

REFERENCE TITLE: tax credit; new employment

State of Arizona
Senate
Fifty-first Legislature
Second Regular Session
2014

SB 1330

Introduced by
Senator Shooter

AN ACT

AMENDING SECTIONS 20-224.03, 41-1525, 43-222, 43-1074 AND 43-1161, ARIZONA
REVISED STATUTES; RELATING TO 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 20-224.03, Arizona Revised Statutes, is amended to
3 read:

4 20-224.03. Premium tax credit for new employment

5 A. For taxable years beginning from and after June 30, 2011 through
6 December 31, 2019, a credit is allowed against the premium tax liability
7 imposed pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07
8 for net increases in full-time employees residing in this state and hired in
9 qualified employment positions in this state as computed and certified by the
10 Arizona commerce authority pursuant to section 41-1525. A tax credit is not
11 allowed against the portion of the tax payable to the fire fighters' relief
12 and pension fund pursuant to section 20-224 or the portion of the tax payable
13 to the public safety personnel retirement system pursuant to section
14 20-224.01.

15 B. Subject to subsection F of this section, the amount of the tax
16 credit is equal to:

17 1. Three thousand dollars for each full-time employee hired in a
18 qualified employment position in the first year or partial year of
19 employment. Employees hired in the last ninety days of the taxable year are
20 excluded for that taxable year and are considered to be new employees in the
21 following taxable year.

22 2. Three thousand dollars for each full-time employee in a qualified
23 employment position for the full taxable year in the second year of
24 continuous employment.

25 3. Three thousand dollars for each full-time employee in a qualified
26 employment position for the full taxable year in the third year of continuous
27 employment.

28 C. The ~~capital investment and the new qualified employment positions~~
29 requirements of section 41-1525, subsection B must be accomplished within
30 twelve months ~~after the start of the required capital investment~~. No credit
31 UNDER SECTION 41-1525, SUBSECTION B, PARAGRAPH 2 may be claimed until both
32 requirements are met. A business that meets the requirements of section
33 41-1525, subsection B for a location is eligible to claim first year credits
34 for three years beginning with the taxable year in which those requirements
35 are completed. Employees hired at the location before the beginning of the
36 taxable year but during the twelve-month period allowed in this subsection
37 are considered to be new employees for the taxable year in which all of those
38 requirements are completed. The employees that are considered to be new
39 employees for the taxable year under this subsection shall not be included in
40 the average number of full-time employees during the immediately preceding
41 taxable year until the taxable year in which all of the requirements of
42 section 41-1525, subsection B are completed. An employee working at a
43 temporary work site in this state while the designated location is under
44 construction is considered to be working at the designated location if all of
45 the following occur:

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

3 2. The employee is hired to work at the designated location after it
4 is completed.

5 3. The payroll for the employees destined for the designated location
6 is segregated from other employees.

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

9 D. To qualify for a credit under this section, the insurer and the
10 employment positions must meet the requirements prescribed by section
11 41-1525.

12 E. A credit is allowed for employment in the second and third year
13 only for qualified employment positions for which a credit was claimed and
14 allowed in the first year.

15 F. The net increase in the number of qualified employment positions is
16 the lesser of the total number of filled qualified employment positions
17 created at the designated location or locations during the taxable year or
18 the difference between the average number of full-time employees in this
19 state in the current taxable year and the average number of full-time
20 employees in this state during the immediately preceding taxable year. The
21 net increase in the number of qualified employment positions computed under
22 this subsection may not exceed the difference between the average number of
23 full-time employees in this state in the current taxable year and the average
24 number of full-time employees in this state during the immediately preceding
25 taxable year.

26 G. A taxpayer who claims a credit under section 20-224.04 shall not
27 claim a credit under this section with respect to the same employment
28 positions.

29 H. If the allowable tax credit exceeds the state premium tax
30 liability, the amount of the claim not used as an offset against the state
31 premium tax liability may be carried forward as a tax credit against
32 subsequent years' state premium tax liability for a period not exceeding five
33 taxable years.

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

1 J. An insurer that claims a tax credit against state premium tax
2 liability is not required to pay any additional retaliatory tax imposed
3 pursuant to section 20-230 as a result of claiming that tax credit.

4 K. A failure to timely report and certify to the Arizona commerce
5 authority the information prescribed by section 41-1525, subsection E and in
6 the manner prescribed by section 41-1525, subsection F disqualifies the
7 insurer from the credit under this section. The department of insurance
8 shall require written evidence of the timely report to the Arizona commerce
9 authority.

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

12 M. The department may adopt rules necessary for the administration of
13 this section.

14 Sec. 2. Section 41-1525, Arizona Revised Statutes, is amended to read:
15 41-1525. Arizona quality jobs incentives; tax credits for new
16 employment; qualifications; definitions

17 A. The owner of a business located in this state before July 2017 is
18 eligible for income tax credits under section 43-1074 or 43-1161 or an
19 insurance premium tax credit under section 20-224.03 for net increases in
20 full-time employees residing in this state and hired in qualified employment
21 positions in this state.

22 B. To qualify under this section, and subject to preapproval by the
23 authority, the business must meet either of the following requirements for
24 each location of the business before it claims a first year tax credit for
25 the location:

26 1. Invest at least ~~five~~ THREE million dollars of capital investment
27 ~~and OR~~ create at least twenty-five new qualified employment positions at a
28 location within the exterior boundaries of a city or town that has a
29 population of fifty thousand persons or more and that is located in a county
30 that has a population of eight hundred thousand persons or more.

31 2. Invest at least one million dollars of capital investment and
32 create at least five qualified employment positions in any other location.

33 C. The ~~capital investment and the new qualified employment positions~~
34 requirements of subsection B of this section must be accomplished within
35 twelve months ~~after the start of the required capital investment~~. No credit
36 may be claimed UNDER SUBSECTION B, PARAGRAPH 2 OF THIS SECTION until both
37 requirements are met. A business that meets the requirements of subsection B
38 of this section for a location is eligible to claim first year credits for
39 three years beginning with the taxable year in which those requirements are
40 completed. Employees hired at the location before the beginning of the
41 taxable year but during the twelve-month period allowed in this subsection
42 are considered to be new employees for the taxable year in which all of those
43 requirements are completed. The employees that are considered to be new
44 employees for the taxable year under this subsection shall not be included in
45 the average number of full-time employees during the immediately preceding

1 taxable year until the taxable year in which all of the requirements of
2 subsection B of this section are completed. An employee working at a
3 temporary work site in this state while the designated location is under
4 construction is considered to be working at the designated location if all of
5 the following occur:

6 1. The employee is hired after the start of the required investment at
7 the designated location.

8 2. The employee is hired to work at the designated location after it
9 is completed.

10 3. The payroll for the employees destined for the designated location
11 is segregated from other employees.

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

14 D. No more than ten thousand new jobs for all employers qualify for
15 first year credits each year.

16 E. To claim a tax credit, the business must:

17 1. Obtain preapproval from the authority at a time, on a form and in a
18 manner prescribed by the authority. Preapproval shall cover all first year
19 credits intended to be claimed for the designated location and all second and
20 third year credits associated with those first year credits.

21 2. Certify to the department of revenue or the department of
22 insurance, as applicable, on or before the due date of the tax return,
23 including any extensions for the year for which the credit is claimed, in a
24 form prescribed by the department, including electronic media, information
25 that the department may require, including the ownership interests of
26 co-owners of the business if the business is a partnership, limited liability
27 company or an S corporation, and the following information for each employee
28 in the designated location:

29 (a) The date of initial employment.

30 (b) The number of hours worked during the year.

31 (c) Whether the position was full-time.

32 (d) The employee's annual compensation.

33 (e) The total cost of health insurance for the employee and the cost
34 paid by the employer.

35 (f) Other information required by the department.

36 3. Report and certify to the authority the following information, and
37 provide supporting documentation, on a form and in a manner approved by the
38 authority, and as specified in subsection F of this section, for each year in
39 which the taxpayer earned and claimed or used credits or is carrying forward
40 amounts from previously earned and claimed credits:

41 (a) The business name and mailing address and any other contact
42 information requested by the authority.

43 (b) The physical address of the business location or locations and the
44 number of employees qualified for the credit at each location.

1 (c) The average hourly wage and the total amount of compensation paid
2 to employees qualified for the credit and for all employees.

3 (d) The total number of qualified employment positions and the amount
4 of income tax or premium tax credits qualified for in the taxable year.

5 (e) The estimated amount of tax credits to be used in the taxable year
6 to offset tax liability.

7 (f) The estimated amount of tax credits to be available for
8 carryforward in the taxable year and the year in which the credits expire.

9 (g) The number of jobs and the amount of credits earned and claimed on
10 the prior year's tax return.

11 (h) The amount of credits used to offset tax liabilities on the prior
12 year's tax return.

13 (i) The amount of credits available for carryforward as reported on
14 the prior year's tax return and the year the credits expire.

15 (j) Capital investment made during the taxable year and the preceding
16 taxable year.

17 (k) Other information necessary for the management and reporting of
18 the incentives under this section.

19 4. For any year in which the taxpayer is claiming first year credits,
20 report and certify the following additional information and provide
21 supporting documentation to the authority on a form and in a manner approved
22 by the authority, and as specified in subsection F of this section:

23 (a) That the net increase in the number of qualified employment
24 positions for which credit is sought is the least of:

25 (i) The total number of filled qualified employment positions created
26 at the designated location or locations during the taxable year.

27 (ii) The difference between the average number of full-time employees
28 in this state in the current taxable year and the average number of full-time
29 employees in this state during the immediately preceding taxable year.

30 (b) That all employees filling a qualified employment position were
31 employed for at least ninety days during the first taxable year. Employees
32 hired in the last ninety days of the taxable year are excluded for that
33 taxable year and are considered to be new employees in the following taxable
34 year.

35 (c) That none of the employees filling qualified employment positions
36 were employed by the taxpayer during the twelve months before the current
37 date of hire except for those relocating to this state.

38 (d) That all employees for whom second and third year credits are
39 claimed are in qualified employment positions for which first year credits
40 were allowed and claimed by the taxpayer on the original first and second
41 year tax returns.

42 (e) That all employees for whom credits are taken performed their job
43 duties primarily at the designated locations of the business.

44 F. To qualify for first year credits, the report and certification
45 prescribed by subsection E, paragraphs 3 and 4 of this section must be filed

1 with the authority by the earlier of six months after the end of the taxable
2 year in which the qualified employment positions were created or by the date
3 the tax return is filed for the taxable year in which the qualified
4 employment positions were created. To qualify for second year credits, the
5 report and certification prescribed by subsection E, paragraph 3 of this
6 section must be filed with the authority by the earlier of six months after
7 the end of the taxable year or the date the tax return is filed for the
8 taxable year in which the second year credits are allowable. To qualify for
9 third year credits, the report and certification prescribed by subsection E,
10 paragraph 3 of this section must be filed with the authority by the earlier
11 of six months after the end of the taxable year or the date the tax return is
12 filed for the taxable year in which the third year credits are allowable.

13 G. Any information submitted to the authority under subsection E,
14 paragraph 3, subdivisions (e) through (j) of this section is exempt from
15 title 39, chapter 1, article 2 and considered to be confidential and is not
16 subject to disclosure except:

17 1. To the extent that the person or organization that provided the
18 information consents to the disclosure.

19 2. To the department of revenue for use in tax administration.

20 H. Documents filed with the authority, the department of insurance and
21 the department of revenue under subsection E of this section shall contain
22 either a sworn statement or certification, signed by an officer of the
23 company under penalty of perjury, that the information contained is true and
24 correct according to the best belief and knowledge of the person submitting
25 the information after a reasonable investigation of the facts. If the
26 document contains information that is materially false, the taxpayer is
27 ineligible for the tax credits described under subsection A of this section
28 and is subject to recovery of the amount of tax credits allowed in preceding
29 taxable years based on the false information, plus penalties and interest.

30 I. The authority may make site visits to a taxpayer's facilities if it
31 is necessary to further document or clarify reported information. The
32 taxpayer must freely provide the access.

33 J. The authority by rule shall prescribe preapproval requirements and
34 additional reporting requirements for taxpayers who claim tax credits
35 pursuant to this section.

36 K. On or before September 30 of each year, the authority shall
37 transmit a report to the governor, the president of the senate, the speaker
38 of the house of representatives and the chairpersons of the senate finance
39 committee and the house of representatives ways and means committee and
40 provide a copy of the report to the secretary of state. The report shall
41 include the following information:

42 1. The business names, locations, number of employees and amount of
43 compensation paid to employees qualifying for income tax credits as reported
44 to the authority.

1 2. The amount of capital investment, made during the preceding fiscal
2 year and cumulatively.

3 3. The total amount of income tax credits allowed for the preceding
4 taxable year and the number of qualified employment positions for which
5 credits were claimed pursuant to sections 43-1074 and 43-1161.

6 L. For the purposes of this section:

7 1. "Capital investment" means an expenditure to acquire, lease or
8 improve property that is used in operating a business, including:

9 (a) Land, buildings, machinery and fixtures.

10 (b) For taxable years beginning from and after June 30, 2011,
11 equipment.

12 2. "Designated location" means the location at which the required
13 capital investment is made under subsection B of this section.

14 3. "Location" means a single parcel or contiguous parcels of owned or
15 leased land in this state, the structures and personal property contained on
16 the land or any part of the structures occupied by the owner. Parcels that
17 are separated only by a public thoroughfare or right-of-way are considered to
18 be contiguous but parcels that are in locations respectively described by
19 subsection B, paragraphs 1 and 2 of this section are not considered to be
20 contiguous.

21 4. "Qualified employment position" means employment that meets the
22 following requirements:

23 (a) The position consists of at least one thousand seven hundred fifty
24 hours per year of full-time permanent employment.

25 (b) The job duties are performed primarily at the location or
26 locations of the business in this state.

27 (c) The employment provides health insurance coverage for the employee
28 for which the employer pays at least sixty-five per cent of the premium or
29 membership cost. If the business is self-insured, the employer pays at least
30 sixty-five per cent of a predetermined fixed cost per employee for an
31 insurance program that is payable whether or not the employee has filed
32 claims.

33 (d) The employer pays compensation at least equal to the median wage
34 by county as computed annually by the authority.

35 Sec. 3. Section 43-222, Arizona Revised Statutes, is amended to read:

36 43-222. Income tax credit review schedule

37 The joint legislative income tax credit review committee shall review
38 the following income tax credits:

39 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087, 43-1088,
40 43-1090.01, 43-1167.01, 43-1175 and 43-1182.

41 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
42 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

43 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
44 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090,
45 43-1164, 43-1167, 43-1169, 43-1176 and 43-1181.

1 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
2 43-1170 and 43-1178.

3 5. For years ending in 4 and 9, sections 43-1074, 43-1076, 43-1076.01,
4 43-1081.01, 43-1083.01, 43-1084, 43-1161, 43-1162, 43-1162.01, 43-1164.01,
5 43-1170.01 and 43-1184 and, beginning in 2019, sections 43-1083.03 and
6 43-1164.04.

7 Sec. 4. Section 43-1074, Arizona Revised Statutes, is amended to read:
8 43-1074. Credit for new employment

9 A. For taxable years beginning from and after June 30, 2011, a credit
10 is allowed against the taxes imposed by this title for net increases in
11 full-time employees residing in this state and hired in qualified employment
12 positions in this state as computed and certified by the Arizona commerce
13 authority pursuant to section 41-1525.

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

16 1. Three thousand dollars for each full-time employee hired in a
17 qualified employment position in the first year or partial year of
18 employment. Employees hired in the last ninety days of the taxable year are
19 excluded for that taxable year and are considered to be new employees in the
20 following taxable year.

21 2. Three thousand dollars for each full-time employee in a qualified
22 employment position for the full taxable year in the second year of
23 continuous employment.

24 3. Three thousand dollars for each full-time employee in a qualified
25 employment position for the full taxable year in the third year of continuous
26 employment.

27 C. The ~~capital investment and the new qualified employment positions~~
28 requirements of section 41-1525, subsection B must be accomplished within
29 twelve months ~~after the start of the required capital investment~~. No credit
30 UNDER SECTION 41-1525, SUBSECTION B, PARAGRAPH 2 may be claimed until both
31 requirements are met. A business that meets the requirements of section
32 41-1525, subsection B for a location is eligible to claim first year credits
33 for three years beginning with the taxable year in which those requirements
34 are completed. Employees hired at the location before the beginning of the
35 taxable year but during the twelve-month period allowed in this subsection
36 are considered to be new employees for the taxable year in which all of those
37 requirements are completed. The employees that are considered to be new
38 employees for the taxable year under this subsection shall not be included in
39 the average number of full-time employees during the immediately preceding
40 taxable year until the taxable year in which all of the requirements of
41 section 41-1525, subsection B are completed. An employee working at a
42 temporary work site in this state while the designated location is under
43 construction is considered to be working at the designated location if all of
44 the following occur:

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

3 2. The employee is hired to work at the designated location after it
4 is completed.

5 3. The payroll for the employees destined for the designated location
6 is segregated from other employees.

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

9 D. To qualify for a credit under this section, the taxpayer and the
10 employment positions must meet the requirements prescribed by section
11 41-1525.

12 E. A credit is allowed for employment in the second and third year
13 only for qualified employment positions for which a credit was claimed and
14 allowed in the first year.

15 F. The net increase in the number of qualified employment positions is
16 the lesser of the total number of filled qualified employment positions
17 created at the designated location or locations during the taxable year or
18 the difference between the average number of full-time employees in this
19 state in the current taxable year and the average number of full-time
20 employees in this state during the immediately preceding taxable year. The
21 net increase in the number of qualified employment positions computed under
22 this subsection may not exceed the difference between the average number of
23 full-time employees in this state in the current taxable year and the average
24 number of full-time employees in this state during the immediately preceding
25 taxable year.

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

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

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

40 J. If the business is sold or changes ownership through
41 reorganization, stock purchase or merger, the new taxpayer may claim first
42 year credits only for the qualified employment positions that it created and
43 filled with an eligible employee after the purchase or reorganization was
44 complete. If a person purchases a taxpayer that had qualified for first or
45 second year credits or changes ownership through reorganization, stock

1 purchase or merger, the new taxpayer may claim the second or third year
2 credits if it meets other eligibility requirements of this section. Credits
3 for which a taxpayer qualified before the changes described in this
4 subsection are terminated and lost at the time the changes are implemented.

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

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

12 Sec. 5. Section 43-1161, Arizona Revised Statutes, is amended to read:
13 43-1161. Credit for new employment

14 A. For taxable years beginning from and after June 30, 2011, a credit
15 is allowed against the taxes imposed by this title for net increases in
16 full-time employees residing in this state and hired in qualified employment
17 positions in this state as computed and certified by the Arizona commerce
18 authority pursuant to section 41-1525.

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

21 1. Three thousand dollars for each full-time employee hired in a
22 qualified employment position in the first year or partial year of
23 employment. Employees hired in the last ninety days of the taxable year are
24 excluded for that taxable year and are considered to be new employees in the
25 following taxable year.

26 2. Three thousand dollars for each full-time employee in a qualified
27 employment position for the full taxable year in the second year of
28 continuous employment.

29 3. Three thousand dollars for each full-time employee in a qualified
30 employment position for the full taxable year in the third year of continuous
31 employment.

32 C. The ~~capital investment and the new qualified employment positions~~
33 requirements of section 41-1525, subsection B must be accomplished within
34 twelve months ~~after the start of the required capital investment~~. No credit
35 **UNDER SECTION 41-1525, SUBSECTION B, PARAGRAPH 2** may be claimed until both
36 requirements are met. A business that meets the requirements of section
37 41-1525, subsection B for a location is eligible to claim first year credits
38 for three years beginning with the taxable year in which those requirements
39 are completed. Employees hired at the location before the beginning of the
40 taxable year but during the twelve-month period allowed in this subsection
41 are considered to be new employees for the taxable year in which all of those
42 requirements are completed. The employees that are considered to be new
43 employees for the taxable year under this subsection shall not be included in
44 the average number of full-time employees during the immediately preceding
45 taxable year until the taxable year in which all of the requirements of

1 section 41-1525, subsection B are completed. An employee working at a
2 temporary work site in this state while the designated location is under
3 construction is considered to be working at the designated location if all of
4 the following occur:

5 1. The employee is hired after the start of the required investment at
6 the designated location.

7 2. The employee is hired to work at the designated location after it
8 is completed.

9 3. The payroll for the employees destined for the designated location
10 is segregated from other employees.

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

13 D. To qualify for a credit under this section, the taxpayer and the
14 employment positions must meet the requirements prescribed by section
15 41-1525.

16 E. A credit is allowed for employment in the second and third year
17 only for qualified employment positions for which a credit was claimed and
18 allowed in the first year.

19 F. The net increase in the number of qualified employment positions is
20 the lesser of the total number of filled qualified employment positions
21 created at the designated location or locations during the taxable year or
22 the difference between the average number of full-time employees in this
23 state in the current taxable year and the average number of full-time
24 employees in this state during the immediately preceding taxable year. The
25 net increase in the number of qualified employment positions computed under
26 this subsection may not exceed the difference between the average number of
27 full-time employees in this state in the current taxable year and the average
28 number of full-time employees in this state during the immediately preceding
29 taxable year.

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

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

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

43 J. If the business is sold or changes ownership through
44 reorganization, stock purchase or merger, the new taxpayer may claim first
45 year credits only for the qualified employment positions that it created and

1 filled with an eligible employee after the purchase or reorganization was
2 complete. If a person purchases a taxpayer that had qualified for first or
3 second year credits or changes ownership through reorganization, stock
4 purchase or merger, the new taxpayer may claim the second or third year
5 credits if it meets other eligibility requirements of this section. Credits
6 for which a taxpayer qualified before the changes described in this
7 subsection are terminated and lost at the time the changes are implemented.

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

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

15 Sec. 6. Retroactivity

16 This act applies retroactively to taxable years beginning from and
17 after June 30, 2011.