

REFERENCE TITLE: tax credit; accounting services

State of Arizona
Senate
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2014

SB 1146

Introduced by
Senators Farley, Reagan: Tovar

AN ACT

AMENDING SECTIONS 43-222 AND 43-1021, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; PROVIDING FOR THE DELAYED REPEAL OF SECTION 43-1075, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 43-222. Income tax credit review schedule

5 The joint legislative income tax credit review committee shall review
6 the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087, 43-1088,
8 43-1090.01, 43-1167.01, 43-1175 and 43-1182.

9 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
10 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

11 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
12 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090,
13 43-1164, 43-1167, 43-1169, 43-1176 and 43-1181.

14 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
15 43-1170 and 43-1178.

16 5. For years ending in 4 and 9, sections 43-1075, 43-1076, 43-1076.01,
17 43-1081.01, 43-1083.01, 43-1084, 43-1162, 43-1162.01, 43-1164.01, 43-1170.01
18 and 43-1184 and, beginning in 2019, sections 43-1083.03 and 43-1164.04.

19 Sec. 2. Section 43-1021, Arizona Revised Statutes, is amended to read:

20 43-1021. Additions to Arizona gross income

21 In computing Arizona adjusted gross income, the following amounts shall
22 be added to Arizona gross income:

23 1. A beneficiary's share of the fiduciary adjustment to the extent
24 that the amount determined by section 43-1333 increases the beneficiary's
25 Arizona gross income.

26 2. An amount equal to the ordinary income portion of a lump sum
27 distribution that was excluded from federal adjusted gross income pursuant to
28 section 402(d) of the internal revenue code.

29 3. The amount of interest income received on obligations of any state,
30 territory or possession of the United States, or any political subdivision
31 thereof, located outside the state of Arizona, reduced, for tax years
32 beginning from and after December 31, 1996, by the amount of any interest on
33 indebtedness and other related expenses that were incurred or continued to
34 purchase or carry those obligations and that are not otherwise deducted or
35 subtracted in arriving at Arizona gross income.

36 4. Annuity income received during the taxable year to the extent that
37 the sum of the proceeds received from such annuity in all taxable years prior
38 to and including the current taxable year exceeds the total consideration and
39 premiums paid by the taxpayer. This paragraph applies only to those
40 annuities with respect to which the first payment was received prior to
41 December 31, 1978.

42 5. The excess of a partner's share of partnership taxable income
43 required to be included under chapter 14, article 2 of this title over the
44 income required to be reported under section 702(a)(8) of the internal
45 revenue code.

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

4 7. The amount by which the adjusted basis of property described in
5 this paragraph and computed pursuant to the internal revenue code exceeds the
6 adjusted basis of such property computed pursuant to this title and the
7 income tax act of 1954, as amended. This paragraph shall apply to all
8 property that is held for the production of income and that is sold or
9 otherwise disposed of during the taxable year, except depreciable property
10 used in a trade or business.

11 8. The amount of depreciation or amortization of costs of any capital
12 investment that is deducted pursuant to section 167 or 179 of the internal
13 revenue code by a qualified defense contractor with respect to which an
14 election is made to amortize pursuant to section 43-1024.

15 9. The amount of gain from the sale or other disposition of a capital
16 investment that a qualified defense contractor has elected to amortize
17 pursuant to section 43-1024.

18 10. Amounts withdrawn from the Arizona state retirement system, the
19 corrections officer retirement plan, the public safety personnel retirement
20 system, the elected officials' retirement plan or a county or city retirement
21 plan by an employee on termination of employment before retirement to the
22 extent they were deducted in arriving at Arizona taxable income in any year.

23 11. That portion of the net operating loss included in federal adjusted
24 gross income that has already been taken as a net operating loss for Arizona
25 purposes or that is separately taken as a subtraction under the special net
26 operating loss transition rule.

27 12. Any nonitemized amount deducted pursuant to section 170 of the
28 internal revenue code representing contributions to an educational
29 institution that denies admission, enrollment or board and room
30 accommodations on the basis of race, color or ethnic background except those
31 institutions primarily established for the education of American Indians.

32 13. Amounts withdrawn from a medical savings account by the individual
33 during the taxable year computed pursuant to section 220(f) of the internal
34 revenue code and not included in federal adjusted gross income.

35 14. Any amount of agricultural water conservation expenses that were
36 deducted pursuant to the internal revenue code for which a credit is claimed
37 under section 43-1084.

38 15. The amount by which the depreciation or amortization computed under
39 the internal revenue code with respect to property for which a credit was
40 taken under section 43-1080 exceeds the amount of depreciation or
41 amortization computed pursuant to the internal revenue code on the Arizona
42 adjusted basis of the property.

43 16. The amount by which the adjusted basis computed under the internal
44 revenue code with respect to property for which a credit was claimed under
45 section 43-1080 and that is sold or otherwise disposed of during the taxable

1 year exceeds the adjusted basis of the property computed under section
2 43-1080.

3 17. The amount by which the depreciation or amortization computed under
4 the internal revenue code with respect to property for which a credit was
5 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
6 depreciation or amortization computed pursuant to the internal revenue code
7 on the Arizona adjusted basis of the property.

8 18. The amount by which the adjusted basis computed under the internal
9 revenue code with respect to property for which a credit was claimed under
10 section 43-1074.02, 43-1081 or 43-1081.01 and that is sold or otherwise
11 disposed of during the taxable year exceeds the adjusted basis of the
12 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
13 applicable.

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

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

21 21. Any amount deducted pursuant to section 170 of the internal revenue
22 code representing contributions to a school tuition organization or a public
23 school for which a credit is claimed under section 43-1089, 43-1089.01 or
24 43-1089.03.

25 22. Any amount deducted in computing Arizona gross income as expenses
26 for installing solar stub outs or electric vehicle recharge outlets in this
27 state with respect to which a credit is claimed pursuant to section 43-1090.

28 23. Any wage expenses deducted pursuant to the internal revenue code
29 for which a credit is claimed under section 43-1087 and representing net
30 increases in qualified employment positions for employment of temporary
31 assistance for needy families recipients.

32 24. Any amount deducted for conveying ownership or development rights
33 of property to an agricultural preservation district under section 48-5702
34 for which a credit is claimed under section 43-1081.02.

35 25. The amount of any depreciation allowance allowed pursuant to
36 section 167(a) of the internal revenue code to the extent not previously
37 added.

38 26. With respect to property for which an expense deduction was taken
39 pursuant to section 179 of the internal revenue code in a taxable year
40 beginning before January 1, 2013, the amount in excess of twenty-five
41 thousand dollars.

42 27. The amount by which the depreciation or amortization computed under
43 the internal revenue code with respect to property for which a credit was
44 taken under section 43-1090.01 exceeds the amount of depreciation or

1 amortization computed pursuant to the internal revenue code on the Arizona
2 adjusted basis of the property.

3 28. The amount by which the adjusted basis computed under the internal
4 revenue code with respect to property for which a credit was claimed under
5 section 43-1090.01 and that is sold or otherwise disposed of during the
6 taxable year exceeds the adjusted basis of the property computed under
7 section 43-1090.01.

8 29. The amount of a nonqualified withdrawal, as defined in section
9 15-1871, from a college savings plan established pursuant to section 529 of
10 the internal revenue code that is made to a distributee to the extent the
11 amount is not included in computing federal adjusted gross income, except
12 that the amount added under this paragraph shall not exceed the difference
13 between the amount subtracted under section 43-1022 in prior taxable years
14 and the amount added under this section in any prior taxable years.

15 30. The amount of unemployment compensation that is excluded from
16 federal adjusted gross income pursuant to section 85(c) of the internal
17 revenue code as added by section 1007 of the American recovery and
18 reinvestment act of 2009 (P.L. 111-5).

19 31. The amount of discharge of indebtedness income that is deferred and
20 excluded from the computation of federal adjusted gross income or federal
21 taxable income in the current taxable year pursuant to section 108(i) of the
22 internal revenue code as added by section 1231 of the American recovery and
23 reinvestment act of 2009 (P.L. 111-5).

24 32. The amount of any previously deferred original issue discount that
25 was deducted in computing federal adjusted gross income or federal taxable
26 income in the current year pursuant to section 108(i) of the internal revenue
27 code as added by section 1231 of the American recovery and reinvestment act
28 of 2009 (P.L. 111-5), to the extent that the amount was previously subtracted
29 from Arizona gross income pursuant to section 43-1022, paragraph 31.

30 33. For taxable years beginning from and after December 31, 2011
31 through December 31, 2014, the amount of any deduction that is claimed in
32 computing federal adjusted gross income for health insurance premiums or
33 contributions to a health savings account for which a credit is claimed under
34 section 43-1087.01 or 43-1185.

35 34. THE AMOUNT OF EXPENSES FOR PROFESSIONAL ACCOUNTING OR BOOKKEEPING
36 SERVICES DEDUCTED PURSUANT TO THE INTERNAL REVENUE CODE FOR WHICH A CREDIT IS
37 CLAIMED UNDER SECTION 43-1075.

38 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
39 amended by adding section 43-1075, to read:

40 43-1075. Credit for accounting or bookkeeping services;
41 definition

42 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014
43 THROUGH DECEMBER 31, 2019, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY
44 THIS TITLE FOR NOT MORE THAN FIFTY PER CENT OF THE AMOUNT OF ANY EXPENSES FOR
45 PROFESSIONAL ACCOUNTING OR BOOKKEEPING SERVICES INCURRED BY A QUALIFIED

1 TAXPAYER. THE AMOUNT OF THE CREDIT SHALL NOT EXCEED FIVE HUNDRED DOLLARS IN
2 ANY TAXABLE YEAR.

3 B. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN
4 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF
5 THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED FOR A JOINT RETURN.

6 C. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED TAXPAYER" MEANS A
7 TAXPAYER WHO FOR THE TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED REPORTS THE
8 INCOME OR LOSS FROM A BUSINESS OPERATED OR PROFESSION PRACTICED AS A SOLE
9 PROPRIETOR ON SCHEDULE C ATTACHED TO THE TAXPAYER'S FEDERAL INCOME TAX RETURN
10 FILED WITH THE INTERNAL REVENUE SERVICE.

11 Sec. 4. Delayed repeal

12 Section 43-1075, Arizona Revised Statutes, as added by this act, is
13 repealed from and after December 31, 2019.

14 Sec. 5. Purpose

15 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
16 enacts section 43-1075, Arizona Revised Statutes, as added by this act, to
17 assist small businesses in this state by lessening the financial burden of
18 business expenses.