

REFERENCE TITLE: internal revenue code conformity

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

SB 1288

Introduced by
Senator Lesko

AN ACT

AMENDING SECTIONS 42-1001, 43-105, 43-325, 43-327 AND 43-1401, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 14, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1414; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 42-1001, Arizona Revised Statutes, is amended to read:

42-1001. Definitions

In this title, unless the context otherwise requires:

1. "Board" or "state board" means either the state board of tax appeals or the state board of equalization, as applicable.

2. "Court" means the tax court or superior court, whichever is applicable.

3. "Department" means the department of revenue.

4. "Director" means the director of the department.

5. "Internal revenue code" means the United States internal revenue code of 1986, as amended and in effect as of January 1, ~~2015~~ 2016, including those provisions that became effective during ~~2014~~ 2015 with the specific adoption of their retroactive effective dates but excluding all changes to the code enacted after January 1, ~~2015~~ 2016.

Sec. 2. Section 43-105, Arizona Revised Statutes, is amended to read:

43-105. Internal revenue code; definition; application

A. FOR THE PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015, "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, IN EFFECT ON JANUARY 1, 2016, INCLUDING THOSE PROVISIONS THAT BECAME EFFECTIVE DURING 2015 WITH THE SPECIFIC ADOPTION OF ALL FEDERAL RETROACTIVE EFFECTIVE DATES, BUT EXCLUDING ANY CHANGE TO THE CODE ENACTED AFTER JANUARY 1, 2016.

~~A.~~ B. For the purposes of computing income tax pursuant to this title, for taxable years beginning from and after December 31, 2014 THROUGH DECEMBER 31, 2015, "internal revenue code" means the United States internal revenue code of 1986, as amended, in effect on January 1, 2015, including those provisions that became effective during 2014 with the specific adoption of all federal retroactive effective dates, ~~but excluding any change to the code enacted after January 1, 2015~~ AND INCLUDING THOSE PROVISIONS OF THE SLAIN OFFICER FAMILY SUPPORT ACT OF 2015 (P.L. 114-7), THE DON'T TAX OUR FALLEN PUBLIC SAFETY HEROES ACT (P.L. 114-14), THE SURFACE TRANSPORTATION AND VETERANS HEALTH CARE CHOICE IMPROVEMENT ACT OF 2015 (P.L. 114-41) AND THE CONSOLIDATED APPROPRIATIONS ACT, 2016 (P.L. 114-113) THAT ARE RETROACTIVELY EFFECTIVE DURING TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014 THROUGH DECEMBER 31, 2015.

~~B.~~ C. For the purposes of computing income tax pursuant to this title, for taxable years beginning from and after December 31, 2013 through December 31, 2014, "internal revenue code" means the United States internal revenue code of 1986, as amended, in effect on January 1, 2014, including those provisions that became effective during 2013 with the specific adoption of all federal retroactive effective dates, and including those provisions of the Philippines charitable giving assistance act (P.L. 113-92), the Gabriella

1 Miller kids first research act (P.L. 113-94), the cooperative and small
 2 employer charity pension flexibility act (P.L. 113-97), the highway and
 3 transportation funding act of 2014 (P.L. 113-159), the tribal general welfare
 4 exclusion act of 2014 (P.L. 113-168), the consolidated and further continuing
 5 appropriations act, 2015 (P.L. 113-235), the 2014 airline bankruptcy payments
 6 rollover act (P.L. 113-243), ~~and~~ the tax increase prevention act of 2014
 7 (P.L. 113-295), ~~THE SLAIN OFFICER FAMILY SUPPORT ACT OF 2015 (P.L. 114-7) AND~~
 8 ~~THE CONSOLIDATED APPROPRIATIONS ACT, 2016 (P.L. 114-113)~~ that are
 9 retroactively effective during taxable years beginning from and after
 10 December 31, 2013 through December 31, 2014.

11 ~~C.~~ D. For the purposes of computing income tax pursuant to this
 12 title, for taxable years beginning from and after December 31, 2012 through
 13 December 31, 2013, "internal revenue code" means the United States internal
 14 revenue code of 1986, as amended, in effect on January 3, 2013, including
 15 those provisions that became effective during 2012 with the specific adoption
 16 of all federal retroactive effective dates, and including those provisions of
 17 the Philippines charitable giving assistance act (P.L. 113-92), the highway
 18 and transportation funding act of 2014 (P.L. 113-159), the tribal general
 19 welfare exclusion act of 2014 (P.L. 113-168), the 2014 airline bankruptcy
 20 payments rollover act (P.L. 113-243), ~~and~~ the tax technical corrections act
 21 of 2014 (P.L. 113-295, division A, title II) ~~AND THE CONSOLIDATED~~
 22 ~~APPROPRIATIONS ACT, 2016 (P.L. 114-113)~~ that are retroactively effective
 23 during taxable years beginning from and after December 31, 2012 through
 24 December 31, 2013.

25 ~~D.~~ E. For the purposes of computing income tax pursuant to this
 26 title, for taxable years beginning from and after December 31, 2011 through
 27 December 31, 2012, "internal revenue code" means the United States internal
 28 revenue code of 1986, as amended, in effect on January 1, 2012, including
 29 those provisions that became effective during 2011 with the specific adoption
 30 of all federal retroactive effective dates, and including those provisions of
 31 the FAA modernization and reform act of 2012 (P.L. 112-95), the moving ahead
 32 for progress in the 21st century act (P.L. 112-141), the American taxpayer
 33 relief act of 2012 (P.L. 112-240), the 2014 airline bankruptcy payments
 34 rollover act (P.L. 113-243), the tribal general welfare exclusion act of 2014
 35 (P.L. 113-168), ~~and~~ the tax technical corrections act of 2014 (P.L. 113-295,
 36 division A, title II) ~~AND THE CONSOLIDATED APPROPRIATIONS ACT, 2016 (P.L.~~
 37 ~~114-113)~~ that are retroactively effective during taxable years beginning from
 38 and after December 31, 2011 through December 31, 2012.

39 ~~E.~~ F. For the purposes of computing income tax pursuant to this
 40 title, for taxable years beginning from and after December 31, 2010 through
 41 December 31, 2011, "internal revenue code" means the United States internal
 42 revenue code of 1986, as amended, in effect on January 1, 2011, including
 43 those provisions that became effective during 2010 with the specific adoption
 44 of all federal retroactive effective dates, and including those provisions of
 45 Public Law 112-40, the moving ahead for progress in the 21st century act

1 (P.L. 112-141), the American taxpayer relief act of 2012 (P.L. 112-240), the
2 tribal general welfare exclusion act of 2014 (P.L. 113-168) and the tax
3 technical corrections act of 2014 (P.L. 113-295, division A, title II) that
4 are retroactively effective during taxable years beginning from and after
5 December 31, 2010 through December 31, 2011.

6 ~~F.~~ G. For the purposes of computing income tax pursuant to this
7 title, for taxable years beginning from and after December 31, 2009 through
8 December 31, 2010, "internal revenue code" means the United States internal
9 revenue code of 1986, as amended, in effect on January 1, 2010, including
10 those provisions that became effective during 2009 with the specific adoption
11 of all federal retroactive effective dates, and including those provisions of
12 the temporary extension act of 2010 (P.L. 111-144), the hiring incentives to
13 restore employment act (P.L. 111-147), the patient protection and affordable
14 care act (P.L. 111-148), the health care and education reconciliation act of
15 2010 (P.L. 111-152), the preservation of access to care for medicare
16 beneficiaries and pension relief act of 2010 (P.L. 111-192), the Dodd-Frank
17 Wall Street reform and consumer protection act (P.L. 111-203), the small
18 business jobs act of 2010 (P.L. 111-240), the claims resolution act of 2010
19 (P.L. 111-291), the tax relief, unemployment insurance reauthorization, and
20 job creation act of 2010 (P.L. 111-312), the regulated investment company
21 modernization act of 2010 (P.L. 111-325) and the tax technical corrections
22 act of 2014 (P.L. 113-295, division A, title II) that are retroactively
23 effective during taxable years beginning from and after December 31, 2009
24 through December 31, 2010.

25 ~~G.~~ H. For purposes of computing income tax pursuant to this title,
26 for taxable years beginning from and after December 31, 2008 through December
27 31, 2009, "internal revenue code" means the United States internal revenue
28 code of 1986, as amended, in effect on January 1, 2009, including those
29 provisions that became effective during 2008 with the specific adoption of
30 all federal retroactive effective dates, and including those provisions of
31 the American recovery and reinvestment act of 2009 (P.L. 111-5) except
32 section 1211, the consumer assistance to recycle and save act of 2009
33 (P.L. 111-32), the worker, homeownership, and business assistance act of 2009
34 (P.L. 111-92) except section 13, the hiring incentives to restore employment
35 act (P.L. 111-147), the patient protection and affordable care act (P.L.
36 111-148), the preservation of access to care for medicare beneficiaries and
37 pension relief act of 2010 (P.L. 111-192), the small business jobs act of
38 2010 (P.L. 111-240), the tax relief, unemployment insurance reauthorization,
39 and job creation act of 2010 (P.L. 111-312) and the tax technical corrections
40 act of 2014 (P.L. 113-295, division A, title II) that are retroactively
41 effective during taxable years beginning from and after December 31, 2008
42 through December 31, 2009.

43 ~~H.~~ I. For purposes of computing income tax pursuant to this title,
44 for taxable years beginning from and after December 31, 2007 through December
45 31, 2008, "internal revenue code" means the United States internal revenue

1 code of 1986, as amended, in effect on January 1, 2008, including those
2 provisions that became effective during 2007 with the specific adoption of
3 all federal retroactive effective dates and including those provisions of the
4 economic stimulus act of 2008 (P.L. 110-185), the heroes earnings assistance
5 and relief tax act of 2008 (P.L. 110-245), the heartland, habitat, harvest
6 and horticulture act of 2008 (P.L. 110-246), the housing assistance tax act
7 of 2008 (P.L. 110-289), the emergency economic stabilization act of 2008
8 (P.L. 110-343), the worker, retiree, and employer recovery act of 2008
9 (P.L. 110-458), the American recovery and reinvestment act of 2009
10 (P.L. 111-5) except section 1211, the worker, homeownership, and business
11 assistance act of 2009 (P.L. 111-92) except section 13 and the tax technical
12 corrections act of 2014 (P.L. 113-295, division A, title II) that are
13 retroactively effective during taxable years beginning from and after
14 December 31, 2007 through December 31, 2008.

15 ~~I.~~ J. For purposes of computing income tax pursuant to this title,
16 for taxable years beginning from and after December 31, 2006 through December
17 31, 2007, "internal revenue code" means the United States internal revenue
18 code of 1986, as amended, in effect on January 1, 2007, including those
19 provisions that became effective during 2006 with the specific adoption of
20 all federal retroactive effective dates and including those provisions of the
21 small business and work opportunity tax act of 2007 (P.L. 110-28), the energy
22 independence and security act of 2007 (P.L. 110-140), Public Law 110-141, the
23 mortgage forgiveness debt relief act of 2007 (P.L. 110-142), the tax
24 technical corrections act of 2007 (P.L. 110-172), the economic stimulus act
25 of 2008 (P.L. 110-185), the heroes earnings assistance and relief tax act of
26 2008 (P.L. 110-245), the heartland, habitat, harvest and horticulture act of
27 2008 (P.L. 110-246), the housing assistance tax act of 2008 (P.L. 110-289),
28 the emergency economic stabilization act of 2008 (P.L. 110-343), the worker,
29 retiree, and employer recovery act of 2008 (P.L. 110-458) and the tax
30 technical corrections act of 2014 (P.L. 113-295, division A, title II) that
31 are retroactively effective during taxable years beginning from and after
32 December 31, 2006 through December 31, 2007.

33 ~~J.~~ K. For purposes of computing income tax pursuant to this title,
34 for taxable years beginning from and after December 31, 2005 through December
35 31, 2006, "internal revenue code" means the United States internal revenue
36 code of 1986, as amended, in effect on January 1, 2006, including those
37 provisions that became effective during 2005 with the specific adoption of
38 all federal retroactive effective dates and including those provisions of the
39 tax increase prevention and reconciliation act of 2005 (P.L. 109-222), the
40 pension protection act of 2006 (P.L. 109-280), the tax relief and health care
41 act of 2006 (P.L. 109-432), the small business and work opportunity tax act
42 of 2007 (P.L. 110-28), the mortgage forgiveness debt relief act of 2007
43 (P.L. 110-142), the tax technical corrections act of 2007 (P.L. 110-172), the
44 heartland, habitat, harvest and horticulture act of 2008 (P.L. 110-246), the
45 housing assistance tax act of 2008 (P.L. 110-289) and the tax technical

1 corrections act of 2014 (P.L. 113-295, division A, title II) that are
 2 retroactively effective during taxable years beginning from and after
 3 December 31, 2005 through December 31, 2006.

4 ~~K. For purposes of computing income tax pursuant to this title, for~~
 5 ~~taxable years beginning from and after December 31, 2004 through December 31,~~
 6 ~~2005, "internal revenue code" means the United States internal revenue code~~
 7 ~~of 1986, as amended, in effect on January 1, 2005, including those provisions~~
 8 ~~that became effective during 2004 with the specific adoption of all federal~~
 9 ~~retroactive effective dates and including those provisions of the Katrina~~
 10 ~~emergency tax relief act of 2005 (P.L. 109-73), the energy tax incentives act~~
 11 ~~of 2005 (title XIII of the energy policy act of 2005 (P.L. 109-58)), the gulf~~
 12 ~~opportunity zone act of 2005 (P.L. 109-135), the tax technical corrections~~
 13 ~~act of 2007 (P.L. 110-172), the heartland, habitat, harvest and horticulture~~
 14 ~~act of 2008 (P.L. 110-246) and the housing assistance tax act of 2008~~
 15 ~~(P.L. 110-289) that are retroactively effective during taxable years~~
 16 ~~beginning from and after December 31, 2004 through December 31, 2005.~~

17 Sec. 3. Section 43-325, Arizona Revised Statutes, is amended to read:

18 43-325. Time for filing returns

19 Unless otherwise indicated: ~~—~~

20 1. Returns made on the basis of the calendar year shall be filed on or
 21 before the fifteenth day of April following the close of the calendar year.

22 2. Returns made on the basis of a fiscal year shall be filed on or
 23 before the fifteenth day of the fourth month following the close of the
 24 fiscal year.

25 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015,
 26 PARTNERSHIP RETURNS ARE DUE ON OR BEFORE THE FIFTEENTH DAY OF THE THIRD MONTH
 27 FOLLOWING THE CLOSE OF THE TAXABLE YEAR.

28 Sec. 4. Section 43-327, Arizona Revised Statutes, is amended to read:

29 43-327. Recomputation of tax or amended return due after
 30 federal adjustment; definition

31 A. If the amount of taxable income for any year of any taxpayer as
 32 reported to the United States treasury department is changed or corrected by
 33 the commissioner of internal revenue or other officer of the United States or
 34 other competent authority, or if a renegotiation of a contract or subcontract
 35 with the United States results in a change in taxable income, such taxpayer
 36 within ninety days after the final determination of such change or correction
 37 or renegotiation shall either:

38 1. File with the department a copy of the final determination, concede
 39 the accuracy of the determination or state any errors and request the
 40 department to recompute the tax owed to this state. Recomputing the tax by
 41 the department is not considered to be an audit for purposes of section
 42 42-2059.

43 2. File an amended return as required by the department of revenue.

44 B. FOR FEDERAL CHANGES TO WHICH SECTION 43-1414 APPLIES:

1 1. IF THE PARTNERSHIP PASSES THROUGH TO EACH PARTNER THE PARTNER'S
 2 DISTRIBUTIVE SHARE OF ANY ADJUSTMENTS PURSUANT TO SECTION 43-1414, SUBSECTION
 3 B, PARAGRAPH 2, THE STATEMENT PROVIDED TO EACH PARTNER UNDER SECTION 43-1414,
 4 SUBSECTION B, PARAGRAPH 2 IS CONSIDERED TO BE A CHANGE IN TAXABLE INCOME OF
 5 THE PARTNER BY THE COMMISSIONER OF INTERNAL REVENUE FOR THE TAXABLE YEAR OF
 6 THE PARTNER IN WHICH THE REVIEWED YEAR OF THE PARTNERSHIP ENDS. THE PARTNERS
 7 SHALL EACH FILE AN AMENDED RETURN WITHIN ONE HUNDRED FIFTY DAYS AFTER THE
 8 FINAL DETERMINATION OF THE PARTNERSHIP ADJUSTMENTS BY THE INTERNAL REVENUE
 9 SERVICE TO REPORT THEIR SHARE OF THE PARTNERSHIP ADJUSTMENTS AS REPORTED TO
 10 THEM IN THE STATEMENT PROVIDED BY THE PARTNERSHIP PURSUANT TO SECTION
 11 43-1414, SUBSECTION B, PARAGRAPH 2.

12 2. IF THE PARTNERSHIP IS REQUIRED TO REPORT FEDERAL CHANGES AND PAY
 13 THE TAX PURSUANT TO SECTION 43-1414, SUBSECTION B, PARAGRAPH 1, THE
 14 PARTNERSHIP SHALL FILE THE RETURN REQUIRED UNDER SECTION 43-1414, SUBSECTION
 15 A AND PAY THE TAX WITHIN NINETY DAYS AFTER THE FINAL DETERMINATION OF THE
 16 PARTNERSHIP ADJUSTMENTS BY THE INTERNAL REVENUE SERVICE.

17 ~~B.~~ C. The department may require an amended return if the department
 18 lacks the necessary information to recompute the tax owed to this state.

19 ~~C.~~ D. Any taxpayer filing an amended return with the United States
 20 treasury department shall also file within ninety days of the final
 21 determination by the United States treasury department an amended return with
 22 the department of revenue, which shall contain such information as it shall
 23 require.

24 ~~D.~~ E. For the purposes of this section, assessments under a partial
 25 agreement, closing agreement covering specific matters, jeopardy or advance
 26 payment are considered part of the final determination ~~defined in subsection~~
 27 ~~G of this section~~ and must be submitted to the department with the final
 28 determination.

29 ~~E.~~ F. If a partial agreement, A closing agreement covering specific
 30 matters or any other agreement with the United States treasury department
 31 would be final except for a federal extension still open for flow through
 32 adjustments from other entities or other jurisdictions, ~~then~~ the final
 33 determination is the date the taxpayer signs the agreement. Flow through
 34 adjustments are finally determined based on criteria specified in subsection
 35 ~~G~~ H of this section.

36 ~~F.~~ G. The department is not required to issue refunds based on any
 37 agreement other than a final determination.

38 ~~G.~~ H. For the purposes of this section, "final determination" means
 39 the appeal rights of both parties have expired or have been exhausted
 40 relative to the tax year.

41 Sec. 5. Section 43-1401, Arizona Revised Statutes, is amended to read:

42 43-1401. Definitions

43 In this chapter, unless the context otherwise requires:

44 1. "Arizona gross income" of a partnership means its taxable income
 45 for the year, computed according to subtitle A, chapter 1, subchapter K of

the internal revenue code, exclusive of items requiring separate computation under section 43-1412, paragraphs 1 through 16. For purposes of this title the provisions relating to interest on investment indebtedness contained in section 163(d) of the internal revenue code shall not apply.

2. "Arizona taxable income" of a partnership means its Arizona gross income adjusted by the modifications specified in sections 43-1021 and 43-1022 AND SECTION 43-1414, SUBSECTION A.

Sec. 6. Title 43, chapter 14, article 2, Arizona Revised Statutes, is amended by adding section 43-1414, to read:

43-1414. Federal assessment of imputed underpayment:
definitions

A. A PARTNERSHIP THAT IS AUDITED BY THE INTERNAL REVENUE SERVICE AND THAT IS ASSESSED AN IMPUTED UNDERPAYMENT PURSUANT TO SECTION 6225 OF THE INTERNAL REVENUE CODE AS ADDED BY THE BIPARTISAN BUDGET ACT OF 2015 (P.L. 114-74) OR A PARTNERSHIP THAT MAKES THE ELECTION UNDER SECTION 6226 OF THE INTERNAL REVENUE CODE AS ADDED BY THE BIPARTISAN BUDGET ACT OF 2015 (P.L. 114-74) SHALL FILE A RETURN FOR THE REVIEWED YEAR ON A FORM PRESCRIBED BY THE DEPARTMENT THAT SHOWS THE ADJUSTMENTS TO INCOME OR THE GAIN, LOSS OR DEDUCTION ON WHICH THE FEDERAL IMPUTED UNDERPAYMENT WAS BASED AS WELL AS ANY OF THE CORRELATIVE ADJUSTMENTS TO THE ADDITIONS REQUIRED UNDER SECTION 43-1021 OR THE SUBTRACTIONS REQUIRED UNDER SECTION 43-1022.

B. IF THE ADJUSTMENTS DETERMINED IN SUBSECTION A OF THIS SECTION ARE:

1. A NET INCREASE IN ARIZONA TAXABLE INCOME:

(a) WITHIN NINETY DAYS AFTER THE FINAL DETERMINATION REGARDING THE ADJUSTMENT FROM THE INTERNAL REVENUE SERVICE, THE PARTNERSHIP SHALL PAY THE TAX ON THE ADJUSTMENTS IN LIEU OF PASSING THE ADJUSTMENTS THROUGH TO THE PARTNERS.

(b) THE TAX SHALL BE IMPOSED ON THE ARIZONA SHARE OF THE ADJUSTMENTS AT THE HIGHEST TAX RATE IMPOSED ON INDIVIDUALS UNDER SECTION 43-1011.

(c) INTEREST SHALL BE COMPUTED PURSUANT TO SECTION 42-1123 FOR THE PERIOD BEGINNING ON THE DAY AFTER THE PARTNERSHIP RETURN DUE DATE FOR THE REVIEWED YEAR, WITHOUT REGARD TO ANY EXTENSIONS.

(d) FOR THE PURPOSES OF IMPOSING PENALTIES UNDER SECTION 42-1125, THE DUE DATE OF THE RETURN UNDER PARAGRAPH 2 OF THIS SUBSECTION IS THE NINETIETH DAY AFTER THE FINAL DETERMINATION OF THE PARTNERSHIP ADJUSTMENTS BY THE INTERNAL REVENUE SERVICE.

2. A NET REDUCTION IN ARIZONA TAXABLE INCOME, WITHIN NINETY DAYS AFTER THE FINAL DETERMINATION REGARDING THE ADJUSTMENT FROM THE INTERNAL REVENUE SERVICE, THE PARTNERSHIP SHALL FURNISH TO EACH PARTNER OF THE PARTNERSHIP AND TO THE DEPARTMENT A STATEMENT ON A FORM PRESCRIBED BY THE DEPARTMENT OF THE PARTNER'S SHARE OF THE ADJUSTMENTS REQUIRED IN SUBSECTION A OF THIS SECTION. THE AMOUNT REPORTED TO THE PARTNER UNDER THIS SUBSECTION IS AN ADJUSTMENT TO THE PARTNER'S SHARE OF PARTNERSHIP TAXABLE INCOME.

C. IF A PARTNERSHIP FAILS TO FILE THE RETURN THAT IS REQUIRED UNDER SUBSECTION A OF THIS SECTION OR IF THE DEPARTMENT IS NOT SATISFIED WITH THE

1 RETURN OR THE PAYMENT OF THE TAX REQUIRED TO BE PAID, THE DEPARTMENT MAY
2 ISSUE A DEFICIENCY ASSESSMENT TO THE PARTNERSHIP UNDER SECTION 42-1108.

3 D. IF THE PARTNERSHIP INCORRECTLY REPORTED THE ADJUSTMENTS UNDER
4 SUBSECTION A OF THIS SECTION THAT RESULTED IN:

5 1. AN UNDERSTATEMENT OF THE DISTRIBUTION OF ARIZONA TAXABLE INCOME TO
6 THE PARTNERS UNDER SUBSECTION B, PARAGRAPH 2 OF THIS SECTION, THE PARTNERSHIP
7 SHALL PAY THE TAX ON THE UNDERSTATEMENT BY APPLYING THE CALCULATION IN
8 SUBSECTION B, PARAGRAPH 1 OF THIS SECTION TO THE UNREPORTED ADJUSTMENTS.

9 2. AN OVERSTATEMENT OF ARIZONA TAXABLE INCOME, ANY ADJUSTMENT SHALL BE
10 HANDLED AS FOLLOWS:

11 (a) IF THE ADJUSTMENTS WERE ORIGINALLY PASSED THROUGH TO THE PARTNERS
12 UNDER SUBSECTION B, PARAGRAPH 2 OF THIS SECTION, THE ADJUSTMENT SHALL BE
13 PASSED THROUGH TO THE PARTNERS. THE PARTNERSHIP SHALL AMEND THE RETURN UNDER
14 SUBSECTION A OF THIS SECTION AND AMEND THE STATEMENTS PROVIDED TO THE
15 PARTNERS AND THE DEPARTMENT UNDER SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.

16 (b) IF THE TAX ON THE ADJUSTMENTS WAS ORIGINALLY PAID BY THE
17 PARTNERSHIP PURSUANT TO SUBSECTION B, PARAGRAPH 1 OF THIS SECTION, THE
18 PARTNERSHIP SHALL AMEND THE RETURN FILED PURSUANT TO SUBSECTION B, PARAGRAPH
19 1 OF THIS SECTION TO CLAIM ANY REFUND. THIS SUBDIVISION DOES NOT ALLOW A
20 PARTNERSHIP TO CLAIM A REFUND FOR AMOUNTS NOT ACTUALLY PAID BY THE
21 PARTNERSHIP.

22 E. FOR THE PURPOSES OF THIS SECTION:

23 1. "ARIZONA SHARE OF THE ADJUSTMENTS" MEANS THE ADJUSTMENTS DETERMINED
24 IN SUBSECTION A OF THIS SECTION, SUBJECT TO THE ALLOCATION AND APPORTIONMENT
25 PROVISIONS OF CHAPTER 11, ARTICLE 4 OF THIS TITLE.

26 2. "FINAL DETERMINATION" HAS THE SAME MEANING PRESCRIBED IN SECTION
27 43-327.

28 3. "REVIEWED YEAR" MEANS THE PARTNERSHIP TAXABLE YEAR TO WHICH THE
29 ITEMS ADJUSTED BY THE INTERNAL REVENUE SERVICE RELATE.

30 Sec. 7. Federal exclusion for wrongfully incarcerated individuals

31 A. Except as provided in subsection B of this section, this state
32 conforms to the retroactive changes made by Public Law 114-113, division Q,
33 section 304 that allow an exclusion from gross income for civil damages,
34 restitution or other monetary award for wrongfully incarcerated individuals.

35 B. If Public Law 114-113, division Q, section 304, subsection (d)
36 applies to a taxpayer's federal claim for credit or refund:

37 1. The taxpayer must file an Arizona amended income tax return for the
38 applicable taxable year on or before December 18, 2016 to claim any refund
39 due to the exclusion allowed by subsection A of this section. Any request
40 filed after December 31, 2016 shall be denied. The taxpayer is responsible
41 for providing all documentation necessary to substantiate the refund request,
42 including copies of the original federal and state income tax returns filed
43 for the taxable year to which the request is related.

44 2. The department of revenue may review the amended return, and any
45 deficiency resulting from the review of the adjustment may be assessed within

1 six months after the date the amended return is filed or within six months
2 after the date the federal adjustment is final, whichever period expires
3 later. The federal adjustment is final when the internal revenue service has
4 accepted the amended return and the appeal rights of both parties have
5 expired or have been exhausted relative to the adjustment for the taxable
6 year. Any adjustment shall be treated as a deficiency assessment under
7 section 42-1108, Arizona Revised Statutes.