

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

CAUCUS AGENDA

January 15, 2026

Bill Number	Short Title	Committee	Date	Action
HB 2153 _(BS)	internal revenue code; conformity; deductions.			
SPONSOR:	OLSON, LD 10	HOUSE		
		WM	1/14/2026	DP (5-4-0-0)
		(No: BLATTMAN, SANDOVAL, CREWS, LUNA-NÁJERA)		



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57th Legislature, 2nd Regular Session

Majority Research Staff

House: WM DP 5-4-0-0

HB 2153: internal revenue code; conformity; deductions.

Sponsor: Representative Olson, LD 10

Caucus & COW

Overview

Conforms the Arizona tax statutes to the U.S. Internal Revenue Code (IRC) of 1986, as amended, and in effect as of January 1, 2026, including those provisions that became effective during 2025 with the specific adoption of all the retroactive effective dates, but excluding any changes to the IRC enacted after January 1, 2026.

History

Current law conforms Arizona's income tax calculation to the IRC of 1986, as amended, in effect on January 1, 2025, including those provisions that became effective during 2024 with the specific adoption of all retroactive effective dates, but excluding any changes to the code enacted after January 1, 2025. ([A.R.S. § 43-105](#))

Generally, each year changes are made to the IRC that affect the Arizona income tax calculation. Tax conformity with the IRC is deemed necessary because the calculation of Arizona corporate income tax begins with federal taxable income and the federal adjusted gross income is the starting point for individual income tax.

Provisions

Tax Code Conformity

1. Conforms the Arizona tax statutes to the IRC of 1986, as amended, and in effect as of January 1, 2026, including those provisions that became effective during 2025 with the specific adoption of all the retroactive dates, but excluding any changes to the IRC enacted after January 1, 2026. (Sec. 2)
2. Updates the definition of IRC, for Tax Year (TY) 2025 to include the provisions that became retroactively effective during TY 2025. (Sec. 2)

Subtractions from Arizona Gross Income

3. Includes, for taxable years beginning January 1, 2025, the following subtractions from Arizona gross income (AGI) to the extent they are not already excluded from AGI under the IRC:
 - a. the amount of qualified tips received during the TY that is deducted under Section 24 of the IRC;
 - b. the amount of qualified overtime compensation received during the TY that is deducted under Section 225 of the IRC;
 - c. the amount of a distribution from an account established pursuant to Section 530A of the IRC;
 - d. the amount of child and dependent care expenses for a qualifying individual under Section 21 of the IRC paid or incurred by the taxpayer for the TY that exceeds the amount of the federal credit allowed under Section 21 of the IRC;

Prop 105 (45 votes) Prop 108 (40 votes) Emergency (40 votes) Fiscal Note

- e. the amount of a distribution from a pension or retirement account, up to \$6,000 or \$12,000 depending on filing status and subject to a reduction of that amount based on an income limitation; and
 - f. the amount contributed, up to \$6,000 or \$12,000 depending on filing status, to a Roth IRA to the extent that they were not deducted in computing in computing federal adjusted gross income. (Sec. 5)
4. Creates a subtraction from Arizona adjusted gross income, to the extent not already excluded and totaling not more than \$6,000 or \$12,000 depending on filing status, for distributions from a pension or retirement account for taxpayers who are sixty years of age or older. (Sec. 6)
 5. Defines *Pension, Qualified Individual, Retirement Account*. (Sec. 6)

Deductions from Taxable Income

6. Redefines standard deduction to the amount of the federal basic standard deduction pursuant to Section 63 of the IRC. (Sec. 7)
7. Changes the allowable charitable deduction amount for taxpayers that utilize the standard deduction, beginning with TY 2026, to not more than \$1,000 or \$2,000 depending on filing status. (Sec. 7)
8. Limits the itemized deduction amount to \$10,000 for state and local taxes. (Sec. 8)

Scholarship Granting Organizations

9. Establishes that Arizona elects to participate in the federal tax credit for individual contributions to scholarship granting organizations (SGO). (Sec. 10)
10. Requires the Department of Revenue (DOR) to comply with all federal laws and regulations to administer the federal tax credit to ensure Arizona is eligible to participate beginning January 1, 2027. (Sec. 10)
11. Allows a qualifying nonprofit organization to apply to DOR for certification as a SGO and requires DOR to certify the SGO meets the federal regulations and guidance. (Sec. 10)
12. Requires DOR to submit a list of SGO's that are certified to the United States Secretary of the Treasury on or before January 1 of each year and post the list on their official website. (Sec. 10)
13. Requires DOR to adopt rules and publish and prescribe forms and procedures to administer this program. (Sec. 10)
14. Allows, beginning January 1, 2027, certified SGO's to provide scholarships to eligible students for any qualified elementary or secondary education expenses to the extent allowed under federal law. (Sec. 10)

Miscellaneous

15. Updates the definition of *Internal Revenue Code*. (Sec. 1)
16. Removes the inflation adjustment in determining when a taxpayer is required to file a return. (Sec. 3)
17. Increases the dependent tax credit from \$100 to \$125. (Sec. 9)
18. Makes the legislation retroactive to taxable years beginning on January 1, 2025. (Sec. 11)
19. Makes conforming changes. (Sec. 4)