, not to exceed five
17 consecutive taxable years.

18 F. Co-owners of a business, including partners in a partnership and
19 shareholders of an S corporation as defined in section 1361 of the internal
20 revenue code, may claim only the pro rata share of the credit allowed under
21 this section based on the ownership interest. The total of the credits
22 allowed all the owners of the business may not exceed the amount that would
23 have been allowed for a sole owner of the business.

24 G. The department may adopt rules necessary for the administration of
25 this section.

26 Sec. 16. Section 43-1088, Arizona Revised Statutes, is amended to
27 read:

28 43-1088. Credit for contribution to qualifying charitable
29 organizations: definitions

30 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
31 allowed against the taxes imposed by this title for voluntary cash
32 contributions by the taxpayer or on the taxpayer's behalf pursuant to section
33 43-401, subsection G during the taxable year to a qualifying charitable
34 organization not to exceed:

35 1. Two hundred dollars in any taxable year for a single individual or
36 a head of household.

37 2. Four hundred dollars in any taxable year for a married couple
38 filing a joint return.

39 B. A husband and wife who file separate returns for a taxable year in
40 which they could have filed a joint return may each claim only one-half of
41 the tax credit that would have been allowed for a joint return.

42 C. If the allowable tax credit exceeds the taxes otherwise due under
43 this title on the claimant's income, or if there are no taxes due under this
44 title, the taxpayer may carry forward the amount of the claim not used to

1 offset the taxes under this title for not more than five consecutive taxable
2 years' income tax liability.

3 D. The credit allowed by this section:

4 1. Is allowed only if the taxpayer itemizes deductions pursuant to
5 section 43-1042 for the taxable year.

6 2. Is in lieu of a deduction pursuant to section 170 of the internal
7 revenue code and taken for state tax purposes.

8 E. Taxpayers taking a credit authorized by this section shall provide
9 the name of the qualifying charitable organization and the amount of the
10 contribution to the department of revenue on forms provided by the
11 department.

12 F. A qualifying charitable organization shall provide the department
13 of revenue with a written certification that it meets all criteria to be
14 considered a qualifying charitable organization. The organization shall also
15 notify the department of any changes that may affect the qualifications under
16 this section.

17 G. The charitable organization's written certification must be signed
18 by an officer of the organization under penalty of perjury. The written
19 certification must include the following:

20 1. Verification of the organization's status under section 501(c)(3)
21 of the internal revenue code or verification that the organization is a
22 designated community action agency that receives community services block
23 grant program monies pursuant to 42 United States Code section 9901.

24 2. Financial data indicating the organization's budget for the
25 organization's prior operating year and the amount of that budget spent on
26 services to residents of this state who either:

27 (a) Receive temporary assistance for needy families benefits.

28 (b) Are low income residents of this state.

29 (c) Are chronically ill or physically disabled children.

30 3. A statement that the organization plans to continue spending at
31 least fifty per cent of its budget on services to residents of this state who
32 receive temporary assistance for needy families benefits, who are low income
33 residents of this state or who are chronically ill or physically disabled
34 children.

35 4. A statement that the organization does not provide, pay for or
36 provide coverage of abortions and does not financially support any other
37 entity that provides, pays for or provides coverage of abortions.

38 H. The department shall review each written certification and
39 determine whether the organization meets all the criteria to be considered a
40 qualifying charitable organization and notify the organization of its
41 determination. The department may also periodically request recertification
42 from the organization. The department shall compile and make available to
43 the public a list of the qualifying charitable organizations.

44 I. For the purposes of this section:

1 the metropolitan Phoenix consumer price index published by the United States
2 bureau of labor statistics, except that the dollar amounts shall not be
3 revised downward below the amounts allowed in the prior taxable year. The
4 revised dollar amounts shall be raised to the nearest whole dollar.

5 D. If the allowable tax credit exceeds the taxes otherwise due under
6 this title on the claimant's income, or if there are no taxes due under this
7 title, the taxpayer may carry the amount of the claim not used to offset the
8 taxes under this title forward for not more than five consecutive taxable
9 years' income tax liability.

10 E. The credit allowed by this section is in lieu of any deduction
11 pursuant to section 170 of the internal revenue code and taken for state tax
12 purposes.

13 F. The tax credit is not allowed if the taxpayer designates the
14 taxpayer's contribution to the school tuition organization for the direct
15 benefit of any dependent of the taxpayer or if the taxpayer designates a
16 student beneficiary as a condition of the taxpayer's contribution to the
17 school tuition organization. The tax credit is not allowed if the taxpayer,
18 with the intent to benefit the taxpayer's dependent, agrees with one or more
19 other taxpayers to designate each taxpayer's contribution to the school
20 tuition organization for the direct benefit of the other taxpayer's
21 dependent.

22 G. For the purposes of this section, a contribution, for which a
23 credit is claimed, that is made on or before the fifteenth day of the fourth
24 month following the close of the taxable year may be applied to either the
25 current or preceding taxable year and is considered to have been made on the
26 last day of that taxable year.

27 Sec. 18. Section 43-1089.01, Arizona Revised Statutes, is amended to
28 read:

29 43-1089.01. Tax credit; public school fees and contributions;
30 definitions

31 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
32 allowed against the taxes imposed by this title for the amount of any fees or
33 cash contributions by a taxpayer or on the taxpayer's behalf pursuant to
34 section 43-401, subsection G during the taxable year to a public school
35 located in this state for the support of extracurricular activities or
36 character education programs of the public school, but not exceeding:

- 37 1. Two hundred dollars for a single individual or a head of household.
- 38 2. Three hundred dollars in taxable year 2005 for a married couple
39 filing a joint return.
- 40 3. Four hundred dollars in taxable year 2006 and any subsequent
41 taxable year for a married couple filing a joint return.

42 B. A husband and wife who file separate returns for a taxable year in
43 which they could have filed a joint return may each claim only one-half of
44 the tax credit that would have been allowed for a joint return.

1 C. The credit allowed by this section is in lieu of any deduction
2 pursuant to section 170 of the internal revenue code and taken for state tax
3 purposes.

4 D. If the allowable tax credit exceeds the taxes otherwise due under
5 this title on the claimant's income, or if there are no taxes due under this
6 title, the taxpayer may carry the amount of the claim not used to offset the
7 taxes under this title forward for not more than five consecutive taxable
8 years' income tax liability.

9 E. The site council of the public school that receives contributions
10 that are not designated for a specific purpose shall determine how the
11 contributions are used at the school site. If a charter school does not have
12 a site council, the principal, director or chief administrator of the charter
13 school shall determine how the contributions that are not designated for a
14 specific purpose are used at the school site. If at the end of a fiscal year
15 a public school has unspent contributions that were previously designated for
16 a specific purpose or program and that purpose or program has been
17 discontinued or has not been used for two consecutive fiscal years, these
18 contributions shall be considered undesignated in the following fiscal year
19 for the purposes of this subsection.

20 F. A public school that receives fees or a cash contribution pursuant
21 to subsection A of this section shall report to the department, in a form
22 prescribed by the department, by February 28 of each year the following
23 information:

24 1. The total number of fee and cash contribution payments received
25 during the previous calendar year.

26 2. The total dollar amount of fees and contributions received during
27 the previous calendar year.

28 3. The total dollar amount of fees and contributions spent by the
29 school during the previous calendar year, categorized by specific
30 extracurricular activity or character education program.

31 G. For the purposes of this section:

32 1. "Character education programs" means a program described in section
33 15-719.

34 2. "Extracurricular activities" means school sponsored activities that
35 require enrolled students to pay a fee in order to participate, including
36 fees for:

37 (a) Band uniforms.

38 (b) Equipment or uniforms for varsity athletic activities.

39 (c) Scientific laboratory materials.

40 (d) In-state or out-of-state trips that are solely for competitive
41 events. Extracurricular activities do not include any senior trips or events
42 that are recreational, amusement or tourist activities.

43 3. "Public school" means a school that is part of a school district, a
44 joint technical education district or a charter school.

1 Sec. 19. Section 43-1089.02, Arizona Revised Statutes, is amended to
2 read:

3 43-1089.02. Credit for donation of school site

4 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
5 allowed against the taxes imposed by this title in the amount of thirty per
6 cent of the value of real property and improvements donated by the taxpayer
7 to a school district or a charter school for use as a school or as a site for
8 the construction of a school.

9 B. To qualify for the credit:

10 1. The real property and improvements must be located in this state.

11 2. The real property and improvements must be conveyed unencumbered
12 and in fee simple, except that:

13 (a) The conveyance must include as a deed restriction and protective
14 covenant running with title to the land the requirement that as long as the
15 donee holds title to the property the property shall only be used as a school
16 or as a site for the construction of a school, subject to subsection I or J
17 of this section.

18 (b) In the case of a donation to a charter school, the donor shall
19 record a lien on the property as provided by subsection J, paragraph 3 of
20 this section.

21 3. The conveyance shall not violate section 15-341, subsection D ~~and~~
22 **OR** section 15-183, subsection ~~V~~ **U**.

23 C. For **THE** purposes of this section, the value of the donated property
24 is the property's fair market value as determined in an appraisal as defined
25 in section 32-3601 that is conducted by an independent party and that is paid
26 for by the donee.

27 D. If the property is donated by co-owners, including partners in a
28 partnership and shareholders of an S corporation, as defined in section 1361
29 of the internal revenue code, each donor may claim only the pro rata share of
30 the allowable credit under this section based on the ownership interest. If
31 the property is donated by a husband and wife who file separate returns for a
32 taxable year in which they could have filed a joint return, they may
33 determine between them the share of the credit each will claim. The total of
34 the credits allowed all co-owner donors may not exceed the allowable credit.

35 E. If the allowable tax credit exceeds the taxes otherwise due under
36 this title on the claimant's income, or if there are no taxes due under this
37 title, the taxpayer may carry the amount of the claim not used to offset the
38 taxes under this title forward for not more than five consecutive taxable
39 years' income tax liability.

40 F. The credit under this section is in lieu of any deduction pursuant
41 to section 170 of the internal revenue code taken for state tax purposes.

42 G. On written request by the donee, the donor shall disclose in
43 writing to the donee the amount of the credit allowed pursuant to this
44 section with respect to the property received by the donee.

1 H. A school district or charter school may refuse the donation of any
2 property for purposes of this section.

3 I. If the donee is a school district:

4 1. The district shall notify the school facilities board established
5 by section 15-2001 and furnish the board with any information the board
6 requests regarding the donation. A school district shall not accept a
7 donation pursuant to this section unless the school facilities board has
8 reviewed the proposed donation and has issued a written determination that
9 the real property and improvements are suitable as a school site or as a
10 school. The school facilities board shall issue a determination that the
11 real property and improvements are not suitable as a school site or as a
12 school if the expenses that would be necessary to make the property suitable
13 as a school site or as a school exceed the value of the proposed donation.

14 2. The district may sell any donated property pursuant to section
15 15-342, but the proceeds from the sale shall only be used for capital
16 projects. The school facilities board shall withhold an amount that
17 corresponds to the amount of the proceeds from any monies that would
18 otherwise be due the school district from the school facilities board
19 pursuant to section 15-2041.

20 J. If the donee is a charter school:

21 1. The charter school shall:

22 (a) Immediately notify the sponsor of the charter school by certified
23 mail and shall furnish the sponsor with any information requested by the
24 sponsor regarding the donation during the ten year period after the
25 conveyance is recorded.

26 (b) Notify the sponsor by certified mail, and the sponsor shall notify
27 the state treasurer, in the event of the charter school's financial failure
28 or if the charter school:

29 (i) Fails to establish a charter school on the property within
30 forty-eight months after the conveyance is recorded.

31 (ii) Fails to provide instruction to pupils on the property within
32 forty-eight months after the conveyance is recorded.

33 (iii) Establishes a charter school on the property but subsequently
34 ceases to operate the charter school on the property for twenty-four
35 consecutive months or fails to provide instruction to pupils on the property
36 for twenty-four consecutive months.

37 2. The charter school, or a successor in interest, shall pay to the
38 state treasurer the amount of the credit allowed under this section, or if
39 that amount is unknown, the amount of the allowable credit under this
40 section, if any of the circumstances listed in paragraph 1, subdivision (b)
41 of this subsection ~~occur~~ OCCURS. If the amount is not paid within one year
42 after the treasurer receives notice under paragraph 1, subdivision (b) of
43 this subsection, a penalty and interest shall be added, determined pursuant
44 to title 42, chapter 1, article 3.

1 C. For each taxable year beginning on or after January 1, the
2 department shall adjust the dollar amounts prescribed by subsection A,
3 paragraphs 1 and 2 of this section according to the average annual change in
4 the metropolitan phoenix consumer price index published by the United States
5 bureau of labor statistics, except that the dollar amounts shall not be
6 revised downward below the amounts allowed in the prior taxable year. The
7 revised dollar amounts shall be raised to the nearest whole dollar.

8 D. If the allowable tax credit exceeds the taxes otherwise due under
9 this title on the claimant's income, or if there are no taxes due under this
10 title, the taxpayer may carry the amount of the claim not used to offset the
11 taxes under this title forward for not more than five consecutive taxable
12 years' income tax liability.

13 E. 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 F. The tax credit is not allowed if the taxpayer designates the
17 taxpayer's contribution to the school tuition organization for the direct
18 benefit of any dependent of the taxpayer or if the taxpayer designates a
19 student beneficiary as a condition of the taxpayer's contribution to the
20 school tuition organization. The tax credit is not allowed if the taxpayer,
21 with the intent to benefit the taxpayer's dependent, agrees with one or more
22 other taxpayers to designate each taxpayer's contribution to the school
23 tuition organization for the direct benefit of the other taxpayer's
24 dependent.

25 G. For the purposes of this section, a contribution, for which a
26 credit is claimed, that is made on or before the fifteenth day of the fourth
27 month following the close of the taxable year may be applied to either the
28 current or preceding taxable year and is considered to have been made on the
29 last day of that taxable year.

30 H. A taxpayer may not claim a credit under this section and also under
31 section 43-1089 with respect to the same contribution. If a taxpayer's
32 contribution to a school tuition organization exceeds the amount of the
33 credit allowed under section 43-1089, a taxpayer may claim a credit under
34 this section and also under section 43-1089. If a taxpayer's contribution to
35 a school tuition organization does not exceed the amount of the credit
36 allowed by section 43-1089, the contribution is considered to have been made
37 pursuant to section 43-1089.

38 Sec. 21. Section 43-1090, Arizona Revised Statutes, is amended to
39 read:

40 43-1090. Credit for solar hot water heater plumbing stub outs
41 and electric vehicle recharge outlets installed in
42 houses constructed by taxpayer

43 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
44 allowed against the taxes imposed by this title for costs incurred during the

1 taxable year of installing or including in one or more houses or dwelling
2 units located in this state and constructed by the taxpayer one or more:

3 1. Solar hot water plumbing stub outs. To qualify for the credit, the
4 stub out must:

5 (a) Include two insulated three-fourths inch copper pipes and at least
6 two pairs of wires for monitoring and control purposes that project from
7 the dwelling roof or other suitable location and that are connected to the
8 domestic hot water transport and storage system.

9 (b) Be located and configured to allow sufficient solar access and
10 exposure and to allow ready installation of solar water heating devices
11 without further expense or effort to reach, use or serve the domestic hot
12 water system of the house or dwelling UNIT.

13 2. Electric vehicle recharge outlets. To qualify for the credit, the
14 outlet must be connected to the utility system by a dedicated line that:

15 (a) Is capable of operating at normal secondary voltages.

16 (b) Meets applicable local building safety codes.

17 (c) Is commensurate and consistent with electric vehicle recharging
18 needs and methods.

19 B. The credit shall not exceed seventy-five dollars for each
20 installation for each separate house or dwelling unit.

21 C. The taxpayer may elect to transfer a credit under this section to a
22 purchaser or transferee of the house or dwelling unit. If the taxpayer
23 elects to transfer the credit, the taxpayer shall deliver to the purchaser or
24 transferee a written statement that the taxpayer has elected not to claim the
25 credit and that the purchaser or transferee may claim the credit, subject to
26 the conditions and limitations prescribed by this section.

27 D. If the allowable credit exceeds the taxes otherwise due under this
28 title on the claimant's income, or if there are no taxes due under this
29 title, the amount of the credit not used to offset taxes under this title may
30 be carried forward to the next five consecutive taxable years as a credit
31 against subsequent years' income tax liability.

32 E. Co-owners of a business, including partners in a partnership and
33 shareholders of an S corporation, as defined in section 1361 of the internal
34 revenue code, may each claim only the pro rata share of the credit allowed
35 under this section based on the ownership interest. The total of the credits
36 allowed all such owners may not exceed the amount that would have been
37 allowed a sole owner.

38 F. The credit allowed under this section is in lieu of any expenses
39 taken for installing solar stub outs or electric vehicle recharge outlets ~~to~~
40 ~~reach~~ IN COMPUTING Arizona taxable income.

41 Sec. 22. Section 43-1161, Arizona Revised Statutes, is amended to
42 read:

43 43-1161. Credit for new employment

44 A. For taxable years beginning from and after June 30, 2011 AND ENDING
45 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this

1 title for net increases in full-time employees residing in this state and
2 hired in qualified employment positions in this state as computed and
3 certified by the Arizona commerce authority pursuant to section 41-1525.

4 B. Subject to subsection F of this section, the amount of the credit
5 is equal to:

6 1. Three thousand dollars for each full-time employee hired in a
7 qualified employment position in the first year or partial year of
8 employment. Employees hired in the last ninety days of the taxable year are
9 excluded for that taxable year and are considered to be new employees in the
10 following taxable year.

11 2. Three thousand dollars for each full-time employee in a qualified
12 employment position for the full taxable year in the second year of
13 continuous employment.

14 3. Three thousand dollars for each full-time employee in a qualified
15 employment position for the full taxable year in the third year of continuous
16 employment.

17 C. The capital investment and the new qualified employment positions
18 requirements of section 41-1525, subsection B must be accomplished within
19 twelve months after the start of the required capital investment. No credit
20 may be claimed until both requirements are met. A business that meets the
21 requirements of section 41-1525, subsection B for a location is eligible to
22 claim first year credits for three years beginning with the taxable year in
23 which those requirements are completed. Employees hired at the location
24 before the beginning of the taxable year but during the twelve-month period
25 allowed in this subsection are considered to be new employees for the taxable
26 year in which all of those requirements are completed. The employees that
27 are considered to be new employees for the taxable year under this subsection
28 shall not be included in the average number of full-time employees during the
29 immediately preceding taxable year until the taxable year in which all of the
30 requirements of section 41-1525, subsection B are completed. An employee
31 working at a temporary work site in this state while the designated location
32 is under construction is considered to be working at the designated location
33 if all of the following occur:

34 1. The employee is hired after the start of the required investment at
35 the designated location.

36 2. The employee is hired to work at the designated location after it
37 is completed.

38 3. The payroll for the employees destined for the designated location
39 is segregated from other employees.

40 4. The employee is moved to the designated location within thirty days
41 after its completion.

42 D. To qualify for a credit under this section, the taxpayer and the
43 employment positions must meet the requirements prescribed by section
44 41-1525.

1 E. A credit is allowed for employment in the second and third year
2 only for qualified employment positions for which a credit was claimed and
3 allowed in the first year.

4 F. The net increase in the number of qualified employment positions is
5 the lesser of the total number of filled qualified employment positions
6 created at the designated location or locations during the taxable year or
7 the difference between the average number of full-time employees in this
8 state in the current taxable year and the average number of full-time
9 employees in this state during the immediately preceding taxable year. The
10 net increase in the number of qualified employment positions computed under
11 this subsection may not exceed the difference between the average number of
12 full-time employees in this state in the current taxable year and the average
13 number of full-time employees in this state during the immediately preceding
14 taxable year.

15 G. A taxpayer who claims a credit under section 43-1164.01 or 43-1167
16 shall not claim a credit under this section with respect to the same
17 employment positions.

18 H. If the allowable tax credit exceeds the income taxes otherwise due
19 on the claimant's income, or if there are no state income taxes due on the
20 claimant's income, the amount of the claim not used as an offset against the
21 income taxes may be carried forward as a tax credit against subsequent years'
22 income tax liability for a period not exceeding five taxable years.

23 I. Co-owners of a business, including corporate partners in a
24 partnership, may each claim only the pro rata share of the credit allowed
25 under this section based on the ownership interest. The total of the credits
26 allowed all such owners of the business may not exceed the amount that would
27 have been allowed for a sole owner of the business.

28 J. If the business is sold or changes ownership through
29 reorganization, stock purchase or merger, the new taxpayer may claim first
30 year credits only for the qualified employment positions that it created and
31 filled with an eligible employee after the purchase or reorganization was
32 complete. If a person purchases a taxpayer that had qualified for first or
33 second year credits or changes ownership through reorganization, stock
34 purchase or merger, the new taxpayer may claim the second or third year
35 credits if it meets other eligibility requirements of this section. Credits
36 for which a taxpayer qualified before the changes described in this
37 subsection are terminated and lost at the time the changes are implemented.

38 K. A failure to timely report and certify to the Arizona commerce
39 authority the information prescribed by section 41-1525, subsection E, and in
40 the manner prescribed by section 41-1525, subsection F disqualifies the
41 taxpayer from the credit under this section. The department shall require
42 written evidence of the timely report to the Arizona commerce authority.

43 L. A tax credit under this section is subject to recovery for a
44 violation described in section 41-1525, subsection H.

1 Sec. 23. Section 43-1164.03, Arizona Revised Statutes, is amended to
2 read:

3 43-1164.03. Renewable energy production tax credit; definitions

4 A. SUBJECT TO SUBSECTION B OF THIS SECTION, FOR TAXABLE YEARS ENDING
5 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
6 title for the production of electricity using renewable energy resources.

7 B. The taxpayer is eligible for the credit:

8 1. If the taxpayer holds title to a qualified energy generator that
9 first produces electricity from and after December 31, 2010 and before
10 January 1, 2021.

11 2. For ten consecutive calendar years beginning with the calendar year
12 in which the qualified energy generator begins producing electricity that is
13 transmitted through a transmission facility to a grid connection with a
14 public or private electric transmission or distribution utility system. That
15 same date applies with respect to that generator until the expiration of the
16 ten-year period regardless of whether the generator is sold to another
17 taxpayer or goes out of production before the expiration of the ten-year
18 period.

19 C. The credit authorized by this section is based on the electricity
20 that is generated by a qualified energy generator during a calendar year.
21 For a taxpayer that files on a fiscal year basis, the credit shall be claimed
22 on the return for the taxable year in which the calendar year ends.

23 D. Subject to subsection G of this section, the amount of the credit
24 is:

25 1. One cent per kilowatt-hour of the first two hundred thousand
26 megawatt-hours of electricity produced by a qualified energy generator in the
27 calendar year using a wind or biomass derived qualified energy resource.

28 2. The following amounts for electricity produced by a qualified
29 energy generator using a solar light derived or solar heat derived qualified
30 energy resource:

31 (a) Four cents per kilowatt-hour in the first calendar year in which
32 the qualified energy generator produces electricity.

33 (b) Four cents per kilowatt-hour in the second calendar year in which
34 the qualified energy generator produces electricity.

35 (c) Three and one-half cents per kilowatt-hour in the third calendar
36 year in which the qualified energy generator produces electricity.

37 (d) Three and one-half cents per kilowatt-hour in the fourth calendar
38 year in which the qualified energy generator produces electricity.

39 (e) Three cents per kilowatt-hour in the fifth calendar year in which
40 the qualified energy generator produces electricity.

41 (f) Three cents per kilowatt-hour in the sixth calendar year in which
42 the qualified energy generator produces electricity.

1 (g) Two cents per kilowatt-hour in the seventh calendar year in which
2 the qualified energy generator produces electricity.

3 (h) Two cents per kilowatt-hour in the eighth calendar year in which
4 the qualified energy generator produces electricity.

5 (i) One and one-half cents per kilowatt-hour in the ninth calendar
6 year in which the qualified energy generator produces electricity.

7 (j) One cent per kilowatt-hour in the tenth calendar year in which the
8 qualified energy generator produces electricity.

9 E. To qualify for the purposes of this section, an energy generator
10 may be located within one mile of an existing qualified energy generator only
11 if the owner of the energy generator or the owner's corporate affiliates are
12 not the owner of or the corporate affiliate of the owner of the existing
13 qualified energy generator.

14 F. To be eligible for the credit under this section, the taxpayer must
15 apply to the department, on a form prescribed by the department, for
16 certification of the credit. The department shall only accept applications
17 beginning January 2 through January 31 of the year following the calendar
18 year for which the credit is being requested. The application shall include:

19 1. The name, address and social security number or federal employer
20 identification number of the applicant.

21 2. The location of the taxpayer's facility that produces electricity
22 using renewable energy resources for which the credit is claimed.

23 3. The amount of the credit that is claimed.

24 4. The date the qualified energy generator began producing
25 commercially marketable amounts of electricity.

26 5. Any additional information that the department requires.

27 G. The department shall review each application under subsection F of
28 this section and certify to the taxpayer the amount of the credit that is
29 authorized. The amount of the credit for any calendar year shall not exceed
30 two million dollars per facility that produces electricity using renewable
31 energy resources. Credits are allowed under this section and section
32 43-1083.02 on a first come, first served basis. The department shall not
33 authorize tax credits under this section and section 43-1083.02 that exceed
34 in the aggregate a total of twenty million dollars for any calendar year.
35 The first time that a taxpayer submits a qualified application for a
36 qualified energy generator under subsection F of this section, the
37 department shall add the taxpayer's name to a credit authorization list that
38 is maintained in the order in which qualified applications are first received
39 by the department on behalf of the qualified energy generator. A taxpayer's
40 position on the credit authorization list shall be determined in the first
41 year the taxpayer submits an application under subsection F of this section
42 for the qualified energy generator. The taxpayer's position on the credit
43 authorization list for a particular qualified energy generator shall remain
44 unchanged for the ten years that are specified in subsection B, paragraph 2
45 of this section or until a year in which the taxpayer fails to submit a

1 timely application under subsection F of this section or otherwise fails to
2 comply with this section. If a taxpayer is removed from the credit
3 authorization list for a qualified energy generator, the taxpayer may
4 establish a new position on the credit authorization list in a subsequent
5 year by filing a timely application for a qualified energy generator that
6 qualifies for the credit. If an application is received that, if authorized,
7 would require the department to exceed the twenty million dollar limit, the
8 department shall grant the applicant only the remaining credit amount that
9 would not exceed the twenty million dollar limit. After the department
10 authorizes twenty million dollars in tax credits, the department shall deny
11 any subsequent applications that are received for that calendar year. The
12 department shall not authorize any additional tax credits that exceed the
13 twenty million dollar limit even if the amounts that have been certified to
14 any taxpayer were not claimed or a taxpayer otherwise fails to meet the
15 requirements to claim the additional credit.

16 H. Co-owners of a qualified energy generator, including corporate
17 partners in a partnership and members of a limited liability company, may
18 each claim the pro rata share of the credit allowed under this section based
19 on ownership interest. The total of the credits allowed all such owners of
20 the qualified energy generator may not exceed the amount that would have been
21 allowed for a sole owner of the generator.

22 I. If the allowable tax credit for a taxpayer exceeds the taxes
23 otherwise due under this title on the claimant's income, or if there are no
24 taxes due under this title, the amount of the claim not used to offset taxes
25 under this title may be carried forward for not more than five consecutive
26 taxable years as a credit against subsequent years' income tax liability.

27 J. The department shall adopt rules and publish and prescribe forms
28 and procedures as necessary to effectuate the purposes of this section.

29 K. For the purposes of this section:

30 1. "Biomass" means organic material that is available on a renewable
31 or recurring basis, including:

32 (a) Forest-related materials, including mill residues, logging
33 residues, forest thinnings, slash, brush, low-commercial value materials or
34 undesirable species, salt cedar and other phreatophyte or woody vegetation
35 removed from river basins or watersheds and woody material harvested for the
36 purpose of forest fire fuel reduction or forest health and watershed
37 improvement.

38 (b) Agricultural-related materials, including orchard trees, vineyard,
39 grain or crop residues, including straws and stover, aquatic plants and
40 agricultural processed coproducts and waste products, including fats, oils,
41 greases, whey and lactose.

42 (c) Animal waste, including manure and slaughterhouse and other
43 processing waste.

1 (d) Solid woody waste materials, including landscape or right-of-way
2 tree trimmings, rangeland maintenance residues, waste pallets, crates and
3 manufacturing, construction and demolition wood wastes, excluding
4 pressure-treated, chemically-treated or painted wood wastes and wood
5 contaminated with plastic.

6 (e) Crops and trees planted for the purpose of being used to produce
7 energy.

8 (f) Landfill gas, wastewater treatment gas and biosolids, including
9 organic waste byproducts generated during the wastewater treatment process.

10 2. "Qualified energy generator" means a facility that has at least
11 five megawatts generating capacity, that is located on land in this state
12 owned or leased by the taxpayer, that produces electricity using a qualified
13 energy resource and that sells that electricity to an unrelated entity,
14 unless the electricity is sold to a public service corporation.

15 3. "Qualified energy resource" means a resource that generates
16 electricity through the use of only the following energy sources:

17 (a) Solar light.

18 (b) Solar heat.

19 (c) Wind.

20 (d) Biomass.

21 Sec. 24. Section 43-1167, Arizona Revised Statutes, is amended to
22 read:

23 43-1167. Credit for increased employment in military reuse
24 zones; definition

25 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
26 allowed against the taxes imposed by this title for net increases in
27 employment by the taxpayer of full-time employees **WHO ARE** working in a
28 military reuse zone, established under title 41, chapter 10, article 3, and
29 who are primarily engaged in providing aviation or aerospace services or in
30 manufacturing, assembling or fabricating aviation or aerospace products. The
31 amount of the credit is a dollar amount allowed for each new employee,
32 determined as follows:

33 1. With respect to each employee other than a dislocated military base
34 employee:

35	1st year of employment	\$ 500
36	2nd year of employment	\$1,000
37	3rd year of employment	\$1,500
38	4th year of employment	\$2,000
39	5th year of employment	\$2,500

40 2. With respect to each dislocated military base employee:

41	1st year of employment	\$1,000
42	2nd year of employment	\$1,500
43	3rd year of employment	\$2,000
44	4th year of employment	\$2,500
45	5th year of employment	\$3,000

1 B. If the allowable tax credit exceeds the taxes otherwise due under
2 this title on the claimant's income, or if there are no taxes due under this
3 title, the amount of the claim not used to offset the taxes under this title
4 may be carried forward as a credit against subsequent years' income tax
5 liability for the period, not to exceed five taxable years, if the business
6 remains in the military reuse zone.

7 C. The net increase in the number of employees for purposes of this
8 section shall be determined by comparing the taxpayer's average employment in
9 the military reuse zone during the taxable year with the taxpayer's previous
10 year's fourth quarter employment in the zone, based on the taxpayer's report
11 to the department of economic security for unemployment insurance purposes
12 but considering only employment in the zone.

13 D. Co-owners of a business, including corporate partners in a
14 partnership, may each claim only the pro rata share of the credit allowed
15 under this section based on the ownership interest. The total of the credits
16 allowed all such owners may not exceed the amount that would have been
17 allowed for a sole owner of the business.

18 E. A credit is not allowed under this section with respect to an
19 employee whose place of employment is relocated by the taxpayer from a
20 location in this state to the military reuse zone unless the employee is
21 engaged in aviation or aerospace services or in manufacturing, assembling or
22 fabricating aviation or aerospace products and the taxpayer maintains at
23 least the same number of employees in this state but outside the zone.

24 F. A taxpayer who claims a credit under section 43-1161 or 43-1164.01
25 may not claim a credit under this section with respect to the same employees.

26 G. For the purposes of this section, "dislocated military base
27 employee" means a civilian who previously had permanent full-time civilian
28 employment on the military facility as of the date the closure of the
29 facility was finally determined under federal law, as certified by the
30 Arizona commerce authority.

31 Sec. 25. Section 43-1167.01, Arizona Revised Statutes, is amended to
32 read:

33 43-1167.01. Credit for employing national guard members

34 A. For taxable years beginning from and after December 31, 2005 AND
35 ENDING BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed
36 by this title for a taxpayer whose employee is a member of the Arizona
37 national guard if the employee is placed on active duty. The amount of the
38 credit is one thousand dollars for each employee who is placed on active duty
39 by the Arizona national guard.

40 B. To qualify for the credit:

41 1. The employee must be a member of the Arizona national guard who is
42 employed by the taxpayer in a full-time equivalent position when the employee
43 is placed on active duty.

1 2. Each member of the Arizona national guard who is employed must have
2 served during the taxable year on active duty for training that exceeds the
3 required annual training period, including any activation for federal or
4 state contingencies or emergencies.

5 C. If the allowable credit exceeds the taxes otherwise due under this
6 title on the claimant's income, or if there are no taxes due under this
7 title, the amount of the claim not used to offset taxes under this title may
8 be carried forward for not more than five consecutive taxable years as a
9 credit against subsequent years' income tax liability.

10 D. The credit under this section may be claimed only once by the
11 taxpayer in any taxable year with respect to each employee who is placed on
12 active duty by the Arizona national guard, but may be claimed again for that
13 employee in a subsequent taxable year if that employee remains on active duty
14 or is placed again on active duty in a subsequent taxable year.

15 E. Co-owners of a business, including corporate partners in a
16 partnership, may each claim only the pro rata share of the credit allowed
17 under this section based on the ownership interest. The total of the credits
18 allowed all such owners may not exceed the amount that would have been
19 allowed a sole owner.

20 Sec. 26. Section 43-1168, Arizona Revised Statutes, as amended by Laws
21 2012, chapter 3, section 54, is amended to read:

22 43-1168. Credit for increased research activity

23 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
24 allowed against the taxes imposed by this title in an amount determined
25 pursuant to section 41 of the internal revenue code, except that:

26 1. The amount of the credit is computed as follows:

27 (a) Add:

28 (i) The excess, if any, of the qualified research expenses for the
29 taxable year over the base amount as defined in section 41(c) of the internal
30 revenue code.

31 (ii) The basic research payments determined under section 41(e)(1)(A)
32 of the internal revenue code.

33 (b) If the sum computed under subdivision (a) OF THIS PARAGRAPH is two
34 million five hundred thousand dollars or less, the credit is equal to twenty
35 per cent of that amount.

36 (c) If the sum computed under subdivision (a) OF THIS PARAGRAPH is
37 over two million five hundred thousand dollars, the credit is equal to five
38 hundred thousand dollars plus eleven per cent of any amount exceeding two
39 million five hundred thousand dollars, except that:

40 (i) For taxable years beginning from and after December 31, 2000
41 through December 31, 2001, the credit shall not exceed one million five
42 hundred thousand dollars.

43 (ii) For taxable years beginning from and after December 31, 2001
44 through December 31, 2002, the credit shall not exceed two million five
45 hundred thousand dollars.

1 (d) For taxable years beginning from and after December 31, 2011 AND
2 ENDING BEFORE JANUARY 1, 2021, an additional credit amount is allowed if the
3 taxpayer made basic research payments during the taxable year to a university
4 under the jurisdiction of the Arizona board of regents. The additional
5 credit amount is equal to ten per cent of the excess, if any, of the basic
6 research payments over the qualified organization base period amount for the
7 taxable year. The department shall not allow credit amounts under this
8 subdivision and section 43-1074.01, subsection A, paragraph 1, subdivision
9 (c) that exceed, in the aggregate, a combined total of ten million dollars in
10 any calendar year. Subject to that limit, on application by the taxpayer,
11 the department shall certify credit amounts under this subdivision and
12 section 43-1074.01, subsection A, paragraph 1, subdivision (c) based on
13 priority placement established by the date that the taxpayer filed the
14 application. The additional credit amount under this subdivision shall not
15 exceed the amount allowed based on actual basic research payments or the
16 department's certification, whichever is less. If an application, if
17 certified in full, would exceed the ten million dollar limit, the department
18 shall certify only an amount within that limit. After the limit is attained,
19 the department shall deny any subsequent applications regardless of whether
20 other certified amounts are not actually claimed as a credit or other
21 taxpayers fail to qualify to actually claim certified amounts.
22 Notwithstanding subsections B and D of this section, any amount of the
23 additional credit under this subdivision that exceeds the taxes otherwise due
24 under this title is not refundable, but may be carried forward to the next
25 five consecutive taxable years. For the purposes of this subdivision, "basic
26 research payments" and "qualified organization base period amount" have the
27 same meanings prescribed by section 41(e) of the internal revenue code.

28 2. Qualified research includes only research conducted in this state,
29 including research conducted at a university in this state and paid for by
30 the taxpayer.

31 3. If two or more taxpayers, including corporate partners in a
32 partnership, share in the eligible expenses, each taxpayer is eligible to
33 receive a proportionate share of the credit.

34 4. The credit under this section applies only to expenses incurred
35 from and after December 31, 1993.

36 5. The termination provisions of section 41 of the internal revenue
37 code do not apply.

38 B. Except as provided by subsection D of this section, if the
39 allowable credit under this section exceeds the taxes otherwise due under
40 this title on the claimant's income, or if there are no taxes due under this
41 title, the amount of the credit not used to offset taxes may be carried
42 forward to the next fifteen consecutive taxable years. The amount of credit
43 carryforward from taxable years beginning from and after December 31, 2000
44 through December 31, 2002 that may be used under this subsection in any
45 taxable year may not exceed the taxpayer's tax liability under this title or

1 five hundred thousand dollars, whichever is less, minus the credit under this
2 section for the current taxable year's qualified research expenses. The
3 amount of credit carryforward from taxable years beginning from and after
4 December 31, 2002 that may be used under this subsection in any taxable year
5 may not exceed the taxpayer's tax liability under this title minus the credit
6 under this section for the current taxable year's qualified research
7 expenses. A taxpayer that carries forward any amount of credit under this
8 subsection may not thereafter claim a refund of any amount of the credit
9 under subsection D of this section.

10 C. If a taxpayer has qualified research expenses that are carried
11 forward from taxable years beginning before January 1, 2001, the amount of
12 the expenses carried forward shall be converted to a credit carryforward by
13 multiplying the amount of the qualified expenses carried forward by twenty
14 per cent. A credit carryforward determined under this subsection may be
15 carried forward to not more than fifteen years from the year in which the
16 expenses were incurred. The amount of credit carryforward from taxable years
17 beginning before January 1, 2001 that may be used under this subsection in
18 any taxable year may not exceed the taxpayer's tax liability under this title
19 or five hundred thousand dollars, whichever is less, minus the credit under
20 this section for the current taxable year's qualified research expenses. The
21 total amount of credit carryforward from taxable years beginning before
22 January 1, 2003 that may be used in any taxable year under subsection B and
23 this subsection may not exceed the taxpayer's tax liability under this title
24 or five hundred thousand dollars, whichever is less, minus the credit under
25 this section for the current taxable year's qualified research expenses.

26 D. For taxable years beginning from and after December 31, 2009, if a
27 taxpayer who claims a credit under this section employs fewer than one
28 hundred fifty persons in the taxpayer's trade or business and if the
29 allowable credit under this section exceeds the taxes otherwise due under
30 this title on the claimant's income, or if there are no taxes due under this
31 title, in lieu of carrying the excess amount of credit forward to subsequent
32 taxable years under subsection B of this section, the taxpayer may elect to
33 receive a refund as follows:

34 1. The taxpayer must apply to the Arizona commerce authority for
35 qualification for the refund pursuant to section 41-1507 and submit a copy of
36 the authority's certificate of qualification to the department of revenue
37 with the taxpayer's income tax return.

38 2. The amount of the refund is limited to seventy-five per cent of the
39 amount by which the allowable credit under this section exceeds the
40 taxpayer's tax liability under this title for the taxable year. The
41 remainder of the excess amount of the credit is waived.

42 3. The refund shall be paid in the manner prescribed by section
43 42-1118.

44 4. The refund is subject to setoff under section 42-1122.

1 5. If the department determines that a credit refunded pursuant to
2 this subsection is incorrect or invalid, the excess credit issued may be
3 treated as a tax deficiency pursuant to section 42-1108.

4 E. A taxpayer that claims a credit for increased research and
5 development activity under this section shall not claim a credit under
6 section 43-1164.02 for the same expenses.

7 Sec. 27. Section 43-1170, Arizona Revised Statutes, is amended to
8 read:

9 43-1170. Credit for pollution control equipment

10 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
11 allowed against the taxes imposed by this title for expenses that the
12 taxpayer incurred during the taxable year to purchase real or personal
13 property that is used in the taxpayer's trade or business in this state to
14 control or prevent pollution. The amount of the credit is equal to ten per
15 cent of the purchase price.

16 B. Property that qualifies for the credit under this section includes
17 that portion of a structure, building, installation, excavation, machine,
18 equipment or device and any attachment or addition to or reconstruction,
19 replacement or improvement of that property that is directly used,
20 constructed or installed in this state for the purpose of meeting or
21 exceeding rules or regulations adopted by the United States environmental
22 protection agency, the department of environmental quality or a political
23 subdivision of this state to prevent, monitor, control or reduce air, water
24 or land pollution that results from the taxpayer's direct operating
25 activities in conducting a trade or business in this state.

26 C. The credit allowed pursuant to this section does not apply to:

27 1. The purchase of any personal property that is attached to a motor
28 vehicle.

29 2. Any property that has a substantial use for a purpose other than
30 the purposes described in subsection B **OF THIS SECTION**.

31 3. Any portion of pollution control property that is included as a
32 standard and integral part of another property.

33 D. Amounts that qualify for a credit under this section must be
34 includible in the taxpayer's adjusted basis for the property. The adjusted
35 basis of any property with respect to which the taxpayer has claimed a credit
36 shall be reduced by the amount of credit claimed with respect to that
37 asset. This credit does not affect the deductibility for depreciation or
38 amortization of the remaining adjusted basis of the asset.

39 E. Co-owners of a business, including corporate partners in a
40 partnership, may each claim only the pro rata share of the credit allowed
41 under this section based on the ownership interest. The total of the credits
42 allowed all such owners may not exceed the amount that would have been
43 allowed a sole owner.

44 F. If the allowable tax credit exceeds the taxes otherwise due under
45 this title on the claimant's income, or if there are no taxes due under this

1 title, the taxpayer may carry the amount of the claim not used to offset the
2 taxes under this title forward for not more than five taxable years' income
3 tax liability.

4 G. The maximum credit that a taxpayer may claim under this section is
5 five hundred thousand dollars in a taxable year.

6 Sec. 28. Section 43-1170.01, Arizona Revised Statutes, is amended to
7 read:

8 43-1170.01. Credit for agricultural pollution control equipment

9 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
10 allowed against the taxes imposed by this title for expenses that a taxpayer,
11 involved in the commercial production of livestock, livestock products or
12 agricultural, horticultural, viticultural or floricultural crops or products,
13 incurred during the taxable year to purchase tangible personal property that
14 is primarily used in the taxpayer's trade or business in this state to
15 control or prevent pollution. The amount of the credit is equal to
16 twenty-five per cent of the cost of the real or personal property. The
17 maximum credit that a taxpayer may claim under this section is twenty-five
18 thousand dollars in a taxable year.

19 B. Property that qualifies for the credit under this section includes
20 the portion of a structure, building, installation, excavation, machine,
21 equipment or device and any attachment or addition to or reconstruction,
22 replacement or improvement of that property that is directly used,
23 constructed or installed in this state to prevent, monitor, control or reduce
24 air, water or land pollution.

25 C. Amounts that qualify for a credit under this section must be
26 includible in the taxpayer's adjusted basis for the property. The adjusted
27 basis of any property with respect to which the taxpayer has claimed a credit
28 shall be reduced by the amount of credit claimed with respect to that asset.
29 This credit does not affect the deductibility for depreciation or
30 amortization of the remaining adjusted basis of the asset.

31 D. Co-owners of a business, including corporate partners in a
32 partnership, may each claim only the pro rata share of the credit allowed
33 under this section based on the ownership interest. The total of the credits
34 allowed all such owners may not exceed the amount that would have been
35 allowed a sole owner.

36 E. If the allowable tax credit exceeds the taxes otherwise due under
37 this title on the claimant's income, or if there are no taxes due under this
38 title, the amount of the claim not used to offset the taxes under this title
39 may be carried forward to the next five consecutive taxable years as a credit
40 against subsequent years' income tax liability.

41 F. A taxpayer who claims a credit for pollution control equipment
42 under this section shall not claim a credit under section 43-1170 for the
43 same equipment or expense.

1 Sec. 29. Section 43-1175, Arizona Revised Statutes, is amended to
2 read:

3 43-1175. Credit for employment of temporary assistance for
4 needy families recipients

5 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
6 allowed against the taxes imposed by this title for net increases in
7 qualified employment by the taxpayer of recipients of temporary assistance
8 for needy families as defined in section 46-101 who are residents of this
9 state. The amount of the credit is equal to the sum of the following:

10 1. One-fourth of the taxable wages paid to each employee in qualified
11 employment positions, not to exceed five hundred dollars per qualified
12 employment position, in the first year or partial year of employment. Wages
13 that were subsidized as provided by section 46-299 shall not be included.

14 2. One-third of the taxable wages paid to each employee in qualified
15 employment positions, not to exceed one thousand dollars per qualified
16 employment position, in the second year of continuous employment. Wages that
17 were subsidized as provided by section 46-299 shall not be included.

18 3. One-half of the taxable wages paid to each employee in qualified
19 employment positions, not to exceed one thousand five hundred dollars per
20 qualified employment position, in the third year of continuous employment.
21 Wages that were subsidized as provided by section 46-299 shall not be
22 included.

23 B. The credit allowed in this section is in lieu of any wage expense
24 deduction taken for state tax purposes.

25 C. To qualify for a credit under this section:

26 1. All of the employees with respect to whom a credit is claimed must
27 reside in this state and must be recipients of temporary assistance for needy
28 families as defined in section 46-101 at the time the employee is hired.

29 2. A qualified employment position must meet all of the following
30 requirements:

31 (a) The position must be classified as full-time employment.

32 (b) The employment must include health insurance coverage for the
33 employee if the employer offers this coverage for employees who are not
34 recipients of temporary assistance for needy families.

35 (c) The employer must pay compensation at least equal to the minimum
36 wage or a wage comparable to that paid to employees who are not receiving
37 temporary assistance for needy families based on the employee's training,
38 skills and job classification.

39 (d) The employee must have been employed for at least ninety days
40 during the first taxable year. An employee who is hired during the last
41 ninety days of the taxable year shall be considered a new employee during the
42 next taxable year. Periods for which the employee's wages were subsidized as
43 provided by section 46-299 shall not be included as periods of employment.

44 (e) The employee was not employed by the taxpayer within twelve months
45 before the current date of hire.

1 (f) The employee position is not eligible for any other employment
2 credit pursuant to this title based on wages paid.

3 D. The net increase in the number of qualified employment positions
4 shall be determined by comparing the average number of qualified employment
5 positions during the taxable year with the immediately preceding taxable year
6 based on the taxpayer's report to the department of economic security for
7 unemployment purposes.

8 E. If the allowable tax credit exceeds the income taxes otherwise due
9 on the claimant's income, the amount of the claim not used as an offset
10 against income taxes may be carried forward as a tax credit against
11 subsequent years' income tax liability for the period, not to exceed five
12 consecutive taxable years.

13 F. Co-owners of a business, including corporate partners in a
14 partnership, may claim only the pro rata share of the credit allowed under
15 this section based on the ownership interest. The total of the credits
16 allowed all of the owners of the business may not exceed the amount that
17 would have been allowed for a sole owner of the business.

18 G. The department may adopt rules necessary for the administration of
19 this section.

20 Sec. 30. Section 43-1176, Arizona Revised Statutes, is amended to
21 read:

22 43-1176. Credit for solar hot water heater plumbing stub outs
23 and electric vehicle recharge outlets installed in
24 houses constructed by taxpayer

25 A. **FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021**, a credit is
26 allowed against the taxes imposed by this title for costs incurred during the
27 taxable year of installing or including in one or more houses or dwelling
28 units located in this state and constructed by the taxpayer one or more:

29 1. Solar hot water plumbing stub outs. To qualify for the credit the
30 stub out must:

31 (a) Include two insulated three-fourths inch copper pipes and at least
32 two pairs of wires for monitoring and control purposes that project from the
33 dwelling roof or other suitable location and that are connected to the
34 domestic hot water transport and storage system.

35 (b) Be located and configured to allow sufficient solar access and
36 exposure and to allow ready installation of solar water heating devices
37 without further expense or effort to reach, use or serve the domestic hot
38 water system of the house or dwelling **UNIT**.

39 2. Electric vehicle recharge outlets. To qualify for the credit, the
40 outlet must be connected to the utility system by a dedicated line that:

41 (a) Is capable of operating at normal secondary voltages.

42 (b) Meets applicable local building safety codes.

43 (c) Is commensurate and consistent with electric vehicle recharging
44 needs and methods.

1 B. The credit shall not exceed seventy-five dollars for each
2 installation for each separate house or dwelling unit.

3 C. The taxpayer may elect to transfer a credit under this section to a
4 purchaser or transferee of the house or dwelling unit. If the taxpayer
5 elects to transfer the credit, the taxpayer shall deliver to the purchaser or
6 transferee a written statement that the taxpayer has elected not to claim the
7 credit and that the purchaser or transferee may claim the credit, subject to
8 the conditions and limitations prescribed by this section.

9 D. If the allowable credit exceeds the taxes otherwise due under this
10 title on the claimant's income or if there are no taxes due under this title,
11 the amount of the credit not used to offset taxes under this title may be
12 carried forward to the next five consecutive taxable years as a credit
13 against subsequent years' income tax liability.

14 E. Co-owners of a business, including corporate partners in a
15 partnership, may each claim only the pro rata share of the credit allowed
16 under this section based on the ownership interest. The total of the credits
17 allowed all such owners may not exceed the amount that would have been
18 allowed a sole owner.

19 F. The credit allowed under this section is in lieu of any expenses
20 taken for installing solar stub outs or electric vehicle recharge outlets ~~to~~
21 ~~reach~~ IN COMPUTING Arizona taxable income.

22 Sec. 31. Section 43-1178, Arizona Revised Statutes, is amended to
23 read:

24 43-1178. Credit for taxes with respect to coal consumed in
25 generating electrical power

26 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
27 allowed against the taxes imposed by this title for a taxpayer that purchases
28 coal consumed in generating electrical power in this state. The credit is
29 equal to thirty per cent of the amount paid by the seller or purchaser as
30 transaction privilege or use tax with respect to the coal sold to the
31 taxpayer.

32 B. Co-owners of a business, including corporate partners in a
33 partnership, may claim only the pro rata share of the credit allowed under
34 this section based on the ownership interest. The total of the credits
35 allowed all of the owners of the business may not exceed the amount that
36 would have been allowed for a sole owner of the business.

37 C. If the allowable tax credit exceeds the taxes otherwise due under
38 this title on the claimant's income, or if there are no taxes due under this
39 title, the amount of the claim not used as an offset against income taxes may
40 be carried forward to the next five consecutive taxable years as a credit
41 against subsequent years' income tax liability.

42 D. The credit under this section is in lieu of any allowance for state
43 tax purposes for a deduction for the expenses allowed by the internal revenue
44 code.

1 Sec. 32. Section 43-1181, Arizona Revised Statutes, is amended to
2 read:

3 43-1181. Credit of donation of school site

4 A. FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2021, a credit is
5 allowed against the taxes imposed by this title in the amount of thirty per
6 cent of the value of real property and improvements donated by the taxpayer
7 to a school district or a charter school for use as a school or as a site for
8 the construction of a school.

9 B. To qualify for the credit:

10 1. The real property and improvements must be located in this state.

11 2. The real property and improvements must be conveyed unencumbered
12 and in fee simple except that:

13 (a) The conveyance must include as a deed restriction and protective
14 covenant running with title to the land the requirement that as long as the
15 donee holds title to the property the property shall only be used as a school
16 or as a site for the construction of a school, subject to subsection I or J
17 of this section.

18 (b) In the case of a donation to a charter school, the donor shall
19 record a lien on the property as provided by subsection J, paragraph 3 of
20 this section.

21 3. The conveyance shall not violate section 15-341, subsection D or
22 section 15-183, subsection U.

23 C. For the purposes of this section, the value of the donated property
24 is the property's fair market value as determined in an appraisal as defined
25 in section 32-3601 that is conducted by an independent party and that is paid
26 for by the donee.

27 D. If the property is donated by co-owners, including corporate
28 partners in a partnership, each donor may claim only the pro rata share of
29 the allowable credit under this section based on the ownership interest. The
30 total of the credits allowed all co-owner donors may not exceed the allowable
31 credit.

32 E. If the allowable tax credit exceeds the taxes otherwise due under
33 this title on the claimant's income, or if there are no taxes due under this
34 title, the taxpayer may carry the amount of the claim not used to offset the
35 taxes under this title forward for not more than five consecutive taxable
36 years' income tax liability.

37 F. The credit under this section is in lieu of any deduction pursuant
38 to section 170 of the internal revenue code taken for state tax purposes.

39 G. On written request by the donee, the donor shall disclose in
40 writing to the donee the amount of the credit allowed pursuant to this
41 section with respect to the property received by the donee.

42 H. A school district or charter school may refuse the donation of any
43 property for purposes of this section.

44 I. If the donee is a school district:

1 1. The district shall notify the school facilities board established
2 by section 15-2001 and furnish the board with any information the board
3 requests regarding the donation. A school district shall not accept a
4 donation pursuant to this section unless the school facilities board has
5 reviewed the proposed donation and has issued a written determination that
6 the real property and improvements are suitable as a school site or as a
7 school. The school facilities board shall issue a determination that the
8 real property and improvements are not suitable as a school site or as a
9 school if the expenses that would be necessary to make the property suitable
10 as a school site or as a school exceed the value of the proposed donation.

11 2. The district may sell any donated property pursuant to section
12 15-342, but the proceeds from the sale shall only be used for capital
13 projects. The school facilities board shall withhold an amount that
14 corresponds to the amount of the proceeds from any monies that would
15 otherwise be due the school district from the school facilities board
16 pursuant to section 15-2041.

17 J. If the donee is a charter school:

18 1. The charter school shall:

19 (a) Immediately notify the sponsor of the charter school by certified
20 mail and shall furnish the sponsor with any information requested by the
21 sponsor regarding the donation during the ten year period after the
22 conveyance is recorded.

23 (b) Notify the sponsor by certified mail, and the sponsor shall notify
24 the state treasurer, in the event of the charter school's financial failure
25 or if the charter school:

26 (i) Fails to establish a charter school on the property within
27 forty-eight months after the conveyance is recorded.

28 (ii) Fails to provide instruction to pupils on the property within
29 forty-eight months after the conveyance is recorded.

30 (iii) Establishes a charter school on the property but subsequently
31 ceases to operate the charter school on the property for twenty-four
32 consecutive months or fails to provide instruction to pupils on the property
33 for twenty-four consecutive months.

34 2. The charter school, or a successor in interest, shall pay to the
35 state treasurer the amount of the credit allowed under this section, or if
36 that amount is unknown, the amount of the allowable credit under this
37 section, if any of the circumstances listed in paragraph 1, subdivision (b)
38 of this subsection ~~occur~~ OCCURS. If the amount is not paid within one year
39 after the treasurer receives notice under paragraph 1, subdivision (b) of
40 this subsection, a penalty and interest shall be added, determined pursuant
41 to title 42, chapter 1, article 3.

42 3. A tax credit under this section constitutes a lien on the property,
43 which the donor must record along with the title to the property to qualify
44 for the credit. The amount of the lien is the amount of the allowable credit
45 under this section, adjusted according to the average change in the GDP price

1 deflator, as defined in section 41-563, for each calendar year since the
2 donation, but not exceeding twelve and one-half per cent more than the
3 allowable credit. The lien is subordinate to any liens securing the
4 financing of the school construction. The lien is extinguished on the
5 earliest of the following:

6 (a) Ten years after the lien is recorded. After that date, the
7 charter school, or a successor in interest, may request the state treasurer
8 to release the lien.

9 (b) On payment to the state treasurer by the donee charter school, or
10 by a successor in interest, of the amount of the allowable credit under this
11 section, either voluntarily or as required by paragraph 2 of this subsection.
12 After the required amount is paid, the charter school or successor in
13 interest may request the state treasurer to release the lien.

14 (c) On conveyance of fee simple title to the property to a school
15 district.

16 (d) On enforcement and satisfaction of the lien pursuant to paragraph
17 4 of this subsection.

18 4. The state treasurer shall enforce the lien by foreclosure within
19 one year after receiving notice of any of the circumstances described in
20 paragraph 1, subdivision (b) of this subsection.

21 5. Subject to paragraphs 3 and 4 of this subsection, the charter
22 school may sell any donated property.

23 Sec. 33. Section 43-1183, Arizona Revised Statutes, is amended to
24 read:

25 43-1183. Credit for contributions to school tuition
26 organization

27 A. Beginning from and after June 30, 2006 AND FOR TAXABLE YEARS ENDING
28 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
29 title for the amount of voluntary cash contributions made by the taxpayer
30 during the taxable year to a school tuition organization that is certified
31 pursuant to chapter 15 of this title at the time of donation.

32 B. The amount of the credit is the total amount of the taxpayer's
33 contributions for the taxable year under subsection A of this section and is
34 preapproved by the department of revenue pursuant to subsection D of this
35 section.

36 C. The department of revenue:

37 1. Shall not allow tax credits under this section and section
38 20-224.06 that exceed in the aggregate a combined total of ten million
39 dollars in any fiscal year. Beginning in fiscal year 2007-2008, the
40 aggregate dollar amount of the tax credit cap from the previous fiscal year
41 shall be annually increased by twenty per cent.

42 2. Shall preapprove tax credits under this section and section
43 20-224.06 subject to subsection D of this section.

44 3. Shall allow the tax credits under this section and section
45 20-224.06 on a first come, first served basis.

1 D. For the purposes of subsection C, paragraph 2 of this section,
2 before making a contribution to a school tuition organization, the taxpayer
3 under this title or title 20 must notify the school tuition organization of
4 the total amount of contributions that the taxpayer intends to make to the
5 school tuition organization. Before accepting the contribution, the school
6 tuition organization shall request preapproval from the department of revenue
7 for the taxpayer's intended contribution amount. The department of revenue
8 shall preapprove or deny the requested amount within twenty days after
9 receiving the request from the school tuition organization. If the
10 department of revenue preapproves the request, the school tuition
11 organization shall immediately notify the taxpayer, and the department of
12 insurance in the case of a credit under section 20-224.06, that the requested
13 amount was preapproved by the department of revenue. In order to receive a
14 tax credit under this subsection, the taxpayer shall make the contribution to
15 the school tuition organization within twenty days after receiving notice
16 from the school tuition organization that the requested amount was
17 preapproved. If the school tuition organization does not receive the
18 preapproved contribution from the taxpayer within the required twenty days,
19 the school tuition organization shall immediately notify the department of
20 revenue, and the department of insurance in the case of a credit under
21 section 20-224.06, and the department of revenue shall no longer include this
22 preapproved contribution amount when calculating the limit prescribed in
23 subsection C, paragraph 1 of this section.

24 E. If the allowable tax credit exceeds the taxes otherwise due under
25 this title on the claimant's income, or if there are no taxes due under this
26 title, the taxpayer may carry the amount of the claim not used to offset the
27 taxes under this title forward for not more than five consecutive taxable
28 years' income tax liability.

29 F. Co-owners of a business, including corporate partners in a
30 partnership, may each claim only the pro rata share of the credit allowed
31 under this section based on the ownership interest. The total of the credits
32 allowed all such owners may not exceed the amount that would have been
33 allowed a sole owner.

34 G. The credit allowed by this section is in lieu of any deduction
35 pursuant to section 170 of the internal revenue code and taken for state tax
36 purposes.

37 H. A taxpayer shall not claim a credit under this section and also
38 under section 43-1184 with respect to the same contribution.

39 I. The tax credit is not allowed if the taxpayer designates the
40 taxpayer's contribution to the school tuition organization for the direct
41 benefit of any specific student.

42 J. The department of revenue, with the cooperation of the department
43 of insurance, shall adopt rules and publish and prescribe forms and
44 procedures necessary for the administration of this section.

1 Sec. 34. Section 43-1184, Arizona Revised Statutes, is amended to
2 read:

3 43-1184. Credit for contributions to school tuition
4 organization; displaced students; students with
5 disabilities

6 A. Beginning from and after June 30, 2009 AND FOR TAXABLE YEARS ENDING
7 BEFORE JANUARY 1, 2021, a credit is allowed against the taxes imposed by this
8 title for the amount of voluntary cash contributions made by the taxpayer
9 during the taxable year to a school tuition organization that is certified
10 pursuant to chapter 15 of this title at the time of donation.

11 B. The amount of the credit is the total amount of the taxpayer's
12 contributions for the taxable year under subsection A of this section and is
13 preapproved by the department of revenue pursuant to subsection D of this
14 section.

15 C. The department of revenue:

16 1. Shall not allow tax credits under this section and section
17 20-224.07 that exceed in the aggregate a combined total of five million
18 dollars in any fiscal year.

19 2. Shall preapprove tax credits under this section and section
20 20-224.07 subject to subsection D of this section.

21 3. Shall allow the tax credits under this section and section
22 20-224.07 on a first come, first served basis.

23 D. For the purposes of subsection C, paragraph 2 of this section,
24 before making a contribution to a school tuition organization, the taxpayer
25 under this title or title 20 must notify the school tuition organization of
26 the total amount of contributions that the taxpayer intends to make to the
27 school tuition organization. Before accepting the contribution, the school
28 tuition organization shall request preapproval from the department of revenue
29 for the taxpayer's intended contribution amount. The department of revenue
30 shall preapprove or deny the requested amount within twenty days after
31 receiving the request from the school tuition organization. If the
32 department of revenue preapproves the request, the school tuition
33 organization shall immediately notify the taxpayer that the requested amount
34 was preapproved by the department of revenue. In order to receive a tax
35 credit under this subsection, the taxpayer shall make the contribution to the
36 school tuition organization within twenty days after receiving notice from
37 the school tuition organization that the requested amount was preapproved.
38 If the school tuition organization does not receive the preapproved
39 contribution from the taxpayer within the required twenty days, the school
40 tuition organization shall immediately notify the department of revenue and
41 the department shall no longer include this preapproved contribution amount
42 when calculating the limit prescribed in subsection C, paragraph 1 of this
43 section.

1 E. If the allowable tax credit exceeds the taxes otherwise due under
2 this title on the claimant's income, or if there are no taxes due under this
3 title, the taxpayer may carry the amount of the claim not used to offset the
4 taxes under this title forward for not more than five consecutive taxable
5 years' income tax liability.

6 F. Co-owners of a business, including corporate partners in a
7 partnership, may each claim only the pro rata share of the credit allowed
8 under this section based on the ownership interest. The total of the credits
9 allowed all such owners may not exceed the amount that would have been
10 allowed a sole owner.

11 G. The credit allowed by this section is in lieu of any deduction
12 pursuant to section 170 of the internal revenue code and taken for state tax
13 purposes.

14 H. A taxpayer shall not claim a credit under this section and also
15 under section 43-1183 with respect to the same contribution.

16 I. The tax credit is not allowed if the taxpayer designates the
17 taxpayer's contribution to the school tuition organization for the direct
18 benefit of any specific student.

19 J. The department of revenue shall adopt rules necessary for the
20 administration of this section.

21 Sec. 35. Effective date

22 A. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws
23 2012, chapter 3, section 47 and this act, is effective for taxable years
24 beginning from and after December 31, 2017.

25 B. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2012,
26 chapter 3, section 54 and this act, is effective for taxable years beginning
27 from and after December 31, 2017.

28 Sec. 36. Requirements for enactment: two-thirds vote

29 Pursuant to article IX, section 22, Constitution of Arizona, this act
30 is effective only on the affirmative vote of at least two-thirds of the
31 members of each house of the legislature and is effective immediately on the
32 signature of the governor or, if the governor vetoes this act, on the
33 subsequent affirmative vote of at least three-fourths of the members of each
34 house of the legislature.