

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

SENATE BILL 1539

AN ACT

AMENDING SECTIONS 42-1116, 42-3104, 42-3458 AND 42-17401, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-224; AMENDING LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 16, AS AMENDED BY LAWS 2014, CHAPTER 9, SECTION 2 AND LAWS 2015, CHAPTER 10, SECTION 11; APPROPRIATING MONIES; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-1116, Arizona Revised Statutes, is amended to
3 read:

4 42-1116. Disposition of tax revenues

5 A. The department OF REVENUE shall promptly deposit, pursuant to
6 sections 35-146 and 35-147, all monies it collects from the taxes
7 administered pursuant to this article except the telecommunication services
8 excise tax, separately accounting for each type of tax and each tax
9 classification within each type of tax. At the same time the department of
10 revenue shall also furnish copies of the transmittal schedules to the
11 director of the department of administration.

12 B. Except as provided by subsection C of this section, the department
13 shall deposit all monies and remittances received under this section to the
14 credit of the following specific funds and accounts:

15 1. Amounts sufficient to meet the requirements for tax refunds to the
16 tax refund account established ~~in~~ BY section 42-1117.

17 2. Amounts sufficient to meet the requirements of urban revenue
18 sharing to the urban revenue sharing fund established ~~in~~ BY section 43-206.

19 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of this
20 title and section 42-5352, subsection A to the transaction privilege and
21 severance tax clearing account established by section 42-5029.

22 4. ~~Through June 30, 2015~~ Amounts sufficient to meet the requirements
23 of section 42-3104 to the corrections fund.

24 5. Amounts sufficient to meet the requirements of section 49-282,
25 subsection B relating to the water quality assurance revolving fund.

26 6. All remaining monies to the state general fund.

27 C. From the monies and remittances received under this section, each
28 month beginning July, ~~2001~~ the state treasurer shall transmit to the tourism
29 and sports authority, established by title 5, chapter 8, for deposit in its
30 facility revenue clearing account established by section 5-834 one-twelfth of
31 the amount reported by the department pursuant to section 43-209.

32 Sec. 2. Section 42-3104, Arizona Revised Statutes, is amended to read:

33 42-3104. Monies allocated to the corrections fund

34 ~~Through June 30, 2015,~~ The department shall deposit, pursuant to
35 sections 35-146, 35-147 and 42-1116, the following monies in the corrections
36 fund established by section 41-1641:

37 1. ~~20 per cent~~ PERCENT of the monies collected pursuant to section
38 42-3052, paragraph 1.

39 2. ~~50 per cent~~ PERCENT of the monies collected pursuant to section
40 42-3052, paragraph 2.

41 3. ~~50 per cent~~ PERCENT of the monies collected pursuant to section
42 42-3052, paragraph 3.

43 4. ~~50 per cent~~ PERCENT of the monies collected pursuant to section
44 42-3052, paragraph 4.

- 1 5. 11.11 ~~per cent~~ PERCENT of the monies collected pursuant to section
- 2 42-3052, paragraph 5.
- 3 6. 50 ~~per cent~~ PERCENT of the monies collected pursuant to section
- 4 42-3052, paragraph 6.
- 5 7. 50 ~~per cent~~ PERCENT of the monies collected pursuant to section
- 6 42-3052, paragraph 7.
- 7 8. 50 ~~per cent~~ PERCENT of the monies collected pursuant to section
- 8 42-3052, paragraph 8.
- 9 9. 50 ~~per cent~~ PERCENT of the monies collected pursuant to section
- 10 42-3052, paragraph 9.

11 Sec. 3. Section 42-3458, Arizona Revised Statutes, is amended to read:
12 42-3458. Discount purchases of tax stamps; refund, redemption
13 and rebate amounts

14 A. The official stamps to be affixed to packages of cigarettes shall
15 be obtainable from the department by each licensed distributor by purchase OR
16 AS MAY BE ACQUIRED PURSUANT TO DEPARTMENT PROCEDURES:

- 17 1. On or before September 30, 2014, at the following discount rates:
 - 18 (a) Ninety-six percent of the face value for the first thirty-six
 - 19 thousand dollars worth of stamps purchased by the distributor in any month.
 - 20 (b) Ninety-seven percent of the face value for the second thirty-six
 - 21 thousand dollars worth of stamps purchased by the distributor in any month.
 - 22 (c) Ninety-eight percent of the face value on all stamps in excess of
 - 23 seventy-two thousand dollars purchased by the distributor in any month,
 - 24 except that if a distributor purchases more than one hundred sixty-five
 - 25 thousand dollars worth of stamps in one month, the department shall offset
 - 26 against the discount under this subdivision, or the distributor shall refund
 - 27 to the department, the difference between the face value and the discounted
 - 28 value of the first seventy-two thousand dollars worth of stamps under
 - 29 subdivisions (a) and (b) of this paragraph.
- 30 2. After September 30, 2014 THROUGH SEPTEMBER 30, 2016, at the rate of
- 31 ninety-six percent of the face value of the stamps.

32 ~~B. Any refund of or rebates on tax stamps requested by a licensed~~
33 ~~distributor must be issued in an amount of the total face value of the stamps~~
34 ~~minus four percent of the total face value of the stamps.~~

35 3. AFTER SEPTEMBER 30, 2016, AT THE DISCOUNT RATE OF 96.48 PERCENT OF
36 THE FACE VALUE OF ALL CATEGORIES OF STAMPS, EXCEPT THAT:

- 37 (a) FOR THOSE CATEGORIES OF STAMPS WITH A FACE VALUE OF ZERO, 3.52
38 CENTS PER STAMP SHALL BE REMITTED TO THE ACQUIRING DISTRIBUTOR AS AN
39 ADMINISTRATIVE ALLOWANCE SUBJECT TO THE REPORTING OF THE AFFIXATION OF SUCH
40 STAMPS PURSUANT TO SECTION 42-3462.
- 41 (b) FOR THOSE CATEGORIES OF STAMPS FOR WHICH THE TAX IS NOT
42 PRECOLLECTED PURSUANT TO ARTICLE 7 OF THIS CHAPTER, 3.52 CENTS PER STAMP
43 SHALL BE REMITTED TO THE ACQUIRING DISTRIBUTOR AS AN ADMINISTRATIVE ALLOWANCE
44 SUBJECT TO THE REPORTING OF THE AFFIXATION OF SUCH STAMPS PURSUANT TO SECTION
45 42-3462.

1 B. ANY REFUND OF TAX STAMPS REQUESTED BY A LICENSED DISTRIBUTOR
2 PURSUANT TO SECTION 42-3008 OR REDEMPTION OF UNUSED OR SPOILED TAX STAMPS
3 PURSUANT TO SECTION 42-3460 SHALL BE ISSUED IN AN AMOUNT OF:

4 1. THE TOTAL FACE VALUE OF THE STAMPS MINUS FOUR PERCENT IF SUBSECTION
5 A, PARAGRAPH 2 OF THIS SECTION APPLIES TO THE STAMPS.

6 2. THE TOTAL FACE VALUE OF THE STAMPS MINUS 3.52 PERCENT IF SUBSECTION
7 A, PARAGRAPH 3 OF THIS SECTION APPLIES TO THE STAMPS.

8 C. ANY REBATE OF TAX STAMPS REQUESTED BY A LICENSED DISTRIBUTOR FOR
9 WHICH THE TAX IS PRECOLLECTED PURSUANT TO ARTICLE 7 OF THIS CHAPTER SHALL BE
10 AT THE FULL FACE VALUE OF THE STAMPS.

11 Sec. 4. Section 42-17401, Arizona Revised Statutes, is amended to
12 read:

13 42-17401. Elderly assistance fund; primary school district tax
14 reduction; definition

15 A. An elderly assistance fund shall be established by the board of
16 supervisors in a county with a population of more than two million persons to
17 be administered by the county treasurer. The fund shall be used to reduce
18 the primary school district taxes pursuant to subsection ~~B~~ C of this
19 section.

20 B. THE BOARD OF SUPERVISORS SHALL SPEND ANY UNSPENT MONIES THAT REMAIN
21 IN THE ELDERLY ASSISTANCE FUND FROM AND AFTER DECEMBER 31, 2015 SOLELY ON THE
22 ELDERLY ASSISTANCE PROGRAM. ANY SUBSEQUENT APPROPRIATIONS MADE TO THE
23 ELDERLY ASSISTANCE FUND SHALL ALSO BE SPENT SOLELY ON THE ELDERLY ASSISTANCE
24 PROGRAM.

25 ~~B~~ C. On June 30 of each year, the county treasurer shall determine
26 the total amount of monies in the elderly assistance fund and the total
27 number of qualified individuals who live in the county. The county treasurer
28 shall use the monies in the fund to proportionately reduce the primary school
29 district taxes that are levied against the property of all qualified
30 individuals in the county for the following tax year.

31 ~~C~~ D. The county treasurer shall invest monies in the fund. Interest
32 earned on fund monies shall be deposited in the taxpayer's information fund
33 established by section 11-495.

34 ~~D~~ E. For the purposes of this section, "qualified individual" means
35 an individual who lives in an organized school district and who is approved
36 for the property valuation protection option pursuant to article IX, section
37 18, subsection (7), Constitution of Arizona.

38 Sec. 5. Title 43, chapter 2, article 2, Arizona Revised Statutes, is
39 amended by adding section 43-224, to read:

40 43-224. Individual and corporate income tax credits; annual
41 report

42 ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE DEPARTMENT SHALL REPORT TO
43 THE DIRECTORS OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S
44 OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE AMOUNT OF INDIVIDUAL INCOME

1 TAX CREDITS AND CORPORATE INCOME TAX CREDITS THAT WERE CLAIMED IN THE
2 PREVIOUS FISCAL YEAR.

3 Sec. 6. Laws 2013, first special session, chapter 9, section 16, as
4 amended by Laws 2014, chapter 9, section 2 and Laws 2015, chapter 10, section
5 11, is amended to read:

6 Sec. 16. Department receivership revolving fund; use; intent

7 A. Notwithstanding section 6-135.01, Arizona Revised Statutes, in
8 fiscal years 2013-2014, 2014-2015, ~~and~~ 2015-2016 **AND 2016-2017**, the
9 superintendent of the department of financial institutions may use monies in
10 the department receivership revolving fund established by section 6-135.01,
11 Arizona Revised Statutes, for expenditures on an electronic licensing system.

12 B. It is the intent of the legislature that expenditures in fiscal
13 years 2013-2014, 2014-2015, ~~and~~ 2015-2016 **AND 2016-2017** on an electronic
14 licensing system as prescribed in subsection A of this section not exceed a
15 total of \$850,000.

16 Sec. 7. Department of insurance; fee and assessment adjustment
17 suspension

18 Notwithstanding section 20-167, subsection F, Arizona Revised Statutes,
19 and section 20-466, subsection J, Arizona Revised Statutes, the director of
20 insurance may not revise fees or assessments in fiscal year 2016-2017 for the
21 purpose of meeting the requirement to recover at least ninety-five percent
22 but not more than one hundred ten percent of the department of insurance's
23 appropriated budget.

24 Sec. 8. Arizona highway user revenue fund; distributions;
25 fiscal year 2017-2018

26 A. Notwithstanding any other law, before the distribution of revenues
27 of the Arizona highway user revenue fund pursuant to section 28-6538, Arizona
28 Revised Statutes, the department of transportation shall allocate and the
29 state treasurer shall distribute \$30,000,000 in fiscal year 2017-2018 as
30 follows:

- 31 1. To the counties, 33.231 percent.
- 32 2. To the incorporated cities and towns, 48.097 percent.
- 33 3. To incorporated cities with a population of three hundred thousand
34 or more persons, 5.247 percent.
- 35 4. To counties with a population of more than eight hundred thousand
36 persons, 13.425 percent.

37 B. The allocation and distributions made pursuant to subsection A,
38 paragraphs 1, 2 and 3 of this section shall be made as prescribed in section
39 28-6540, Arizona Revised Statutes. The allocation and distribution made
40 pursuant to subsection A, paragraph 4 of this section shall be made as
41 prescribed in section 28-6538, subsection B, Arizona Revised Statutes.

42 C. The amount appropriated in this section may be used only for the
43 direct costs of constructing, reconstructing, maintaining or repairing public
44 highways, streets or bridges and direct costs of rights-of-way acquisitions
45 and expenses related thereto.

1 dangerous plants, pests and diseases trust fund established by section
2 3-214.01, Arizona Revised Statutes, in fiscal year 2016-2017.

3 C. The Arizona department of agriculture is exempt from the rulemaking
4 requirements of title 41, chapter 6, Arizona Revised Statutes, for the
5 purpose of establishing fees pursuant to this section until July 1, 2017.

6 Sec. 12. Department of liquor licenses and control; fiscal
7 years 2014-2015 and 2015-2016; exemption

8 A. The appropriation of \$626,700 from the liquor licenses fund
9 established by section 4-120, Arizona Revised Statutes, in fiscal year
10 2014-2015 to the department of liquor licenses and control for a licensing
11 replacement system pursuant to Laws 2014, chapter 18, section 55 is exempt
12 from the provisions of section 35-190, Arizona Revised Statutes, relating to
13 lapsing of appropriations until June 30, 2017.

14 B. The appropriation of \$400,000 from the liquor licenses fund
15 established by section 4-120, Arizona Revised Statutes, in fiscal year
16 2015-2016 to the department of liquor licenses and control for a licensing
17 replacement system pursuant to Laws 2015, chapter 8, section 63 is exempt
18 from the provisions of section 35-190, Arizona Revised Statutes, relating to
19 lapsing of appropriations until June 30, 2017.

20 Sec. 13. Department of financial institutions; financial
21 services fund

22 Notwithstanding any other law, the department of financial institutions
23 may use the financial services fund established by section 6-991.21, Arizona
24 Revised Statutes, in fiscal year 2016-2017 for general operating expenditures
25 of the department.

26 Sec. 14. County fiscal obligations; report

27 A. Notwithstanding any other law, for fiscal year 2016-2017, a county
28 with a population of less than two hundred fifty thousand persons according
29 to the 2010 United States decennial census may meet any county fiscal
30 obligation from any source of county revenue designated by the county,
31 including monies of any countywide special taxing jurisdiction of which the
32 board of supervisors serves as the board of directors. Under the authority
33 provided in this subsection, a county may not use more than \$1,250,000 for
34 purposes other than the purposes of the revenue source.

35 B. On or before October 1, 2016, all counties with a population of
36 less than two hundred fifty thousand persons according to the 2010 United
37 States decennial census shall report to the director of the joint legislative
38 budget committee whether the county used a revenue source for purposes other
39 than the purposes of the revenue source to meet a county fiscal obligation
40 pursuant to subsection A of this section and, if so, the specific source and
41 amount of revenues that the county intends to use in fiscal year 2016-2017.

42 Sec. 15. Racing administration fund; transfer

43 On or before October 1, 2016, the department of gaming shall transfer
44 the remaining balance of \$23,700 from the racing administration fund to the

1 racing regulation fund established by section 5-113.01, Arizona Revised
2 Statutes.

3 Sec. 16. La Paz county; expenditure limitation; waiver

4 Notwithstanding section 41-1279.07, subsection H, Arizona Revised
5 Statutes, the reduction in the allowable levy of primary property taxes for
6 La Paz county related to the contract with Los Angeles county to import
7 incinerator ash for disposal is waived for fiscal years 2013-2014, 2014-2015
8 and 2015-2016.

9 Sec. 17. Tax recovery; report; delayed repeal; definitions

10 A. Notwithstanding title 42, chapter 1, article 3, Arizona Revised
11 Statutes, the director of the department of revenue shall establish a tax
12 recovery program as provided in this section.

13 B. If a taxpayer complies with the requirements of this section by
14 applying to the department for recovery during the recovery period and
15 complying with the applicable tax requirements in the time and manner
16 prescribed in this section, the director shall abate or waive all the civil
17 penalties and interest for tax liabilities that have been or could be
18 assessed for any taxable period during the applicable liability period
19 without the need for the taxpayer to show reasonable cause or the absence of
20 wilful neglect. For the purposes of this subsection, "liability period"
21 means:

22 1. For taxpayers filing annually, any taxable period ending before
23 January 1, 2014.

24 2. For all other taxpayers, any taxable period ending before February
25 1, 2015.

26 C. The director may grant recovery only for the taxable periods and
27 tax liabilities identified in the application and only if the taxpayer
28 satisfies all of the recovery conditions and requirements prescribed by this
29 section.

30 D. To qualify for recovery, the taxpayer must submit a complete and
31 correct application as provided by subsection F of this section during the
32 recovery period.

33 E. A taxpayer does not qualify for recovery under this section if:

34 1. The taxpayer is a party to any criminal investigation or to any
35 criminal administrative proceeding or criminal litigation that is pending on
36 January 1, 2016 in any court of the United States or of this state for
37 failure to file or failure to pay, or for fraud with respect to, any tax
38 imposed by any law of this state and required to be collected by the
39 department.

40 2. The taxpayer has been the subject of a past tax-related criminal
41 investigation, indictment or prosecution if the investigation, indictment or
42 prosecution resulted in a conviction, a guilty plea or a plea of no contest.

43 3. The taxpayer has been convicted of a crime relating to any period
44 or assessment of a tax that is the basis of the penalty or interest with
45 respect to which recovery is sought.

1 4. The taxpayer is a party to a closing agreement with the department
2 for the tax periods included in the recovery application.

3 5. The taxpayer's tax liability due is the subject of an audit being
4 conducted by the department.

5 6. The taxpayer submits an application for recovery that does not
6 include the amount of unpaid tax required by subsection G of this section.

7 F. An application for recovery:

8 1. Must be on an application form provided by the department that
9 requires the applicant to identify the tax, the qualifying taxable period and
10 the tax liability for which recovery is sought and to provide other
11 information prescribed by the director. The taxpayer shall include any
12 returns and reports, including amended returns and reports, for the tax and
13 taxable periods. Any return or report filed under this section is subject to
14 verification as provided by law. A taxpayer who has insufficient information
15 to file a full income tax return may file a gross income return and compute
16 the tax pursuant to established rate brackets based on average tax rates for
17 the applicable taxable years.

18 2. Must require the taxpayer to select one of the following options to
19 pay tax liability:

20 (a) Payment in full during the recovery period.

21 (b) Payment in full over three years.

22 3. If the application for recovery is based on an established and
23 unpaid tax liability, must include a copy of the latest applicable billing
24 notice or any other documentation required by the department.

25 4. Must be filed with the department as prescribed by the director
26 during the recovery period.

27 5. Must include payment of the tax due pursuant to subsection G of
28 this section.

29 G. If the taxpayer elects to pay the tax liability in full during the
30 recovery period, the taxpayer shall pay the full tax liability on or before
31 October 31, 2016. If the taxpayer elects to pay the tax liability in full
32 over three years, the taxpayer shall pay the full tax liability as follows:

33 1. At least thirty-three percent of the full tax liability on or
34 before October 31, 2016.

35 2. At least sixty-six percent of the full tax liability on or before
36 October 31, 2017.

37 3. One hundred percent of the full tax liability on or before October
38 31, 2018.

39 H. The taxpayer shall pay the tax liability and the department shall
40 accept payments pursuant to subsection G of this section beginning
41 September 1 through October 31 of each year.

42 I. An application for recovery constitutes an express and absolute
43 waiver of all administrative and judicial rights of appeal available at that
44 time that have not run or otherwise expired as of the date of application.
45 The state board of tax appeals and any court shall dismiss each such action

1 or proceeding before that body on receiving a notification from the director
2 that recovery has been granted for the taxable period for that taxpayer. If
3 the audit determination is not final, the taxpayer must withdraw from the
4 proceeding or litigation before recovery is granted. A taxpayer that files
5 an application for recovery retains all administrative and judicial rights of
6 appeal with respect to any additional tax assessed in a subsequent audit by
7 the department.

8 J. On reviewing the application and determining compliance with the
9 requirements of the recovery program under this section:

10 1. The director shall notify the taxpayer regarding the application
11 for recovery and waiving or abating the civil penalties and interest for tax
12 liabilities that were or could have been assessed for the taxable periods
13 covered by the application. If the taxpayer elects to pay the tax liability
14 in full over three years, the civil penalties and interest for tax
15 liabilities may not be abated or waived until the full tax liability is paid
16 pursuant to subsection G, paragraph 3 of this section.

17 2. An administrative, civil or criminal action may not be brought for
18 failure to comply with the tax requirements for the taxable periods covered
19 by the application.

20 K. A grant of recovery under this section does not entitle any
21 affected taxpayer or other person to a refund or credit of any amount
22 previously paid.

23 L. The director shall deny or revoke the recovery of a person who
24 files a false or fraudulent application, return or report for purposes of
25 this section, or otherwise attempts to defeat or evade a tax through the
26 recovery program.

27 M. The director may:

28 1. Do all things necessary to provide for the timely implementation of
29 this section.

30 2. Adopt emergency rules pursuant to section 41-1026, Arizona Revised
31 Statutes, as necessary to administer this section.

32 N. The tax revenues collected pursuant to recovery payments shall be
33 distributed by the department as provided by law.

34 O. On or before January 1 of each year, the department shall submit a
35 report to the governor, the speaker of the house of representatives and the
36 president of the senate. The report shall include the following information,
37 reported separately for taxpayers who have applied for recovery pursuant to
38 subsection F, paragraph 2, subdivision (a) of this section and subsection F,
39 paragraph 2, subdivision (b) of this section:

40 1. The number of taxpayers that have applied for recovery.

41 2. The number of taxpayers that have been granted recovery.

42 3. The amount of revenue received from taxpayers on or before October
43 31 of the prior calendar year.

44 P. This section is repealed from and after December 31, 2018.

45 Q. For the purposes of this section:

1 1. "Recovery period" means September 1, 2016 through October 31, 2016.

2 2. "Tax" means any tax or surcharge administered or collected by the
3 department of revenue as provided under title 42, chapter 1, article 3,
4 Arizona Revised Statutes, or under sections 5-839, 5-840, 48-4022, 48-4234
5 and 48-5805, Arizona Revised Statutes, except luxury tax and withholding tax.

6 3. "Tax requirement" means:

7 (a) Timely filing a complete and correct tax return or report required
8 by law.

9 (b) Timely paying a tax liability.

10 Sec. 18. Legislative intent

11 It is the intent of the legislature that in fiscal year 2016-2017 the
12 fees prescribed in section 42-5041, subsection B, Arizona Revised Statutes,
13 be assessed and collected pursuant to the following guidelines:

14 1. The total fees for all counties, cities, towns, councils of
15 governments and regional transportation authorities may not exceed
16 \$20,755,835 in any fiscal year.

17 2. The share of fees assessed to all counties pursuant to paragraph 1
18 of this section shall be in proportion to the aggregate amount of monies
19 distributed to counties for the fiscal year two years preceding the current
20 fiscal year pursuant to sections 42-5029, 42-6103, 42-6107, 42-6108,
21 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111 and 42-6112, Arizona
22 Revised Statutes, as a percentage of aggregate distributions to all counties,
23 cities, towns, councils of governments and regional transportation
24 authorities located in a county with a population of more than four hundred
25 thousand persons for the fiscal year two years preceding the current fiscal
26 year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106,
27 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112
28 and 43-206, Arizona Revised Statutes.

29 3. The share of fees assessed to all cities and towns pursuant to
30 paragraph 1 of this section shall be in proportion to the aggregate amount of
31 monies distributed to cities and towns for the fiscal year two years
32 preceding the current fiscal year pursuant to sections 42-5029, 42-6001 and
33 43-206, Arizona Revised Statutes, as a percentage of aggregate distributions
34 to all counties, cities, towns, councils of governments and regional
35 transportation authorities located in a county with a population of more than
36 four hundred thousand persons for the fiscal year two years preceding the
37 current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105,
38 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111,
39 42-6112 and 43-206, Arizona Revised Statutes.

40 4. The share of fees assessed to all councils of governments pursuant
41 to paragraph 1 of this section shall be in proportion to the aggregate amount
42 of monies distributed to all councils of governments for the fiscal year two
43 years preceding the current fiscal year pursuant to section 42-6105, Arizona
44 Revised Statutes, as a percentage of aggregate distributions to all counties,
45 cities, towns, councils of governments and regional transportation

1 authorities located in a county with a population of more than four hundred
2 thousand persons for the fiscal year two years preceding the current fiscal
3 year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106,
4 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112
5 and 43-206, Arizona Revised Statutes.

6 5. The share of fees assessed to all regional transportation
7 authorities located in a county with a population of more than four hundred
8 thousand persons pursuant to paragraph 1 of this section shall be in
9 proportion to the aggregate amount of monies distributed to all regional
10 transportation authorities located in a county with a population of more than
11 four hundred thousand persons for the fiscal year two years preceding the
12 current fiscal year pursuant to section 42-6106, Arizona Revised Statutes, as
13 a percentage of aggregate distributions to all counties, cities, towns,
14 councils of governments and regional transportation authorities located in a
15 county with a population of more than four hundred thousand persons for the
16 fiscal year two years preceding the current fiscal year pursuant to sections
17 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01,
18 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised
19 Statutes.

20 6. Except as provided by sections 42-5033 and 42-5033.01, Arizona
21 Revised Statutes, the population of a county as determined by the most recent
22 United States decennial census plus any revision to the decennial census
23 certified by the United States census bureau shall be used as the basis for
24 apportioning monies pursuant to paragraph 2 of this section.

25 7. Except as provided by sections 42-5033 and 42-5033.01, Arizona
26 Revised Statutes, the population of a city or town as determined by the most
27 recent United States decennial census plus any revision to the decennial
28 census certified by the United States census bureau shall be used as the
29 basis for apportioning monies pursuant to paragraph 3 of this section.

30 Sec. 19. Veterans income tax; findings and intent

31 A. Veterans of the armed forces of the United States who were
32 domiciled within the boundaries of their tribal lands or of their spouse's
33 tribal lands while in active military service may have been exempt from
34 paying income tax to this state, but may have had state income taxes
35 mistakenly withheld from their military pay.

36 B. Veterans may be barred from claiming refunds of those erroneously
37 withheld tax payments due to the passage of time or by the difficulty in
38 meeting the strict legal standards of proof of entitlement to refunds.

39 C. The intent of this section and sections 19 through 26 of this act
40 is to establish a process to enable certain veterans to recover the state
41 income taxes that were erroneously withheld from their military pay.

42 Sec. 20. Definitions

43 In sections 19 through 27 of this act, unless the context otherwise
44 requires:

1 1. "Claimant" means a person who files a claim for an income tax
2 settlement refund under section 22 of this act and who is either a Native
3 American veteran or, if the veteran is deceased, the veteran's surviving
4 spouse, personal representative, executor or other official representative of
5 the estate, as designated pursuant to applicable state or tribal law or
6 tradition.

7 2. "Domicile" means a true, fixed and permanent established home in
8 which an individual resides or to which an individual intends to return after
9 a temporary definite or indefinite absence.

10 3. "Fund" means the veterans' income tax settlement fund established
11 by section 21 of this act.

12 4. "Native American" means an individual Native American Indian who is
13 duly registered on the tribal rolls of the tribe for whose benefit an Indian
14 reservation was established.

15 5. "Tribe" means any organized nation, tribe, band or community that
16 is recognized as a Native American tribe by the United States department of
17 the interior and includes any entity formed under tribal law.

18 6. "Veteran" means a Native American citizen of the United States who
19 was enlisted, drafted, inducted or commissioned and who was accepted for and
20 assigned to active duty in the armed forces of the United States.

21 Sec. 21. Veterans' income tax settlement fund; exemption from
22 lapsing

23 A. The veterans' income tax settlement fund is established consisting
24 of monies appropriated by the legislature and other monies donated or
25 accruing to the fund. Monies in the fund are continuously appropriated to
26 the department of revenue for the purposes of sections 19 through 27 of this
27 act.

28 B. The department of revenue shall administer the fund. On notice
29 from the department, the state treasurer shall invest and divest monies in
30 the fund as provided by section 35-313, Arizona Revised Statutes, and monies
31 earned from investment shall be credited to the fund. Monies in the fund are
32 exempt from the provisions of section 35-190, Arizona Revised Statutes,
33 relating to lapsing of appropriations, except that unexpended and
34 unencumbered monies remaining in the fund on June 30, 2019 revert to the
35 state general fund.

36 C. Five percent of the monies in the fund at the beginning of each
37 fiscal year are appropriated separately to both the department of revenue and
38 the department of veterans' services for administrative costs incurred under
39 sections 19 through 27 of this act during the fiscal year. Any unexpended
40 and unencumbered balance of either appropriation remaining at the end of the
41 fiscal year reverts to the fund.

42 Sec. 22. Income tax settlement claims; requirements; procedure;
43 approval or denial of claim

44 A. A veteran or, if the veteran is deceased, the veteran's surviving
45 spouse, personal representative, executor or other official representative of

1 the estate, as designated pursuant to applicable state or tribal law or
2 tradition, may file a claim for a settlement payment for any period of active
3 duty in the armed forces of the United States during which the veteran:

4 1. Was an enrolled member of a tribe.

5 2. Maintained a domicile within the boundaries of the veteran's
6 reservation or the reservation of the veteran's spouse or within the
7 boundaries of lands held in trust by the United States for the benefit of the
8 veteran, the veteran's spouse or the tribe of the veteran or spouse.

9 3. Had Arizona state income tax withheld from the veteran's active
10 duty military pay on or after September 1, 1993 and before January 1, 2006,
11 and the amount withheld:

12 (a) Has not already been refunded to the veteran or the deceased
13 veteran's estate.

14 (b) Cannot be claimed as a refund by filing a state income tax return
15 because the period for filing a claim for refund has lapsed under the
16 applicable statute of limitations.

17 B. The claim for a settlement payment must include evidence of the
18 veteran's eligibility for and the amount of the claim as follows:

19 1. The claimant must provide a copy of the veteran's certificate of
20 release or discharge from active duty (DD Form 214) or other proof of service
21 provided by the United States department of defense and approved by the
22 department of veterans' services. If a claimant does not have a copy of the
23 veteran's DD Form 214 or other proof of service, the claimant may request
24 that the department of veterans' services request the veteran's DD Form 214
25 or other proof of service from the United States department of defense.

26 2. The claimant must provide a statement, signed by the claimant, that
27 the veteran is or was duly registered on the tribal rolls of a tribe during
28 the period or periods of the veteran's active duty in the armed forces.

29 3. The claimant must provide evidence of domicile within the
30 boundaries of the veteran's reservation or the reservation of the veteran's
31 spouse or within the boundaries of lands held in trust by the United States
32 for the benefit of the veteran, the veteran's spouse or the tribe of the
33 veteran or spouse during the taxable years the state income tax was withheld
34 from active duty military pay. If the veteran's address shown on the
35 veteran's DD Form 214 or other proof of service:

36 (a) Is on the veteran's tribal land, that evidence is sufficient for
37 the purposes of this paragraph.

38 (b) Is not on the veteran's tribal land or if the veteran has no
39 DD Form 214 and the claimant cannot otherwise establish that the veteran's
40 domicile was on the veteran's tribal land, the claimant must provide a signed
41 statement, under penalty of perjury, that the veteran was domiciled on tribal
42 land during the period or periods the state income tax was withheld. The
43 statement must include the veteran's address on the tribal land for each
44 period, and an official designated by the tribe must attest that each address
45 is on tribal land.

1 4. The claimant must provide evidence of the amount of state income
2 tax withheld from active duty military pay by providing copies of the United
3 States internal revenue service Form W-2 covering active duty military pay
4 for the year or years during which state personal income tax was
5 withheld. If the claimant does not have copies of the applicable Form W-2
6 for one or more of those years, the claimant may request that the department
7 of revenue obtain the veteran's Form W-2, or other withholding information in
8 a form approved by the department of revenue, from the United States
9 department of defense.

10 5. The claimant must provide a signed statement attesting, under
11 penalty of perjury, that the veteran has not received a refund of the state
12 income tax withheld for the years for which the claimant is filing a claim
13 for a settlement payment.

14 C. A claim for settlement payment under this section must be filed by
15 the eligible veteran or, if the veteran is deceased, by the veteran's
16 surviving spouse, successor or other personal representative. The following
17 apply if the claim is made for a deceased veteran:

18 1. The claimant must include a copy of the veteran's death certificate
19 or other proof of death.

20 2. If the veteran's estate exceeds thirty thousand dollars, only the
21 surviving spouse, personal representative, executor or other official
22 representative of the estate, as designated pursuant to applicable state or
23 tribal law or tradition, may file the claim.

24 3. If the claimant is a successor who is not the surviving spouse,
25 personal representative, executor or other official representative of the
26 estate, the claimant must include a dated and notarized statement, signed
27 under penalty of perjury, that:

28 (a) The value of the entire probate estate of the deceased veteran,
29 wherever located, minus liens and encumbrances, does not exceed thirty
30 thousand dollars.

31 (b) At least thirty days have elapsed since the veteran's death.

32 (c) The successor is entitled to receive the settlement payment.

33 4. If the claimant is a personal representative, executor or other
34 official representative of the estate, the claimant must include:

35 (a) A signed, dated and notarized statement that the claimant has been
36 duly appointed as the personal representative, executor or other
37 representative of the veteran's estate pursuant to applicable state or tribal
38 law or tradition.

39 (b) A copy of the claimant's appointment.

40 D. A claim for a settlement payment shall be denied for any amount of
41 withholding tax that can be claimed as a refund by filing a state income tax
42 return pursuant to title 43, Arizona Revised Statutes. A state income tax
43 return may be filed by a veteran to claim the refund by the later of December
44 31 of the year three years after:

45 1. The veteran separated from military service.

1 2. The year in which Arizona withholding tax was withheld from the
2 veteran's active duty pay.

3 E. A claim for a settlement payment must be made on a claim form
4 prescribed by the department of revenue and filed with the department of
5 veterans' services.

6 F. The department of veterans' services shall not accept claims
7 submitted from and after December 31, 2017.

8 G. Within two hundred ten days after receiving a complete and correct
9 claim form, the department of veterans' services shall determine whether the
10 claim meets the requirements of subsection B, paragraphs 1, 2 and 3 of this
11 section, transmit qualifying claim forms to the department of revenue and
12 notify the claimant of the department's approval or denial. The failure of
13 the department of veterans' services to respond within two hundred ten days
14 after receiving a complete and correct claim form is considered to be a
15 denial.

16 H. Within two hundred ten days after receiving the claim form from the
17 department of veterans' services, the department of revenue shall determine
18 whether the claim meets the requirements of subsection A, paragraph 3 and
19 subsection B, paragraphs 4 and 5 of this section and notify the claimant and
20 the department of veterans' services of its approval or denial. The failure
21 of the department of revenue to respond within two hundred ten days after
22 receiving the claim form is considered to be a denial.

23 Sec. 23. Payment of claims; computation of interest

24 A. The department of revenue shall pay approved claims under section
25 22 of this act:

26 1. From the veterans' income tax settlement fund on a first-come,
27 first-served basis until the fund is exhausted or until there are no further
28 approved claims to pay.

29 2. In the same manner as refunds granted under section 42-1118,
30 Arizona Revised Statutes. Payments made pursuant to this section are subject
31 to setoff as provided by section 42-1122, Arizona Revised Statutes.

32 B. Settlement payments under this section shall include interest
33 computed on a daily basis from the date of a timely filed return for the
34 applicable taxable period through the date the payment warrant is issued at
35 the rate determined under section 6621 of the internal revenue code, as
36 defined by section 42-1001, Arizona Revised Statutes.

37 Sec. 24. Veterans' income tax settlement; appeals of agency
38 decisions

39 Notwithstanding any other administrative proceedings established by law
40 or by rule, all appealable agency actions, as defined by section 41-1092,
41 Arizona Revised Statutes, and contested cases, as defined by section 41-1001,
42 Arizona Revised Statutes, shall be governed by title 41, chapter 6, article
43 10, Arizona Revised Statutes.

1 Sec. 25. Veterans' income tax settlement; administrative rules

2 The director of the department of revenue and the director of the
3 department of veterans' services shall collaborate in adopting any additional
4 administrative rules that are considered to be necessary to administer
5 sections 19 through 27 of this act.

6 Sec. 26. Veterans' income tax settlement; annual reports

7 The director of the department of revenue shall report the following
8 information to the senate appropriations and finance committees and to the
9 house of representatives appropriations and ways and means committees on or
10 before October 1 in each of years 2017 through 2019:

11 1. Estimates of the amount of state income tax withholdings subject to
12 payments under sections 22 and 23 of this act.

13 2. The number of veterans affected by withholdings subject to payments
14 under sections 22 and 23 of this act.

15 3. Expenditures from the veterans' income tax settlement fund during
16 the previous fiscal year.

17 4. Anticipated expenditures from the veterans' income tax settlement
18 fund during the current fiscal year.

19 5. Anticipated appropriations to the fund necessary to meet expected
20 payments in the next fiscal year.

21 Sec. 27. Appropriation; veterans' income tax settlement fund

22 The sum of \$2,000,000 is appropriated from the state general fund in
23 fiscal year 2016-2017 to the veterans' income tax settlement fund established
24 by section 21 of this act.

25 Sec. 28. Repeal

26 Sections 19 through 26 of this act are repealed from and after December
27 31, 2019.

28 Sec. 29. Retroactivity

29 A. Sections 42-1116 and 42-3104, Arizona Revised Statutes, as amended
30 by this act, apply retroactively to from and after June 30, 2015.

31 B. Section 42-17401, Arizona Revised Statutes, as amended by this act,
32 applies retroactively to from and after December 31, 2015.