

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

SENATE BILL 1141

AN ACT

AMENDING TITLE 1, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 7; AMENDING SECTIONS 43-1021, 43-1022, 43-1121 AND 43-1122, ARIZONA REVISED STATUTES; RELATING TO LEGAL TENDER AND SPECIE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 1, Arizona Revised Statutes, is amended by adding
3 chapter 7, to read:

4 CHAPTER 7
5 LEGAL TENDER

6 ARTICLE 1. GENERAL PROVISIONS

7 1-701. Definitions

8 IN THE STATUTES AND LAWS OF THIS STATE, UNLESS THE CONTEXT OTHERWISE
9 REQUIRES:

10 1. "LEGAL TENDER" MEANS A MEDIUM OF EXCHANGE, INCLUDING SPECIE, THAT
11 IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR CONGRESS FOR THE PAYMENT
12 OF DEBTS, PUBLIC CHARGES, TAXES AND DUES.

13 2. "SPECIE" MEANS GOLD OR SILVER COIN, BAR OR ROUND.

14 3. LEGAL TENDER AND SPECIE DO NOT INCLUDE ANY COIN, BAR, ROUND OR
15 CURRENCY THAT IS INCLUDED IN JEWELRY OR THAT IS VALUED BASED ON HISTORIC OR
16 COLLECTIBLE SIGNIFICANCE.

17 1-702. Specie legal tender; compulsory use prohibited

18 EXCEPT AS EXPRESSLY PROVIDED BY CONTRACT, A PERSON MAY NOT COMPEL ANY
19 OTHER PERSON, THIS STATE OR A POLITICAL SUBDIVISION OF THIS STATE TO TENDER
20 OR ACCEPT SPECIE LEGAL TENDER.

21 1-703. Legal tender; regulation prohibited

22 LEGAL TENDER IS MONEY AND IS NOT SUBJECT TO REGULATION AS PROPERTY
23 OTHER THAN MONEY.

24 1-704. Public monies; insurance requirements

25 SPECIE LEGAL TENDER THAT IS HELD AS PUBLIC MONIES SHALL BE INSURED FOR
26 LOSS OR DAMAGE, EXCEPT THAT FEDERAL CREDIT INSURANCE IS NOT REQUIRED.

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

28 43-1021. Additions to Arizona gross income

29 In computing Arizona adjusted gross income, the following amounts shall
30 be added to Arizona gross income:

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

34 2. An amount equal to the ordinary income portion of a lump sum
35 distribution that was excluded from federal adjusted gross income pursuant to
36 the special rule for individuals who attained fifty years of age before
37 January 1, 1986 under Public Law 99-514, section 1122(h)(3).

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

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

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

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

15 7. Any amount of agricultural water conservation expenses that were
16 deducted pursuant to the internal revenue code for which a credit is claimed
17 under section 43-1084.

18 8. The amount by which the depreciation or amortization computed under
19 the internal revenue code with respect to property for which a credit was
20 taken under section 43-1080 exceeds the amount of depreciation or
21 amortization computed pursuant to the internal revenue code on the Arizona
22 adjusted basis of the property.

23 9. The amount by which the adjusted basis computed under the internal
24 revenue code with respect to property for which a credit was claimed under
25 section 43-1080 and that is sold or otherwise disposed of during the taxable
26 year exceeds the adjusted basis of the property computed under section
27 43-1080.

28 10. The amount by which the depreciation or amortization computed
29 under the internal revenue code with respect to property for which a credit
30 was taken under either section 43-1081 or 43-1081.01 exceeds the amount of
31 depreciation or amortization computed pursuant to the internal revenue code
32 on the Arizona adjusted basis of the property.

33 11. The amount by which the adjusted basis computed under the internal
34 revenue code with respect to property for which a credit was claimed under
35 section 43-1074.02, 43-1081 or 43-1081.01 and that is sold or otherwise
36 disposed of during the taxable year exceeds the adjusted basis of the
37 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
38 applicable.

39 12. The deduction referred to in section 1341(a)(4) of the internal
40 revenue code for restoration of a substantial amount held under a claim of
41 right.

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

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

4 15. Any wage expenses deducted pursuant to the internal revenue code
5 for which a credit is claimed under section 43-1087 and representing net
6 increases in qualified employment positions for employment of temporary
7 assistance for needy families recipients.

8 16. The amount of any depreciation allowance allowed pursuant to
9 section 167(a) of the internal revenue code to the extent not previously
10 added.

11 17. With respect to property for which an expense deduction was taken
12 pursuant to section 179 of the internal revenue code in a taxable year
13 beginning before January 1, 2013, the amount in excess of twenty-five
14 thousand dollars.

15 18. The amount of a nonqualified withdrawal, as defined in section
16 15-1871, from a college savings plan established pursuant to section 529 of
17 the internal revenue code that is made to a distributee to the extent the
18 amount is not included in computing federal adjusted gross income, except
19 that the amount added under this paragraph shall not exceed the difference
20 between the amount subtracted under section 43-1022 in prior taxable years
21 and the amount added under this section in any prior taxable years.

22 19. The amount of discharge of indebtedness income that is deferred
23 and excluded from the computation of federal adjusted gross income in the
24 current taxable year pursuant to section 108(i) of the internal revenue code
25 as added by section 1231 of the American recovery and reinvestment act of
26 2009 (P.L. 111-5).

27 20. The amount of any previously deferred original issue discount that
28 was deducted in computing federal adjusted gross income in the current year
29 pursuant to section 108(i) of the internal revenue code as added by section
30 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to
31 the extent that the amount was previously subtracted from Arizona gross
32 income pursuant to section 43-1022, paragraph 24.

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

38 21. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE
39 AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN FEDERAL ADJUSTED GROSS INCOME FOR
40 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF SPECIE FOR
41 ANOTHER KIND OF SPECIE OR LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

42 (a) ANY EXCHANGE OF LEGAL TENDER, INCLUDING SPECIE LEGAL TENDER, MUST
43 BE EITHER AT FACE VALUE OR AT AN AMOUNT THAT IS NOT GREATER THAN FIFTY
44 PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

1 (b) ANY OTHER EXCHANGE OF SPECIE MUST BE AT AN AMOUNT THAT IS NOT
2 GREATER THAN FIFTY PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

3 (c) "LEGAL TENDER" AND "SPECIE" HAVE THE SAME MEANINGS PRESCRIBED IN
4 SECTION 1-701.

5 22. Amounts that are considered to be income under section 43-1032,
6 subsection D because the amount is withdrawn from a long-term health care
7 savings account and not used to pay the taxpayer's long-term health care
8 expenses.

9 Sec. 3. Section 43-1022, Arizona Revised Statutes, is amended to read:

10 43-1022. Subtractions from Arizona gross income

11 In computing Arizona adjusted gross income, the following amounts shall
12 be subtracted from Arizona gross income:

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

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

17 (a) The United States government service retirement and disability
18 fund, retired or retainer pay of the uniformed services of the United States,
19 the United States foreign service retirement and disability system and any
20 other retirement system or plan established by federal law.

21 (b) The Arizona state retirement system, the corrections officer
22 retirement plan, the public safety personnel retirement system, the elected
23 officials' retirement plan, an optional retirement program established by the
24 Arizona board of regents under section 15-1628, an optional retirement
25 program established by a community college district board under section
26 15-1451 or a retirement plan established for employees of a county, city or
27 town in this state.

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

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

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

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

41 7. The amount by which the adjusted basis of property described in
42 this paragraph and computed pursuant to this title and the income tax act of
43 1954, as amended, exceeds the adjusted basis of such property computed
44 pursuant to the internal revenue code. This paragraph shall apply to all
45 property that is held for the production of income and that is sold or

1 otherwise disposed of during the taxable year other than depreciable property
2 used in a trade or business.

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

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

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

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

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

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

28 14. The amount of unreimbursed medical and hospital costs, adoption
29 counseling, legal and agency fees and other nonrecurring costs of adoption
30 not to exceed three thousand dollars. In the case of a husband and wife who
31 file separate returns, the subtraction may be taken by either taxpayer or may
32 be divided between them, but the total subtractions allowed both husband and
33 wife shall not exceed three thousand dollars. The subtraction under this
34 paragraph may be taken for the costs that are described in this paragraph and
35 that are incurred in prior years, but the subtraction may be taken only in
36 the year during which the final adoption order is granted.

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

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

1 17. 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 18. Any item of income resulting from an installment sale that has
6 been properly subjected to income tax in another state in a previous taxable
7 year and that is included in Arizona gross income in the current taxable
8 year.

9 19. The amount authorized by section 43-1030 relating to holocaust
10 survivors.

11 20. For property placed in service:

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

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

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

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

40 22. With respect to property for which an adjustment was made under
41 section 43-1021, paragraph 17, an amount equal to one-fifth of the amount of
42 the adjustment pursuant to section 43-1021, paragraph 17 in the year in which
43 the amount was adjusted under section 43-1021, paragraph 17 and in each of
44 the following four years.

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

5 (a) Two thousand dollars for a single individual or a head of
6 household.

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

12 24. The amount of any original issue discount that was deferred and
13 not allowed to be deducted in computing federal adjusted gross income in the
14 current taxable year pursuant to section 108(i) of the internal revenue code
15 as added by section 1231 of the American recovery and reinvestment act of
16 2009 (P.L. 111-5).

17 25. The amount of previously deferred discharge of indebtedness income
18 that is included in the computation of federal adjusted gross income in the
19 current taxable year pursuant to section 108(i) of the internal revenue code
20 as added by section 1231 of the American recovery and reinvestment act of
21 2009 (P.L. 111-5), to the extent that the amount was previously added to
22 Arizona gross income pursuant to section 43-1021, paragraph 19.

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

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

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

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

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

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

4 For the purposes of this paragraph, a transferee that receives an asset by
5 gift or at the death of a transferor is considered to have acquired the asset
6 when the asset was acquired by the transferor. If the date an asset is
7 acquired cannot be verified, a subtraction under this paragraph is not
8 allowed.

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

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

16 31. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE
17 AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED GROSS INCOME FOR
18 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF SPECIE FOR
19 ANOTHER KIND OF SPECIE OR LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

20 (a) ANY EXCHANGE OF LEGAL TENDER, INCLUDING SPECIE LEGAL TENDER, MUST
21 BE EITHER AT FACE VALUE OR AT AN AMOUNT THAT IS NOT GREATER THAN FIFTY
22 PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

23 (b) ANY OTHER EXCHANGE OF SPECIE MUST BE AT AN AMOUNT THAT IS NOT
24 GREATER THAN FIFTY PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

25 (c) "LEGAL TENDER" AND "SPECIE" HAVE THE SAME MEANINGS PRESCRIBED IN
26 SECTION 1-701.

27 Sec. 4. Section 43-1121, Arizona Revised Statutes, is amended to read:
28 43-1121. Additions to Arizona gross income: corporations

29 In computing Arizona taxable income for a corporation, the following
30 amounts shall be added to Arizona gross income:

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

38 2. The excess of a partner's share of partnership taxable income
39 required to be included under chapter 14, article 2 of this title over the
40 income required to be reported under section 702(a)(8) of the internal
41 revenue code.

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

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

8 5. The amount of any depreciation allowance allowed pursuant to
9 section 167(a) of the internal revenue code to the extent not previously
10 added.

11 6. With respect to property for which an expense deduction was taken
12 pursuant to section 179 of the internal revenue code in a taxable year
13 beginning before January 1, 2013, the amount in excess of twenty-five
14 thousand dollars.

15 7. The amount of discharge of indebtedness income that is deferred and
16 excluded from the computation of federal taxable income in the current
17 taxable year pursuant to section 108(i) of the internal revenue code as added
18 by section 1231 of the American recovery and reinvestment act of 2009
19 (P.L. 111-5).

20 8. The amount of any previously deferred original issue discount that
21 was deducted in computing federal taxable income in the current year pursuant
22 to section 108(i) of the internal revenue code as added by section 1231 of
23 the American recovery and reinvestment act of 2009 (P.L. 111-5), to the
24 extent that the amount was previously subtracted from Arizona gross income
25 pursuant to section 43-1122, paragraph 8.

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

31 10. The amount of dividend income received from corporations and
32 allowed as a deduction pursuant to sections 243, 244 and 245 of the internal
33 revenue code.

34 11. Taxes ~~which~~ THAT are based on income paid to states, local
35 governments or foreign governments and ~~which~~ THAT were deducted in computing
36 federal taxable income.

37 12. Expenses and interest relating to tax-exempt income on
38 indebtedness incurred or continued to purchase or carry obligations the
39 interest on which is wholly exempt from the tax imposed by this title.
40 Financial institutions, as defined in section 6-101, shall be governed by
41 section 43-961, paragraph 2.

42 13. Commissions, rentals and other amounts paid or accrued to a
43 domestic international sales corporation controlled by the payor corporation
44 if the domestic international sales corporation is not required to report its
45 taxable income to this state because its income is not derived from or

1 attributable to sources within this state. If the domestic international
2 sales corporation is subject to article 4 of this chapter, the department
3 shall prescribe by rule the method of determining the portion of the
4 commissions, rentals and other amounts ~~which~~ THAT are paid or accrued to the
5 controlled domestic international sales corporation and ~~which~~ THAT shall be
6 deducted by the payor. For the purposes of this paragraph, "control" means
7 direct or indirect ownership or control of fifty ~~per-cent~~ PERCENT or more of
8 the voting stock of the domestic international sales corporation by the payor
9 corporation.

10 14. The amount of net operating loss taken pursuant to section 172 of
11 the internal revenue code.

12 15. The amount of exploration expenses determined pursuant to section
13 617 of the internal revenue code to the extent that they exceed seventy-five
14 thousand dollars and to the extent that the election is made to defer those
15 expenses not in excess of seventy-five thousand dollars.

16 16. Amortization of costs incurred to install pollution control
17 devices and deducted pursuant to the internal revenue code or the amount of
18 deduction for depreciation taken pursuant to the internal revenue code on
19 pollution control devices for which an election is made pursuant to section
20 43-1129.

21 17. The amount of depreciation or amortization of costs of child care
22 facilities deducted pursuant to section 167 or 188 of the internal revenue
23 code for which an election is made to amortize pursuant to section 43-1130.

24 18. The loss of an insurance company that is exempt under section
25 43-1201 to the extent that it is included in computing Arizona gross income
26 on a consolidated return pursuant to section 43-947.

27 19. The amount by which the depreciation or amortization computed
28 under the internal revenue code with respect to property for which a credit
29 was taken under section 43-1169 exceeds the amount of depreciation or
30 amortization computed pursuant to the internal revenue code on the Arizona
31 adjusted basis of the property.

32 20. The amount by which the adjusted basis computed under the internal
33 revenue code with respect to property for which a credit was claimed under
34 section 43-1169 and ~~which~~ THAT is sold or otherwise disposed of during the
35 taxable year exceeds the adjusted basis of the property computed under
36 section 43-1169.

37 21. The amount by which the depreciation or amortization computed
38 under the internal revenue code with respect to property for which a credit
39 was taken under either section 43-1170 or 43-1170.01 exceeds the amount of
40 depreciation or amortization computed pursuant to the internal revenue code
41 on the Arizona adjusted basis of the property.

1 22. The amount by which the adjusted basis computed under the internal
2 revenue code with respect to property for which a credit was claimed under
3 either section 43-1170 or 43-1170.01 and ~~which~~ THAT is sold or otherwise
4 disposed of during the taxable year exceeds the adjusted basis of the
5 property computed under section 43-1170 or 43-1170.01, as applicable.

6 23. The deduction referred to in section 1341(a)(4) of the internal
7 revenue code for restoration of a substantial amount held under a claim of
8 right.

9 24. The amount by which a capital loss carryover allowable pursuant to
10 section 1341(b)(5) of the internal revenue code exceeds the capital loss
11 carryover allowable pursuant to section 43-1130.01, subsection F.

12 25. Any amount deducted in computing Arizona taxable income as
13 expenses for installing solar stub outs or electric vehicle recharge outlets
14 in this state with respect to which a credit is claimed pursuant to section
15 43-1176.

16 26. Any wage expenses deducted pursuant to the internal revenue code
17 for which a credit is claimed under section 43-1175 and representing net
18 increases in qualified employment positions for employment of temporary
19 assistance for needy families recipients.

20 27. Any amount of expenses that were deducted pursuant to the internal
21 revenue code and for which a credit is claimed under section 43-1178.

22 28. The amount of any deduction that is claimed in computing Arizona
23 gross income and that represents a donation of a school site for which a
24 credit is claimed under section 43-1181.

25 29. Any amount deducted pursuant to section 170 of the internal
26 revenue code representing contributions to a school tuition organization for
27 which a credit is claimed under section 43-1183 or 43-1184.

28 30. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE
29 AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN ARIZONA GROSS INCOME FOR THE
30 TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF SPECIE FOR
31 ANOTHER KIND OF SPECIE OR LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

32 (a) ANY EXCHANGE OF LEGAL TENDER, INCLUDING SPECIE LEGAL TENDER, MUST
33 BE EITHER AT FACE VALUE OR AT AN AMOUNT THAT IS NOT GREATER THAN FIFTY
34 PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

35 (b) ANY OTHER EXCHANGE OF SPECIE MUST BE AT AN AMOUNT THAT IS NOT
36 GREATER THAN FIFTY PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

37 (c) "LEGAL TENDER" AND "SPECIE" HAVE THE SAME MEANINGS PRESCRIBED IN
38 SECTION 1-701.

39 Sec. 5. Section 43-1122, Arizona Revised Statutes, is amended to read:
40 43-1122. Subtractions from Arizona gross income; corporations

41 In computing Arizona taxable income for a corporation, the following
42 amounts shall be subtracted from Arizona gross income:

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

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

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

11 4. The amount allowed by section 43-1025 for contributions during the
12 taxable year of agricultural crops to charitable organizations.

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

19 6. With respect to property that is sold or otherwise disposed of
20 during the taxable year by a taxpayer that complied with section 43-1121,
21 paragraph 5 with respect to that property, the amount of depreciation that
22 has been allowed pursuant to section 167(a) of the internal revenue code to
23 the extent that the amount has not already reduced Arizona taxable income in
24 the current **TAXABLE YEAR** or prior taxable years.

25 7. With respect to property for which an adjustment was made under
26 section 43-1121, paragraph 6, an amount equal to one-fifth of the amount of
27 the adjustment pursuant to section 43-1121, paragraph 6 in the year in which
28 the amount was adjusted under section 43-1121, paragraph 6 and in each of the
29 following four years.

30 8. The amount of any original issue discount that was deferred and not
31 allowed to be deducted in computing federal taxable income in the current
32 taxable year pursuant to section 108(i) of the internal revenue code as added
33 by section 1231 of the American recovery and reinvestment act of 2009
34 (P.L. 111-5).

35 9. The amount of previously deferred discharge of indebtedness income
36 that is included in the computation of federal taxable income in the current
37 taxable year pursuant to section 108(i) of the internal revenue code as added
38 by section 1231 of the American recovery and reinvestment act of 2009
39 (P.L. 111-5), to the extent that the amount was previously added to Arizona
40 gross income pursuant to section 43-1121, paragraph 7.

41 10. With respect to a financial institution as defined in section
42 6-101, expenses and interest relating to tax-exempt income disallowed
43 pursuant to section 265 of the internal revenue code.

1 11. Dividends received from another corporation owned or controlled
2 directly or indirectly by a recipient corporation. For the purposes of this
3 paragraph, "control" means direct or indirect ownership or control of fifty
4 ~~per cent~~ PERCENT or more of the voting stock of the payor corporation by the
5 recipient corporation. Dividends shall have the meaning provided in section
6 316 of the internal revenue code. This subtraction shall apply without
7 regard to section 43-961, paragraph 2 and article 4 of this chapter.

8 12. Interest income received on obligations of the United States.

9 13. The amount of dividend income from foreign corporations.

10 14. The amount of net operating loss allowed by section 43-1123.

11 15. The amount of any state income tax refunds received ~~which~~ THAT
12 were included as income in computing federal taxable income.

13 16. The amount of expense recapture included in income pursuant to
14 section 617 of the internal revenue code for mine exploration expenses.

15 17. The amount of deferred exploration expenses allowed by section
16 43-1127.

17 18. The amount of exploration expenses related to the exploration of
18 oil, gas or geothermal resources, computed in the same manner and on the same
19 basis as a deduction for mine exploration pursuant to section 617 of the
20 internal revenue code. This computation is subject to the adjustments
21 contained in section 43-1121, paragraph 15 and paragraphs 16 and 17 of this
22 section relating to exploration expenses.

23 19. The amortization of pollution control devices allowed by section
24 43-1129.

25 20. The amount of amortization of the cost of child care facilities
26 pursuant to section 43-1130.

27 21. The amount of income from a domestic international sales
28 corporation required to be included in the income of its shareholders
29 pursuant to section 995 of the internal revenue code.

30 22. The income of an insurance company that is exempt under section
31 43-1201 to the extent that it is included in computing Arizona gross income
32 on a consolidated return pursuant to section 43-947.

33 23. The amount by which a capital loss carryover allowable pursuant to
34 section 43-1130.01, subsection F exceeds the capital loss carryover allowable
35 pursuant to section 1341(b)(5) of the internal revenue code.

36 24. An amount equal to the depreciation allowable pursuant to section
37 167(a) of the internal revenue code for the taxable year computed as if the
38 election described in section 168(k)(2)(D)(iii) of the internal revenue code
39 had been made for each applicable class of property in the year the property
40 was placed in service.

41 25. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE
42 AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL TAXABLE INCOME FOR THE
43 TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF SPECIE FOR
44 ANOTHER KIND OF SPECIE OR LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

1 (a) ANY EXCHANGE OF LEGAL TENDER, INCLUDING SPECIE LEGAL TENDER, MUST
2 BE EITHER AT FACE VALUE OR AT AN AMOUNT THAT IS NOT GREATER THAN FIFTY
3 PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

4 (b) ANY OTHER EXCHANGE OF SPECIE MUST BE AT AN AMOUNT THAT IS NOT
5 GREATER THAN FIFTY PERCENT OVER THE FAIR MARKET VALUE OF THE METAL CONTENT.

6 (c) "LEGAL TENDER" AND "SPECIE" HAVE THE SAME MEANINGS PRESCRIBED IN
7 SECTION 1-701.