

PROPOSED AMENDMENT

SENATE AMENDMENTS TO S.B. 1060

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1022, Arizona Revised Statutes, is amended to  
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall  
6 be subtracted from Arizona gross income:

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

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

11 (a) The United States government service retirement and disability  
12 fund, ~~retired or retainer pay of the uniformed services of the United States,~~  
13 the United States foreign service retirement and disability system and any  
14 other retirement system or plan established by federal law.

15 (b) The Arizona state retirement system, the corrections officer  
16 retirement plan, the public safety personnel retirement system, the elected  
17 officials' retirement plan, an optional retirement program established by the  
18 Arizona board of regents under section 15-1628, an optional retirement  
19 program established by a community college district board under section  
20 15-1451 or a retirement plan established for employees of a county, city or  
21 town in this state.

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

25 4. The amount of any distributions from an individual retirement  
26 account as provided for in section 408 of the internal revenue code or from a  
27 qualified retirement plan of a self-employed individual as provided for in

1 section 401 of the internal revenue code to the extent that total adjustments  
2 made pursuant to this paragraph in all tax years do not exceed the total of  
3 all contributions made by the taxpayer to such plans before December 31,  
4 1975, which were included in computing Arizona taxable income.

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

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

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

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

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

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

25 11. The amount by which the adjusted basis of property described in  
26 this paragraph and computed pursuant to this title and the income tax act of  
27 1954, as amended, exceeds the adjusted basis of such property computed  
28 pursuant to the internal revenue code. This paragraph shall apply to all  
29 property that is held for the production of income and that is sold or  
30 otherwise disposed of during the taxable year other than depreciable property  
31 used in a trade or business.

1           12. The amount allowed by section 43-1024 for amortization, by a  
2 qualified defense contractor certified by the Arizona commerce authority  
3 under section 41-1508, of a capital investment for private commercial  
4 activities.

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

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

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

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

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

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

30           19. To the extent not already excluded from Arizona gross income under  
31 the internal revenue code, compensation received for active service as a  
32 member of the reserves, the national guard or the armed forces of the United

1 States, including compensation for service in a combat zone as determined  
2 under section 112 of the internal revenue code.

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

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

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

16 (a) An eligible individual may subtract:

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

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

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

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

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

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

8           26. The amount authorized by section 43-1030 relating to holocaust  
9 survivors.

10          27. For property placed in service:

11           (a) In taxable years beginning before December 31, 2012, an amount  
12 equal to the depreciation allowable pursuant to section 167(a) of the  
13 internal revenue code for the taxable year computed as if the election  
14 described in section 168(k)(2)(D)(iii) of the internal revenue code had been  
15 made for each applicable class of property in the year the property was  
16 placed in service.

17           (b) In taxable years beginning from and after December 31, 2012  
18 through December 31, 2013, an amount determined in the year the asset was  
19 placed in service based on the calculation in subdivision (a) of this  
20 paragraph. In the first taxable year beginning from and after December 31,  
21 2013, the taxpayer may elect to subtract the amount necessary to make the  
22 depreciation claimed to date for the purposes of this title the same as it  
23 would have been if subdivision (c) of this paragraph had applied for the  
24 entire time the asset was in service. Subdivision (c) of this paragraph  
25 applies for the remainder of the asset's life. If the taxpayer does not make  
26 the election under this subdivision, subdivision (a) of this paragraph  
27 applies for the remainder of the asset's life.

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

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

7           29. With respect to property for which an adjustment was made under  
8 section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of  
9 the adjustment pursuant to section 43-1021, paragraph 26 in the year in which  
10 the amount was adjusted under section 43-1021, paragraph 26 and in each of  
11 the following four years.

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

16           (a) Two thousand dollars for a single individual or a head of  
17 household.

18           (b) Four thousand dollars for a married couple filing a joint return.  
19 In the case of a husband and wife who file separate returns, the subtraction  
20 may be taken by either taxpayer or may be divided between them, but the total  
21 subtractions allowed both husband and wife shall not exceed four thousand  
22 dollars.

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

28           32. The amount of previously deferred discharge of indebtedness income  
29 that is included in the computation of federal adjusted gross income or  
30 federal taxable income in the current taxable year pursuant to section 108(i)  
31 of the internal revenue code as added by section 1231 of the American  
32 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the

1 amount was previously added to Arizona gross income pursuant to section  
2 43-1021, paragraph 31.

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

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

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

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

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

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

29 For the purposes of this paragraph, a transferee that receives an asset by  
30 gift or at the death of a transferor is considered to have acquired the asset  
31 when the asset was acquired by the transferor. If the date an asset is

1 acquired cannot be verified, a subtraction under this paragraph is not  
2 allowed.

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

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

10 38. BENEFITS, ANNUITIES AND PENSIONS IN AN AMOUNT TOTALING NOT MORE  
11 THAN THREE THOUSAND DOLLARS RECEIVED FROM RETIRED OR RETAINER PAY OF THE  
12 UNIFORMED SERVICES OF THE UNITED STATES. THE SUBTRACTION UNDER THIS  
13 PARAGRAPH IS IN LIEU OF THE SUBTRACTION ALLOWED UNDER PARAGRAPH 2,  
14 SUBDIVISION (a) OF THIS SECTION.

15 Sec. 2. Retroactivity

16 Section 43-1022, Arizona Revised Statutes, as amended by this act,  
17 applies retroactively to taxable years beginning from and after December  
18 31, 2014.”

19 Amend title to conform

SYLVIA ALLEN

2/13/15  
10:48 AM  
S: CS/lrs