

REFERENCE TITLE: TPT classes; income tax reduction

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

HB 2693

Introduced by
Representatives Mitchell, Gowan, Kern, Leach, Montenegro: Campbell, Cobb,
Finchem, Livingston

AN ACT

AMENDING SECTION 42-5010, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 42-5076 AND 42-5077; AMENDING SECTIONS 43-1011 AND 43-1022, 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 42-5010, Arizona Revised Statutes, is amended to
3 read:

4 42-5010. Rates; distribution base

5 A. The tax imposed by this article is levied and shall be collected at
6 the following rates:

7 1. Five percent of the tax base as computed for the business of every
8 person engaging or continuing in this state in the following business
9 classifications described in article 2 of this chapter:

10 (a) Transporting classification.

11 (b) Utilities classification.

12 (c) Telecommunications classification.

13 (d) Pipeline classification.

14 (e) Private car line classification.

15 (f) Publication classification.

16 (g) Job printing classification.

17 (h) Prime contracting classification.

18 (i) Amusement classification.

19 (j) Restaurant classification.

20 (k) Personal property rental classification.

21 (l) Retail classification and amounts equal to retail transaction
22 privilege tax due pursuant to section 42-5008.01.

23 (m) PERSONAL SERVICES CLASSIFICATION.

24 (n) FINANCIAL SERVICES CLASSIFICATION.

25 2. Five and one-half percent of the tax base as computed for the
26 business of every person engaging or continuing in this state in the
27 transient lodging classification described in section 42-5070.

28 3. Three and one-eighth percent of the tax base as computed for the
29 business of every person engaging or continuing in this state in the mining
30 classification described in section 42-5072.

31 4. Zero percent of the tax base as computed for the business of every
32 person engaging or continuing in this state in the commercial lease
33 classification described in section 42-5069.

34 B. Except as provided by subsection J of this section, twenty percent
35 of the tax revenues collected at the rate prescribed by subsection A,
36 paragraph 1 of this section from persons on account of engaging in business
37 under the business classifications listed in subsection A, paragraph 1,
38 subdivisions (a) through (h) of this section is designated as distribution
39 base for purposes of section 42-5029.

40 C. Forty percent of the tax revenues collected at the rate prescribed
41 by subsection A, paragraph 1 of this section from persons on account of
42 engaging in business under the business classifications listed in subsection
43 A, paragraph 1, subdivisions (i) through ~~(j)~~ (n) of this section is
44 designated as distribution base for purposes of section 42-5029.

1 D. Thirty-two percent of the tax revenues collected from persons on
2 account of engaging in business under the business classification listed in
3 subsection A, paragraph 3 of this section is designated as distribution base
4 for purposes of section 42-5029.

5 E. Fifty-three and one-third percent of the tax revenues collected
6 from persons on account of engaging in business under the business
7 classification listed in subsection A, paragraph 4 of this section is
8 designated as distribution base for purposes of section 42-5029.

9 F. Fifty percent of the tax revenues collected from persons on account
10 of engaging in business under the business classification listed in
11 subsection A, paragraph 2 of this section is designated as distribution base
12 for purposes of section 42-5029.

13 G. In addition to the rates prescribed by subsection A of this
14 section, if approved by the qualified electors voting at a statewide general
15 election, an additional rate increment is imposed and shall be collected
16 through June 30, 2021. The taxpayer shall pay taxes pursuant to this
17 subsection at the same time and in the same manner as under subsection A of
18 this section. The department shall separately account for the revenues
19 collected with respect to the rates imposed pursuant to this subsection and
20 the state treasurer shall distribute all of those revenues in the manner
21 prescribed by section 42-5029, subsection E. The rates imposed pursuant to
22 this subsection shall not be considered local revenues for purposes of
23 article IX, section 21, Constitution of Arizona. The additional tax rate
24 increment is levied at the rate of six-tenths of one per cent of the tax base
25 of every person engaging or continuing in this state in a business
26 classification listed in subsection A, paragraph 1 of this section.

27 H. Any increase in the rate of tax that is imposed by this chapter and
28 that is enacted by the legislature or by a vote of the people does not apply
29 with respect to contracts entered into by prime contractors or pursuant to
30 written bids made by prime contractors on or before the effective date of the
31 legislation or the date of the election enacting the increase. To qualify
32 for the exemption under this subsection, the prime contractor must maintain
33 sufficient documentation, in a manner and form prescribed by the department,
34 to verify the date of the contract or written bid.

35 I. For taxpayers taxable under this chapter other than prime
36 contractors taxable pursuant to section 42-5075:

37 1. Any increase in the rate of tax that is levied by this article or
38 article 2 of this chapter enacted by the legislature or by a vote of the
39 people does not apply for a period of one hundred twenty days from the date
40 of the tax rate increase to the gross proceeds of sales or gross income from
41 the business of the taxpayer with respect to written contracts entered into
42 before the effective date of the tax rate increase unless the taxpayer has
43 entered into a contract that contains a provision that entitles the taxpayer
44 to recover from the purchaser the amount of the additional tax levied.

1 2. The provisions of this subsection apply without regard to the
2 accounting method used by the taxpayer to report the taxes imposed under
3 article 2 of this chapter.

4 3. The provisions of this subsection shall not be considered in
5 determining the rate of tax imposed under chapter 6, article 3 of this title.

6 J. Zero percent of the tax revenues that are collected at the rate
7 prescribed by subsection A, paragraph 1 of this section from persons on
8 account of engaging in business under the business classification listed in
9 subsection A, paragraph 1, subdivision (h) of this section, and that are
10 subject to any distribution required by section 42-5032.02, is designated as
11 distribution base for the purposes of section 42-5029 until the total amount
12 subject to distribution pursuant to section 42-5032.02 has reached the
13 maximum amount prescribed by section 42-5032.02, subsection C. Thereafter,
14 twenty percent of the remaining tax revenues is designated as distribution
15 base for the purposes of section 42-5029 as provided by subsection B of this
16 section.

17 Sec. 2. Title 42, chapter 5, article 2, Arizona Revised Statutes, is
18 amended by adding sections 42-5076 and 42-5077, to read:

19 42-5076. Personal services classification

20 A. THE PERSONAL SERVICES CLASSIFICATION INCLUDES THE FOLLOWING
21 BUSINESSES THAT ARE NOT OTHERWISE CLASSIFIED UNDER THIS ARTICLE FOR TAX
22 PURPOSES:

- 23 1. BARBER, BEAUTY, NAIL AND PEDICURE SALON SERVICES.
- 24 2. FUNERAL, MORTUARY, CREMATORY AND OTHER DEATH CARE SERVICES.
- 25 3. LAUNDRY, DRY CLEANING AND GARMENT SERVICES, INCLUDING GARMENT
26 ALTERING AND REPAIR SERVICES.
- 27 4. SHOE REPAIR AND SHOESHINE SERVICES.
- 28 5. CARPET AND UPHOLSTERY CLEANING.
- 29 6. PET GROOMING AND BOARDING AND OTHER PET CARE SERVICES THAT ARE NOT
30 CONSIDERED TO BE VETERINARY SERVICES.
- 31 7. PARKING SERVICES.
- 32 8. HOME, AUTOMOBILE AND PERSONAL PROPERTY MAINTENANCE, CLEANING AND
33 REPAIR SERVICES, INCLUDING SALES OF WARRANTY CONTRACTS.
- 34 9. PERSONAL ACCOUNTING, BOOKKEEPING AND TAX RETURN PREPARATION
35 SERVICES.
- 36 10. PHOTOGRAPHIC AND PORTRAIT STUDIOS.
- 37 11. DIET AND WEIGHT REDUCTION SERVICES.
- 38 12. WEIGHT AND FITNESS FACILITIES, GYMNASIUMS, SPAS AND SPORTS
39 TRAINING SERVICES.
- 40 13. INDIVIDUAL AND FAMILY COUNSELING SERVICES.
- 41 14. JOB TRAINING, VOCATIONAL AND DRIVING SCHOOLS AND EXAMINATION
42 PREPARATION SCHOOLS AND SEMINARS.
- 43 15. CHILD AND RESIDENTIAL CARE SERVICES THAT ARE NOT CONSIDERED TO BE
44 MEDICAL CARE.
- 45 16. OTHER PERSONAL SERVICES.

1 B. THE TAX BASE FOR THE PERSONAL SERVICES CLASSIFICATION IS THE GROSS
2 PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS, EXCEPT THAT THE
3 TAX BASE DOES NOT INCLUDE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED
4 FROM BUSINESS-TO-BUSINESS TRANSACTIONS.

5 42-5077. Financial services classification

6 A. THE FINANCIAL SERVICES CLASSIFICATION INCLUDES THE FOLLOWING
7 BUSINESSES THAT ARE NOT OTHERWISE CLASSIFIED FOR TAXATION UNDER THIS ARTICLE:

8 1. DEPOSITORY INSTITUTIONS, INCLUDING BANKS AND CREDIT UNIONS OTHER
9 THAN NATIONAL BANKS AND FEDERAL CREDIT UNIONS AND ALL OTHER DEPOSITORY CREDIT
10 INTERMEDIATION.

11 2. CREDIT CARD ISSUING, SALES FINANCING, CONSUMER LENDING, REAL ESTATE
12 CREDIT, INTERNATIONAL TRADE FINANCING, SECONDARY MARKET FINANCING AND ALL
13 OTHER NONDEPOSITORY CREDIT INSTITUTIONS.

14 3. MORTGAGE AND NONMORTGAGE LOAN BROKERS.

15 4. FINANCIAL TRANSACTIONS PROCESSING, RESERVE, CLEARINGHOUSE AND OTHER
16 ACTIVITIES RELATED TO CREDIT INTERMEDIATION.

17 5. HOLDING COMPANIES.

18 6. INVESTMENT COMPANIES, BROKERS AND DEALERS IN SECURITIES AND
19 COMMODITY CONTRACTS AND INTERMEDIATION.

20 7. MORTGAGE AND NONMORTGAGE LOAN BROKER SERVICES.

21 8. FINANCIAL TRANSACTION PROCESSING AND CLEARING.

22 9. OTHER ACTIVITIES RELATED TO CREDIT INTERMEDIATION.

23 10. INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT.

24 11. TRUST, FIDUCIARY AND CUSTODY ACTIVITIES.

25 12. ALL OTHER FINANCIAL INVESTMENT ACTIVITIES.

26 B. THE TAX BASE FOR THE FINANCIAL SERVICES CLASSIFICATION IS THE GROSS
27 PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS, WHETHER IN THE
28 FORM OF INTEREST, FEES, COMMISSIONS, RENTS, ROYALTIES OR OTHER CHARGES PAID
29 BY CUSTOMERS FOR FINANCIAL SERVICES.

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

31 43-1011. Taxes and tax rates

32 A. There shall be levied, collected and paid for each taxable year on
33 the entire taxable income of every resident of this state and on the entire
34 taxable income of every nonresident that is derived from sources within this
35 state taxes determined in the following manner:

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

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

<u>If taxable income is:</u>	<u>The tax is:</u>
40 \$0 - \$10,000	2.90% of taxable income
41 \$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
42 \$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
43 \$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
44 \$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

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

3	<u>If taxable income is:</u>	<u>The tax is:</u>
4	\$0 - \$20,000	2.90% of taxable income
5	\$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
6	\$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
7	\$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
8	\$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

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

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

13	<u>If taxable income is:</u>	<u>The tax is:</u>
14	\$0 - \$10,000	2.88% of taxable income
15	\$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
16	\$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
17	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
18	\$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

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

21	<u>If taxable income is:</u>	<u>The tax is:</u>
22	\$0 - \$20,000	2.88% of taxable income
23	\$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
24	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
25	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
26	\$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

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

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

31	<u>If taxable income is:</u>	<u>The tax is:</u>
32	\$0 - \$10,000	2.87% of taxable income
33	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
34	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000
35	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over \$50,000
36	\$150,001 and over	\$6,422, plus 5.04% of the excess over \$150,000

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

39	<u>If taxable income is:</u>	<u>The tax is:</u>
40	\$0 - \$20,000	2.87% of taxable income
41	\$20,001 - \$50,000	\$574, plus 3.20% of the excess over \$20,000
42	\$50,001 - \$100,000	\$1,534, plus 3.74% of the excess over \$50,000
43	\$100,001 - \$300,000	\$3,404, plus 4.72% of the excess over \$100,000
44	\$300,001 and over	\$12,844, plus 5.04% of the excess over \$300,000

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

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

5 If taxable income is: The tax is:

6 \$0 - \$10,000	2.73% of taxable income
7 \$10,001 - \$25,000	\$273, plus 3.04% of the excess over \$10,000
8 \$25,001 - \$50,000	\$729, plus 3.55% of the excess over \$25,000
9 \$50,001 - \$150,000	\$1,617, plus 4.48% of the excess over \$50,000
10 \$150,001 and over	\$6,097, plus 4.79% 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 If taxable income is: The tax is:

14 \$0 - \$20,000	2.73% of taxable income
15 \$20,001 - \$50,000	\$546, plus 3.04% of the excess over \$20,000
16 \$50,001 - \$100,000	\$1,458, plus 3.55% of the excess over \$50,000
17 \$100,001 - \$300,000	\$3,233, plus 4.48% of the excess over \$100,000
18 \$300,001 and over	\$12,193, plus 4.79% of the excess over \$300,000

19 5. Subject to ~~subsection~~ **SUBSECTIONS** B and C of this section, for
20 taxable years beginning from and after December 31, 2006 **THROUGH DECEMBER 31,**
21 **2017:**

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

24 If taxable income is: The tax is:

25 \$0 - \$10,000	2.59% of taxable income
26 \$10,001 - \$25,000	\$259, plus 2.88% of the excess over \$10,000
27 \$25,001 - \$50,000	\$691, plus 3.36% of the excess over \$25,000
28 \$50,001 - \$150,000	\$1,531, plus 4.24% of the excess over \$50,000
29 \$150,001 and over	\$5,771, plus 4.54% of the excess over \$150,000

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

32 If taxable income is: The tax is:

33 \$0 - \$20,000	2.59% of taxable income
34 \$20,001 - \$50,000	\$518, plus 2.88% of the excess over \$20,000
35 \$50,001 - \$100,000	\$1,382, plus 3.36% of the excess over \$50,000
36 \$100,001 - \$300,000	\$3,062, plus 4.24% of the excess over \$100,000
37 \$300,001 and over	\$11,542, plus 4.54% of the excess over \$300,000

38 **6. SUBJECT TO SUBSECTION C OF THIS SECTION, FOR TAXABLE YEARS**
39 **BEGINNING FROM AND AFTER DECEMBER 31, 2017:**

40 **(a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING**
41 **SEPARATELY:**

42 IF TAXABLE INCOME IS: THE TAX IS:

43 \$0 - \$10,163	1.3% OF TAXABLE INCOME
44 \$10,164 - \$25,406	\$132, PLUS 2.7% OF THE EXCESS OVER \$10,163
45 \$25,407 - \$50,812	\$544, PLUS 3.2% OF THE EXCESS OVER \$25,406

1	\$50,813 - \$152,434	\$1,357, PLUS 4.1% OF THE EXCESS OVER \$50,812
2	\$152,435 AND OVER	\$5,524, PLUS 4.5% OF THE EXCESS OVER \$152,434
3	(b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE	
4	PERSON WHO IS A HEAD OF A HOUSEHOLD:	
5	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
6	\$0 - \$20,325	1.3% OF TAXABLE INCOME
7	\$20,326 - \$50,812	\$264, PLUS 2.7% OF THE EXCESS OVER \$20,325
8	\$50,813 - \$101,623	\$1,087, PLUS 3.2% OF THE EXCESS OVER \$50,812
9	\$101,624 - \$304,868	\$2,713, PLUS 4.1% OF THE EXCESS OVER \$101,623
10	\$304,869 AND OVER	\$11,046, PLUS 4.5% OF THE EXCESS OVER \$304,868

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

19 C. For each taxable year beginning from and after December 31, 2015,
20 the department shall adjust the income dollar amounts for each rate bracket
21 prescribed by subsection A, paragraph ~~5~~ 6 of this section according to the
22 average annual change in the metropolitan Phoenix consumer price index
23 published by the United States bureau of labor statistics. The revised
24 dollar amounts shall be raised to the nearest whole dollar. The income
25 dollar amounts for each rate bracket may not be revised below the amounts
26 prescribed in the prior taxable year.

27 Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:
28 43-1022. Subtractions from Arizona gross income

29 In computing Arizona adjusted gross income, the following amounts shall
30 be subtracted from Arizona gross income:

- 31 1. The amount of exemptions allowed by section 43-1023.
- 32 2. Benefits, annuities and pensions in an amount totaling not more
33 than two thousand five hundred dollars received from one or more of the
34 following:

35 (a) The United States government service retirement and disability
36 fund, retired or retainer pay of the uniformed services of the United States,
37 the United States foreign service retirement and disability system and any
38 other retirement system or plan established by federal law.

39 (b) The Arizona state retirement system, the corrections officer
40 retirement plan, the public safety personnel retirement system, the elected
41 officials' retirement plan, an optional retirement program established by the
42 Arizona board of regents under section 15-1628, an optional retirement
43 program established by a community college district board under section
44 15-1451 or a retirement plan established for employees of a county, city or
45 town in this state.

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

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

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

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

14 7. The amount by which the adjusted basis of property described in
15 this paragraph and computed pursuant to this title and the income tax act of
16 1954, as amended, exceeds the adjusted basis of such property computed
17 pursuant to the internal revenue code. This paragraph shall apply to all
18 property that is held for the production of income and that is sold or
19 otherwise disposed of during the taxable year other than depreciable property
20 used in a trade or business.

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

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

29 10. The amount of prizes or winnings less than five thousand dollars in
30 a single taxable year from any of the state lotteries established and
31 operated pursuant to title 5, chapter 5.1, article 1.

32 11. The amount of exploration expenses that is determined pursuant to
33 section 617 of the internal revenue code, that has been deferred in a taxable
34 year ending before January 1, 1990 and for which a subtraction has not
35 previously been made. The subtraction shall be made on a ratable basis as
36 the units of produced ores or minerals discovered or explored as a result of
37 this exploration are sold.

38 12. The amount included in federal adjusted gross income pursuant to
39 section 86 of the internal revenue code, relating to taxation of social
40 security and railroad retirement benefits.

41 13. To the extent not already excluded from Arizona gross income under
42 the internal revenue code, compensation received for active service as a
43 member of the reserves, the national guard or the armed forces of the United
44 States, including compensation for service in a combat zone as determined
45 under section 112 of the internal revenue code.

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

10 15. The amount authorized by section 43-1027 for the taxable year
11 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

12 16. The amount by which a net operating loss carryover or capital loss
13 carryover allowable pursuant to section 43-1029, subsection F exceeds the net
14 operating loss carryover or capital loss carryover allowable pursuant to
15 section 1341(b)(5) of the internal revenue code.

16 17. Any amount of qualified educational expenses that is distributed
17 from a qualified state tuition program determined pursuant to section 529 of
18 the internal revenue code and that is included in income in computing federal
19 adjusted gross income.

20 18. Any item of income resulting from an installment sale that has been
21 properly subjected to income tax in another state in a previous taxable year
22 and that is included in Arizona gross income in the current taxable year.

23 19. The amount authorized by section 43-1030 relating to holocaust
24 survivors.

25 20. For property placed in service:

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

32 (b) In taxable years beginning from and after December 31, 2012
33 through December 31, 2013, an amount determined in the year the asset was
34 placed in service based on the calculation in subdivision (a) of this
35 paragraph. In the first taxable year beginning from and after December 31,
36 2013, the taxpayer may elect to subtract the amount necessary to make the
37 depreciation claimed to date for the purposes of this title the same as it
38 would have been if subdivision (c) of this paragraph had applied for the
39 entire time the asset was in service. Subdivision (c) of this paragraph
40 applies for the remainder of the asset's life. If the taxpayer does not make
41 the election under this subdivision, subdivision (a) of this paragraph
42 applies for the remainder of the asset's life.

43 (c) In taxable years beginning from and after December 31, 2013, an
44 amount equal to the depreciation allowable pursuant to section 167(a) of the
45 internal revenue code for the taxable year as computed as if the additional

1 allowance for depreciation had been ten ~~per cent~~ PERCENT of the amount
2 allowed pursuant to section 168(k) of the internal revenue code.

3 21. With respect to property that is sold or otherwise disposed of
4 during the taxable year by a taxpayer that complied with section 43-1021,
5 paragraph 16 with respect to that property, the amount of depreciation that
6 has been allowed pursuant to section 167(a) of the internal revenue code to
7 the extent that the amount has not already reduced Arizona taxable income in
8 the current or prior taxable years.

9 22. With respect to property for which an adjustment was made under
10 section 43-1021, paragraph 17, an amount equal to one-fifth of the amount of
11 the adjustment pursuant to section 43-1021, paragraph 17 in the year in which
12 the amount was adjusted under section 43-1021, paragraph 17 and in each of
13 the following four years.

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

18 (a) Two thousand dollars for a single individual or a head of
19 household.

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

25 24. The amount of any original issue discount that was deferred and not
26 allowed to be deducted in computing federal adjusted gross income in the
27 current taxable year pursuant to section 108(i) of the internal revenue code
28 as added by section 1231 of the American recovery and reinvestment act of
29 2009 (P.L. 111-5).

30 25. The amount of previously deferred discharge of indebtedness income
31 that is included in the computation of federal adjusted gross income in the
32 current taxable year pursuant to section 108(i) of the internal revenue code
33 as added by section 1231 of the American recovery and reinvestment act of
34 2009 (P.L. 111-5), to the extent that the amount was previously added to
35 Arizona gross income pursuant to section 43-1021, paragraph 19.

36 26. The portion of the net operating loss carryforward that would have
37 been allowed as a deduction in the current year pursuant to section 172 of
38 the internal revenue code if the election described in section 172(b)(1)(H)
39 of the internal revenue code had not been made in the year of the loss that
40 exceeds the actual net operating loss carryforward that was deducted in
41 arriving at federal adjusted gross income. This subtraction only applies to
42 taxpayers who made an election under section 172(b)(1)(H) of the internal
43 revenue code as amended by section 1211 of the American recovery and
44 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the
45 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

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

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

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

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

14 (c) For taxable years beginning from and after December 31, 2014
15 THROUGH DECEMBER 31, 2017, twenty-five ~~per cent~~ PERCENT of the net long-term
16 capital gain included in federal adjusted gross income.

17 (d) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017,
18 37.5 PERCENT OF THE NET LONG-TERM CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED
19 GROSS INCOME.

20 For the purposes of this paragraph, a transferee that receives an asset by
21 gift or at the death of a transferor is considered to have acquired the asset
22 when the asset was acquired by the transferor. If the date an asset is
23 acquired cannot be verified, a subtraction under this paragraph is not
24 allowed.

25 29. If an individual is not claiming itemized deductions pursuant to
26 section 43-1042, the amount of premium costs for long-term care insurance, as
27 defined in section 20-1691.

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

32 Sec. 5. Effective date

33 This act is effective from and after December 31, 2017.