

REFERENCE TITLE: optional individual flat income tax

State of Arizona  
House of Representatives  
Fifty-second Legislature  
Second Regular Session  
2016

# HB 2018

Introduced by  
Representative Stevens

## AN ACT

AMENDING SECTIONS 43-323, 43-1001, 43-1011 AND 43-1012, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2.1; AMENDING SECTIONS 43-1023, 43-1041, 43-1042 AND 43-1043, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 43-323, Arizona Revised Statutes, is amended to  
3 read:  
4 43-323. Place and form of filing returns  
5 A. All returns required by this title shall be in such A form as the  
6 department may from time to time prescribe and shall be filed with the  
7 department.  
8 B. The department shall prescribe a short form return for individual  
9 taxpayers who:  
10 1. Are eligible and elect to pay tax based on the optional tax tables  
11 pursuant to section 43-1012.  
12 2. Elect to claim the optional standard deduction pursuant to section  
13 43-1041.  
14 3. Elect not to file for credits against income tax liability other  
15 than those contained in sections 43-1072, 43-1072.01 and 43-1073.  
16 4. Are not required to add any income under section 43-1021 and do not  
17 elect any subtractions under section 43-1022, except for the exemptions  
18 allowed under section 43-1023.  
19 C. The department may provide a simplified return form for individual  
20 taxpayers who:  
21 1. Are eligible and elect to pay tax based on the optional tax tables  
22 pursuant to section 43-1012.  
23 2. Are residents for the full taxable year.  
24 3. File as single individuals or married couples filing joint returns  
25 under section 43-309.  
26 4. Are not sixty-five years of age or older or blind at the end of the  
27 taxable year.  
28 5. Claim no exemptions under section 43-1023 for the taxable year.  
29 6. Elect to claim the optional standard deduction under section  
30 43-1041.  
31 7. Are not required to add any income under section 43-1021 and do not  
32 elect to claim any subtractions under section 43-1022 or file for any credits  
33 under chapter 10, article 5 of this title, except the credits provided by  
34 sections 43-1072.01 and 43-1073.  
35 8. Do not elect to contribute a portion of any tax refund as provided  
36 by any provision of chapter 6, article 1 of this title. Notwithstanding any  
37 provision of chapter 6, article 1 of this title, a simplified return form  
38 under this subsection shall not include any space for the taxpayer to so  
39 contribute a portion of a refund.  
40 D. THE DEPARTMENT SHALL PRESCRIBE A SIMPLIFIED RETURN FORM FOR  
41 INDIVIDUAL TAXPAYERS WHO:  
42 1. ARE ELIGIBLE AND ELECT TO PAY TAX PURSUANT TO CHAPTER 10, ARTICLE  
43 2.1 OF THIS TITLE.  
44 2. ARE RESIDENTS FOR THE FULL TAXABLE YEAR.  
45 3. FILE AS SINGLE INDIVIDUALS.

1           4. CLAIM NO SUBTRACTIONS, EXEMPTIONS, DEDUCTIONS OR CREDITS UNDER  
2 CHAPTER 10, ARTICLES 3, 4 AND 5, EXCEPT AS ALLOWED BY SECTION 43-1015.02.

3           5. ARE NOT REQUIRED TO ADD ANY INCOME UNDER SECTION 43-1021, EXCEPT AS  
4 PROVIDED BY SECTION 43-1015.02.

5           ~~D.~~ E. The department shall prepare blank forms for the returns and  
6 shall distribute them throughout the state and furnish them upon application.  
7 Failure to receive or secure the form does not relieve any taxpayer from  
8 making any return required.

9           Sec. 2. Section 43-1001, Arizona Revised Statutes, is amended to read:

10          43-1001. Definitions

11          In this chapter, unless the context otherwise requires:

12          1. "Arizona adjusted gross income" of a resident individual means the  
13 individual's Arizona gross income subject to modifications specified in  
14 sections 43-1021 and 43-1022.

15          2. "Arizona gross income" of a resident individual means the  
16 individual's federal adjusted gross income for the taxable year, computed  
17 pursuant to the internal revenue code.

18          3. "Dependent" has the same meaning prescribed by section 152 of the  
19 internal revenue code.

20          4. "Federal adjusted gross income" of a resident individual means the  
21 individual's adjusted gross income computed pursuant to the internal revenue  
22 code.

23          5. "Head of household" has the same meaning prescribed by sections  
24 2(b) and 2(c) of the internal revenue code. Head of household includes an  
25 individual who meets the qualifications of a surviving spouse under section  
26 2(a) of the internal revenue code.

27          6. "Married person" means a married person on the last day of the  
28 taxable year subject to the rules in section 43-1002.

29          7. "Net income" means taxable income.

30          8. "Person" means an individual.

31          9. "Single person" means any person who is not married or who was  
32 legally separated on the last day of the person's taxable year.

33          10. "Spouse" means the wife or husband of the taxpayer.

34          11. "Taxable income" of a resident individual ~~shall be~~ MEANS Arizona  
35 adjusted gross income less the exemptions and deductions allowed in article 4  
36 of this chapter, EXCEPT AS PROVIDED BY ARTICLE 2.1 OF THIS CHAPTER.

37          12. "Taxpayer" means any person WHO IS subject to a tax imposed by  
38 this chapter.

39          Sec. 3. Section 43-1011, Arizona Revised Statutes, is amended to read:

40          43-1011. Taxes and tax rates

41          A. EXCEPT AS PROVIDED BY ARTICLE 2.1 OF THIS CHAPTER, there shall be  
42 levied, collected and paid for each taxable year on the entire taxable income  
43 of every resident of this state and on the entire taxable income of every  
44 nonresident that is derived from sources within this state taxes determined  
45 in the following manner:

1           1. For taxable years beginning from and after December 31, 1996  
2 through December 31, 1997:

3           (a) In the case of a single person or a married person filing  
4 separately:

5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 - \$10,000	2.90% of taxable income
7	\$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
8	\$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
9	\$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
10	\$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

11           (b) In the case of a married couple filing a joint return or a single  
12 person who is a head of a household:

13	<u>If taxable income is:</u>	<u>The tax is:</u>
14	\$0 - \$20,000	2.90% of taxable income
15	\$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
16	\$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
17	\$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
18	\$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

19           2. For taxable years beginning from and after December 31, 1997  
20 through December 31, 1998:

21           (a) In the case of a single person or a married person filing  
22 separately:

23	<u>If taxable income is:</u>	<u>The tax is:</u>
24	\$0 - \$10,000	2.88% of taxable income
25	\$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
26	\$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
27	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
28	\$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

29           (b) In the case of a married couple filing a joint return or a single  
30 person who is a head of a household:

31	<u>If taxable income is:</u>	<u>The tax is:</u>
32	\$0 - \$20,000	2.88% of taxable income
33	\$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
34	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
35	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
36	\$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

37           3. For taxable years beginning from and after December 31, 1998  
38 through December 31, 2005:

39           (a) In the case of a single person or a married person filing  
40 separately:

41	<u>If taxable income is:</u>	<u>The tax is:</u>
42	\$0 - \$10,000	2.87% of taxable income
43	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
44	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000
45	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over \$50,000

1           \$150,001 and over           \$6,422, plus 5.04% of the excess over \$150,000  
2           (b) In the case of a married couple filing a joint return or a single  
3 person who is a head of a household:  
4           If taxable income is: The tax is:  
5           \$0 - \$20,000           2.87% of taxable income  
6           \$20,001 - \$50,000       \$574, plus 3.20% of the excess over \$20,000  
7           \$50,001 - \$100,000       \$1,534, plus 3.74% of the excess over \$50,000  
8           \$100,001 - \$300,000       \$3,404, plus 4.72% of the excess over \$100,000  
9           \$300,001 and over       \$12,844, plus 5.04% of the excess over \$300,000

10          4. For taxable years beginning from and after December 31, 2005  
11 through December 31, 2006:

12          (a) In the case of a single person or a married person filing  
13 separately:

14          If taxable income is: The tax is:  
15          \$0 - \$10,000           2.73% of taxable income  
16          \$10,001 - \$25,000       \$273, plus 3.04% of the excess over \$10,000  
17          \$25,001 - \$50,000       \$729, plus 3.55% of the excess over \$25,000  
18          \$50,001 - \$150,000       \$1,617, plus 4.48% of the excess over \$50,000  
19          \$150,001 and over       \$6,097, plus 4.79% of the excess over \$150,000

20          (b) In the case of a married couple filing a joint return or a single  
21 person who is a head of a household:

22          If taxable income is: The tax is:  
23          \$0 - \$20,000           2.73% of taxable income  
24          \$20,001 - \$50,000       \$546, plus 3.04% of the excess over \$20,000  
25          \$50,001 - \$100,000       \$1,458, plus 3.55% of the excess over \$50,000  
26          \$100,001 - \$300,000       \$3,233, plus 4.48% of the excess over \$100,000  
27          \$300,001 and over       \$12,193, plus 4.79% of the excess over \$300,000

28          5. Subject to ~~subsection~~ **SUBSECTIONS** B and C of this section, for  
29 taxable years beginning from and after December 31, 2006:

30          (a) In the case of a single person or a married person filing  
31 separately:

32          If taxable income is: The tax is:  
33          \$0 - \$10,000           2.59% of taxable income  
34          \$10,001 - \$25,000       \$259, plus 2.88% of the excess over \$10,000  
35          \$25,001 - \$50,000       \$691, plus 3.36% of the excess over \$25,000  
36          \$50,001 - \$150,000       \$1,531, plus 4.24% of the excess over \$50,000  
37          \$150,001 and over       \$5,771, plus 4.54% of the excess over \$150,000

38          (b) In the case of a married couple filing a joint return or a single  
39 person who is a head of a household:

40          If taxable income is: The tax is:  
41          \$0 - \$20,000           2.59% of taxable income  
42          \$20,001 - \$50,000       \$518, plus 2.88% of the excess over \$20,000  
43          \$50,001 - \$100,000       \$1,382, plus 3.36% of the excess over \$50,000  
44          \$100,001 - \$300,000       \$3,062, plus 4.24% of the excess over \$100,000  
45          \$300,001 and over       \$11,542, plus 4.54% of the excess over \$300,000

1 B. For the taxable year beginning from and after December 31, 2014  
2 through December 31, 2015, the department shall adjust the income dollar  
3 amounts for each rate bracket prescribed by subsection A, paragraph 5 of this  
4 section according to the average annual change in the metropolitan Phoenix  
5 consumer price index published by the United States bureau of labor  
6 statistics. The revised dollar amounts shall be raised to the nearest whole  
7 dollar. The income dollar amounts for each rate bracket may not be revised  
8 below the amounts prescribed in the prior taxable year.

9 C. For each taxable year beginning from and after December 31, 2015,  
10 the department shall adjust the income dollar amounts for each rate bracket  
11 prescribed by subsection A, paragraph 5 of this section according to the  
12 average annual change in the metropolitan Phoenix consumer price index  
13 published by the United States bureau of labor statistics. The revised  
14 dollar amounts shall be raised to the nearest whole dollar. The income  
15 dollar amounts for each rate bracket may not be revised below the amounts  
16 prescribed in the prior taxable year.

17 Sec. 4. Section 43-1012, Arizona Revised Statutes, is amended to read:

18 43-1012. Optional tax tables

19 A. In lieu of the tax imposed under section 43-1011 ~~OR ARTICLE 2.1 OF~~  
20 ~~THIS CHAPTER~~, there shall be levied, collected and paid for each taxable year  
21 ~~upon~~ ON the taxable income of each individual who has been a resident of this  
22 state for the entire taxable year and whose taxable income for such year is  
23 less than fifty thousand dollars, regardless of filing status, a tax based on  
24 the rates prescribed by section 43-1011 as shown in optional tax tables  
25 developed by the department. The tables shall prescribe tax liability  
26 amounts, based on filing status, in fifty dollar increments of taxable  
27 income.

28 B. This section shall not apply to an individual filing a return for a  
29 period of less than twelve months on account of a change in the accounting  
30 period or to a married individual whose spouse files a return and computes  
31 the tax without regard to this section or section 43-1041, subsection A.

32 C. An individual, who is not a head of a household or a married  
33 person, shall be treated as a single person.

34 Sec. 5. Title 43, chapter 10, Arizona Revised Statutes, is amended by  
35 adding article 2.1, to read:

36 ARTICLE 2.1. OPTIONAL SINGLE-RATE TAX

37 43-1015. Definition of state taxable income

38 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES, "STATE TAXABLE  
39 INCOME" MEANS AN INDIVIDUAL'S ARIZONA GROSS INCOME AFTER MAKING THE  
40 ADDITIONS, SUBTRACTIONS AND ADJUSTMENTS REQUIRED BY SECTION 43-1015.02.

41 43-1015.01. Tax; rate

42 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016  
43 THROUGH DECEMBER 31, 2021, IN LIEU OF THE TAX LEVIED AGAINST TAXABLE INCOME  
44 PURSUANT TO ARTICLE 2 OF THIS CHAPTER, A TAXPAYER MAY ELECT TO COMPUTE AND

1 PAY THE TAX UNDER THIS ARTICLE IF THE TAXPAYER MEETS ALL OF THE FOLLOWING  
2 REQUIREMENTS:

- 3 1. THE TAXPAYER IS A RESIDENT OF THIS STATE FOR THE FULL TAXABLE YEAR.
- 4 2. THE TAXPAYER FILES AS A SINGLE PERSON.
- 5 3. THE TAXPAYER'S ARIZONA GROSS INCOME FOR THE TAXABLE YEAR DOES NOT  
6 EXCEED TWENTY-FIVE THOUSAND DOLLARS.

7 B. THE TAX IS LEVIED AND SHALL BE COLLECTED AND PAID AT THE RATE OF  
8 ONE PERCENT OF THE TAXPAYER'S STATE TAXABLE INCOME FOR THE TAXABLE YEAR.

9 C. A TAXPAYER WHO QUALIFIES AND ELECTS TO COMPUTE AND PAY TAX UNDER  
10 THIS ARTICLE:

11 1. MAY NOT MAKE ANY ADDITION OR CLAIM ANY SUBTRACTION, EXEMPTION,  
12 DEDUCTION OR CREDIT UNDER ARTICLE 3, 4 OR 5 OF THIS CHAPTER, EXCEPT AS  
13 PROVIDED BY SECTION 43-1015.02.

14 2. QUALIFIES FOR REFUNDS IN THE CASE OF OVERPAYMENT OF TAXES AND MAY  
15 CONTRIBUTE ALL OR PART OF THE REFUND AS PROVIDED BY CHAPTER 6, ARTICLE 1 OF  
16 THIS TITLE.

17 D. THE TAXPAYER SHALL MAKE AN ELECTION TO PAY THE TAX PURSUANT TO THIS  
18 ARTICLE BY FILING THE SIMPLIFIED RETURN FORM PRESCRIBED PURSUANT TO SECTION  
19 43-323, SUBSECTION D, EITHER AS THE ORIGINAL OR AS AN AMENDED RETURN FOR THE  
20 TAXABLE YEAR.

21 43-1015.02. Computing state taxable income; additions,  
22 subtractions and adjustments

23 A. IN COMPUTING STATE TAXABLE INCOME FOR THE PURPOSES OF THIS ARTICLE,  
24 THE TAXPAYER SHALL ADD TO ARIZONA GROSS INCOME:

25 1. AMOUNTS WITHDRAWN FROM A MEDICAL SAVINGS ACCOUNT BY THE INDIVIDUAL  
26 DURING THE TAXABLE YEAR COMPUTED PURSUANT TO SECTION 220(f) OF THE INTERNAL  
27 REVENUE CODE AND NOT INCLUDED IN ARIZONA GROSS INCOME.

28 2. THE AMOUNT OF INTEREST INCOME RECEIVED ON OBLIGATIONS OF ANY STATE,  
29 TERRITORY OR POSSESSION OF THE UNITED STATES, OR ANY POLITICAL SUBDIVISION OF  
30 A STATE, TERRITORY OR POSSESSION, LOCATED OUTSIDE THIS STATE, REDUCED BY THE  
31 AMOUNT OF ANY INTEREST ON INDEBTEDNESS AND OTHER RELATED EXPENSES THAT WERE  
32 INCURRED OR CONTINUED TO PURCHASE OR CARRY THOSE OBLIGATIONS AND THAT ARE NOT  
33 OTHERWISE DEDUCTED OR SUBTRACTED IN COMPUTING ARIZONA GROSS INCOME.

34 B. IN COMPUTING STATE TAXABLE INCOME FOR THE PURPOSES OF THIS ARTICLE,  
35 THE TAXPAYER SHALL SUBTRACT FROM ARIZONA GROSS INCOME:

36 1. A STANDARD PERSONAL EXEMPTION OF TEN THOUSAND DOLLARS.

37 2. INTEREST INCOME RECEIVED ON OBLIGATIONS OF THE UNITED STATES, LESS  
38 ANY INTEREST ON INDEBTEDNESS, OR OTHER RELATED EXPENSES, AND DEDUCTED IN  
39 COMPUTING ARIZONA GROSS INCOME, THAT WERE INCURRED OR CONTINUED TO PURCHASE  
40 OR CARRY THE OBLIGATIONS.

41 3. AN AMOUNT RECEIVED BY AN ENROLLED MEMBER OF AN AMERICAN INDIAN  
42 TRIBE TO THE EXTENT THAT THIS STATE IS NOT AUTHORIZED OR PERMITTED TO IMPOSE  
43 A TAX UNDER THIS CHAPTER ON THAT AMOUNT PURSUANT TO FEDERAL LAW, A TREATY OR  
44 A FINAL DECISION BY A COURT OF COMPETENT JURISDICTION.



1 member of the taxpayer's household. The taxpayer may claim the exemption  
2 under this paragraph only in the taxable year in which the stillbirth  
3 occurred.

4 C. For taxable years beginning from and after December 31, 1998, a  
5 resident taxpayer is allowed an exemption of ten thousand dollars for each  
6 parent or ancestor of a parent of the taxpayer, who is age sixty-five or  
7 older, who requires assistance with activities of daily living and who lives  
8 in the taxpayer's principal residence for the entire taxable year, if the  
9 taxpayer pays more than one-half of the person's total support and  
10 maintenance costs. An exemption under this subsection is in lieu of an  
11 exemption under subsection B of this section for the same person.

12 D. A taxpayer shall not take more than one exemption for the same  
13 person under either subsection B or C of this section.

14 E. A taxpayer is allowed an exemption of two thousand one hundred  
15 dollars:

16 1. If the taxpayer has attained the age of sixty-five before the close  
17 of the taxable year filing a separate or joint return and the taxpayer is not  
18 claimed as a dependent by another taxpayer.

19 2. For the taxpayer's spouse if the spouse has attained the age of  
20 sixty-five before the close of the taxable year, a joint return is filed and  
21 the spouse is not a dependent of another taxpayer.

22 F. THE EXEMPTIONS UNDER THIS SECTION DO NOT APPLY TO THE COMPUTATION  
23 OF TAX UNDER ARTICLE 2.1 OF THIS CHAPTER.

24 Sec. 7. Section 43-1041, Arizona Revised Statutes, is amended to read:  
25 43-1041. Optional standard deduction

26 A. A taxpayer may elect to take a standard deduction as follows:

27 1. In the case of a single person or a married person filing  
28 separately, the standard deduction shall be four thousand fifty dollars,  
29 subject to subsection G of this section.

30 2. In the case of a married couple filing a joint return or a single  
31 person who is a head of a household, the standard deduction shall be eight  
32 thousand one hundred dollars, subject to subsection G of this section.

33 B. The standard deduction provided for in subsection A of this section  
34 shall be in lieu of all itemized deductions allowed by section 43-1042, which  
35 are to be subtracted from Arizona adjusted gross income in computing taxable  
36 income, but not in lieu of the personal exemption allowed by section 43-1043.

37 C. The standard deduction shall be allowed if the taxpayer so elects,  
38 and the department shall by rule prescribe the manner of signifying such  
39 election in the return.

40 D. In the case of a husband and wife, the standard deduction provided  
41 for in subsection A of this section shall not be allowed to either if the  
42 taxable income of one of the spouses is determined without regard to the  
43 standard deduction.

1 E. The standard deduction provided for by subsection A of this section  
2 shall not be allowed in the case of a taxable year of less than twelve months  
3 on account of a change in the accounting period.

4 F. Under rules adopted by the department, a change of an election to  
5 take, or not to take, the standard deduction for any taxable year may be made  
6 after the filing of the return for such year. If the spouse of the taxpayer  
7 filed a separate return for any taxable year corresponding, for the purposes  
8 of subsection D of this section, to the taxable year of the taxpayer, the  
9 change shall not be allowed unless, in accordance with such rules, both  
10 paragraphs 1 and 2 of this subsection apply:

11 1. The spouse makes a change of election with respect to the standard  
12 deduction for the taxable year covered in such separate return consistent  
13 with the change of election sought by the taxpayer.

14 2. The taxpayer and spouse consent in writing to the assessment,  
15 within such period as may be agreed ~~upon~~ ON with the department, of any  
16 deficiency, to the extent attributable to such A change of election, even  
17 though at the time of the filing of such A consent the assessment of such A  
18 deficiency would otherwise be prevented by the operation of any law or rule  
19 of law.

20 G. For each taxable year beginning on or after January 1, the  
21 department shall adjust the dollar amounts prescribed by subsection A,  
22 paragraphs 1 and 2 of this section according to the average annual change in  
23 the metropolitan Phoenix consumer price index published by the United States  
24 bureau of labor statistics. The revised dollar amounts shall be raised to  
25 the nearest whole dollar. The designated dollar amounts shall not be revised  
26 below the amounts allowed by the standard deduction in the prior taxable  
27 year.

28 H. THE STANDARD DEDUCTION UNDER THIS SECTION DOES NOT APPLY TO THE  
29 COMPUTATION OF TAX UNDER ARTICLE 2.1 OF THIS CHAPTER.

30 Sec. 8. Section 43-1042, Arizona Revised Statutes, is amended to read:

31 43-1042. Itemized deductions

32 A. Except as provided by subsections B and D of this section, at the  
33 election of the taxpayer, and in lieu of the standard deduction allowed by  
34 section 43-1041, in computing taxable income the taxpayer may take the amount  
35 of itemized deductions allowable for the taxable year pursuant to subtitle A,  
36 chapter 1, subchapter B, parts VI and VII, but subject to the limitations  
37 prescribed by sections 67, 68 and 274, of the internal revenue code.

38 B. In lieu of the amount of the federal itemized deduction for  
39 expenses paid for medical care allowed under section 213 of the internal  
40 revenue code, the taxpayer may deduct the full amount of such expenses.

41 C. Notwithstanding subsection B of this section, expenses for  
42 long-term health care that are paid or reimbursed from the taxpayer's  
43 long-term health care savings account pursuant to section 43-1032 shall not  
44 be deducted pursuant to this section.

1 D. A taxpayer shall not claim both a deduction provided by this  
2 section and a credit allowed by this title with respect to the same  
3 charitable contributions.

4 E. The taxpayer may add any interest expense paid by the taxpayer for  
5 the taxable year that is equal to the amount of federal credit for interest  
6 on certain home mortgages allowed by section 25 of the internal revenue code.

7 F. THE ITEMIZED DEDUCTIONS UNDER THIS SECTION DO NOT APPLY TO THE  
8 COMPUTATION OF TAX UNDER ARTICLE 2.1 OF THIS CHAPTER.

9 Sec. 9. Section 43-1043, Arizona Revised Statutes, is amended to read:  
10 43-1043. Personal exemptions

11 A. There shall be allowed as an exemption, in the case of:

12 1. A single individual, a personal exemption of two thousand one  
13 hundred dollars.

14 2. A head of a household or a married individual, a personal exemption  
15 of four thousand two hundred dollars under this paragraph. A husband and  
16 wife shall receive but one personal exemption of four thousand two hundred  
17 dollars. If the husband and wife make separate returns, the personal  
18 exemption may be taken by either or divided between them.

19 3. A married couple who claim at least one dependent, an exemption of  
20 six thousand three hundred dollars. If the husband and wife make separate  
21 returns, the personal exemption may be taken by either or divided between  
22 them. An exemption under this paragraph is in lieu of the exemption under  
23 paragraph 2 OF THIS SUBSECTION.

24 B. THE EXEMPTIONS UNDER THIS SECTION DO NOT APPLY TO THE COMPUTATION  
25 OF TAX UNDER ARTICLE 2.1 OF THIS CHAPTER.

26 Sec. 10. Effective date

27 This act is effective and applies to taxable years beginning from and  
28 after December 31, 2016.