

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

CHAPTER 258
HOUSE BILL 2784

AN ACT

AMENDING TITLE 41, CHAPTER 3, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-608.04; AMENDING SECTIONS 42-13054, 42-13353, 42-15001 AND 42-15006, ARIZONA REVISED STATUTES; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2007, CHAPTER 225, SECTION 4; AMENDING SECTIONS 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1086; PROVIDING FOR THE DELAYED REPEAL OF SECTION 41-608.04, ARIZONA REVISED STATUTES; MAKING AN APPROPRIATION; RELATING TO TAXATION; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 3, article 7, Arizona Revised Statutes,
3 is amended by adding section 41-608.04, to read:

4 41-608.04. Military family relief fund; advisory committee

5 A. THE MILITARY FAMILY RELIEF FUND IS ESTABLISHED THROUGH DECEMBER 31,
6 2013. THE FUND CONSISTS OF PRIVATE DONATIONS, GRANTS, BEQUESTS AND ANY OTHER
7 MONIES RECEIVED FOR THAT PURPOSE. THE DEPARTMENT SHALL ADMINISTER THE FUND.
8 ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND DIVEST
9 MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM
10 INVESTMENT SHALL BE CREDITED TO THE FUND. THE MONIES IN THE FUND ARE
11 CONTINUOUSLY APPROPRIATED TO THE DEPARTMENT SOLELY FOR THE PURPOSES DESCRIBED
12 IN THIS SECTION. ANY MONIES REMAINING UNEXPENDED AND UNENCUMBERED ON
13 DECEMBER 31, 2013 SHALL BE TRANSFERRED FOR DEPOSIT IN THE VETERANS' DONATIONS
14 FUND ESTABLISHED BY SECTION 41-608.

15 B. THE MILITARY FAMILY RELIEF ADVISORY COMMITTEE IS ESTABLISHED TO
16 DETERMINE APPROPRIATE USES OF THE MONIES IN THE MILITARY FAMILY RELIEF FUND
17 AS PROVIDED BY THIS SECTION. THE ADVISORY COMMITTEE CONSISTS OF THE DIRECTOR
18 OR THE DIRECTOR'S DESIGNEE AND TWELVE ADDITIONAL MEMBERS, INCLUDING WIDOWS
19 AND WIDOWERS OF MILITARY PERSONNEL WHO DIED IN THE LINE OF DUTY, MILITARY
20 RETIREES, VETERANS WHO HAVE A SERVICE-CONNECTED DISABILITY AND THEIR FAMILY
21 MEMBERS AND ARIZONA ARMY AND AIR NATIONAL GUARD UNIT COMMANDERS. EXCEPT FOR
22 THE DIRECTOR, THE GOVERNOR SHALL APPOINT THE MEMBERS BASED ON RECOMMENDATIONS
23 BY THE DIRECTOR, BY ARIZONA ARMY AND AIR NATIONAL GUARD COMMANDERS AND BY
24 COMMANDERS OF MILITARY BASES IN THIS STATE. APPOINTED MEMBERS SERVE AT THE
25 PLEASURE OF THE GOVERNOR.

26 C. THE ADVISORY COMMITTEE SHALL:

27 1. ESTABLISH CRITERIA FOR THE USE OF MONIES IN THE FUND.
28 2. ESTABLISH AND REVISE AS NECESSARY THE APPLICATION PROCESS FOR
29 FINANCIAL ASSISTANCE.

30 3. REVIEW AND EVALUATE APPLICATIONS.

31 4. MAKE OTHER RECOMMENDATIONS AS NECESSARY.

32 D. THE MONIES IN THE FUND SHALL BE USED TO PROVIDE FINANCIAL
33 ASSISTANCE TO FAMILY MEMBERS OF MILITARY PERSONNEL WHO WERE KILLED OR WOUNDED
34 IN THE LINE OF DUTY, AND WHO WERE DEPLOYED FROM A MILITARY BASE IN THIS STATE
35 OR WHO WERE MEMBERS OF THE ARIZONA ARMY OR AIR NATIONAL GUARD. THE
36 ASSISTANCE TO FAMILY MEMBERS SHALL BE BASED ON FINANCIAL NEED. ELIGIBLE
37 ASSISTANCE IS AS FOLLOWS:

38 1. WIDOWS AND WIDOWERS OF MILITARY PERSONNEL WHO WERE KILLED IN THE
39 LINE OF DUTY MAY APPLY FOR A STIPEND FOR LIVING EXPENSES FOR UP TO SIX MONTHS
40 AFTER THE TERMINATION OF MILITARY PAY AND DEATH BENEFITS. FOR THE PURPOSES
41 OF THE STIPEND, QUALIFYING LIVING EXPENSES ARE RESIDENTIAL MORTGAGE, RENT AND
42 UTILITY PAYMENTS AND OTHER BASIC LIVING EXPENSES.

43 2. SPOUSES AND MINOR CHILDREN OF MILITARY PERSONNEL WHO WERE WOUNDED
44 IN THE LINE OF DUTY MAY APPLY FOR A STIPEND FOR LIVING EXPENSES FOR UP TO SIX
45 MONTHS NEAR A MILITARY OR VETERANS HOSPITAL OR REHABILITATION FACILITY WHERE
46 THE PERSON IS BEING TREATED, INCLUDING TRAVEL AND HOUSING EXPENSES.

1 E. THE DIRECTOR MAY ALLOCATE UP TO FIVE PER CENT OF THE FUND BALANCE
2 AT THE BEGINNING OF THE FISCAL YEAR FOR ADMINISTERING THE FUND AND THE
3 FINANCIAL ASSISTANCE PROGRAM UNDER THIS SECTION.

4 F. THE DIRECTOR SHALL RECEIVE PRIVATE DONATIONS FOR DEPOSIT IN THE
5 FUND AND ISSUE RECEIPTS TO THE DONORS. PRIVATE DONATIONS MAY QUALIFY FOR THE
6 PURPOSES OF INCOME TAX CREDITS UNDER SECTION 43-1086. THE DIRECTOR MAY
7 RECEIVE DONATIONS IN ANY AMOUNT, BUT DONATIONS TO THE FUND THAT EXCEED A
8 COMBINED TOTAL OF ONE MILLION DOLLARS IN ANY CALENDAR YEAR, ON A FIRST COME
9 FIRST SERVED BASIS, DO NOT QUALIFY FOR THE INCOME TAX CREDITS. THE DIRECTOR
10 SHALL PROVIDE THE TAXPAYER A DONATION RECEIPT WHICH SHALL INCLUDE THE FULL
11 NAME, ADDRESS AND THE LAST FOUR DIGITS OF THE TAXPAYER'S SOCIAL SECURITY
12 NUMBER AND THE AMOUNT OF THE DONATION. THE DIRECTOR SHALL DESIGNATE ON THE
13 DONATION RECEIPT WHETHER THE DONATION QUALIFIES UNDER THE LIMITS PRESCRIBED
14 BY THIS SUBSECTION AND SECTION 43-1086. THE DIRECTOR SHALL SEND A COPY OF
15 EACH RECEIPT THAT QUALIFIES FOR A DONATION TO THE DEPARTMENT OF REVENUE.

16 G. ON OR BEFORE MARCH 31 OF EACH YEAR, THE DIRECTOR SHALL PROVIDE FOR
17 AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OF THE FUND AND OF THE
18 AGGREGATE AMOUNT AUTHORIZED BY THE DIRECTOR FOR INCOME TAX CREDITS UNDER
19 SUBSECTION F OF THIS SECTION. THE DIRECTOR SHALL PROMPTLY SUBMIT A CERTIFIED
20 COPY OF THE AUDIT TO THE AUDITOR GENERAL. THE AUDITOR GENERAL MAY MAKE
21 FURTHER AUDITS AND EXAMINATIONS AS NECESSARY AND MAY TAKE APPROPRIATE ACTION
22 RELATING TO THE AUDIT OR EXAMINATION PURSUANT TO CHAPTER 7, ARTICLE 10.1 OF
23 THIS TITLE. IF THE AUDITOR GENERAL DOES NOT TAKE FURTHER ACTION WITHIN
24 THIRTY DAYS AFTER THE AUDIT IS FILED, THE AUDIT IS CONSIDERED TO BE
25 SUFFICIENT. THE DIRECTOR SHALL PAY THE COSTS OF THE CERTIFIED PUBLIC
26 ACCOUNTANT AND THE AUDITOR GENERAL FROM THE ADMINISTRATION ALLOCATION UNDER
27 SUBSECTION E OF THIS SECTION.

28 Sec. 2. Section 42-13054, Arizona Revised Statutes, is amended to
29 read:

30 42-13054. Taxable value of personal property: depreciated
31 values of personal property in class one and class
32 two (P)

33 A. The taxable value of personal property that is valued by the county
34 assessor is the result of acquisition cost less any appropriate depreciation
35 as prescribed by tables adopted by the department. The taxable value shall
36 not exceed the market value.

37 B. Except as provided in subsection C of this section and
38 notwithstanding any other statute, the assessor shall adjust the depreciation
39 schedules prescribed by the department as follows to determine the valuation
40 of **PERSONAL PROPERTY**:

41 1. **FOR** personal property that is initially classified during ~~or after~~
42 tax year 1994 **THROUGH TAX YEAR 2007** as class one, paragraph 8, 9, 10 or 13
43 pursuant to section 42-12001 and personal property that is initially
44 classified during ~~or after~~ tax year 1995 **THROUGH TAX YEAR 2007** as class two
45 (P) pursuant to section 42-12002:

- 1 ~~1-~~ (a) For the first tax year of assessment, the assessor shall use
2 thirty-five per cent of the scheduled depreciated value.
3 ~~2-~~ (b) For the second tax year of assessment, the assessor shall use
4 fifty-one per cent of the scheduled depreciated value.
5 ~~3-~~ (c) For the third tax year of assessment, the assessor shall use
6 sixty-seven per cent of the scheduled depreciated value.
7 ~~4-~~ (d) For the fourth tax year of assessment, the assessor shall use
8 eighty-three per cent of the scheduled depreciated value.
9 ~~5-~~ (e) For the fifth and subsequent tax years of assessment, the
10 assessor shall use the scheduled depreciated value as prescribed in the
11 department's guidelines.

12 2. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
13 TAX YEAR 2008 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION
14 42-12001 AND AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

- 15 (a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
16 THIRTY PER CENT OF THE SCHEDULED DEPRECIATED VALUE.
17 (b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
18 FORTY-SIX PER CENT OF THE SCHEDULED DEPRECIATED VALUE.
19 (c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
20 SIXTY-TWO PER CENT OF THE SCHEDULED DEPRECIATED VALUE.
21 (d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
22 SEVENTY-EIGHT PER CENT OF THE SCHEDULED DEPRECIATED VALUE.
23 (e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
24 NINETY-FOUR PER CENT OF THE SCHEDULED DEPRECIATED VALUE.
25 (f) FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR
26 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S
27 GUIDELINES.

28 C. The additional depreciation prescribed in subsection B of this
29 section:

- 30 1. Does not apply to any property valued by the department.
31 2. Shall not reduce the valuation below the minimum value prescribed
32 by the department for property in use.

33 Sec. 3. Section 42-13353, Arizona Revised Statutes, is amended to
34 read:

35 42-13353. Depreciated values of personal property of
36 manufacturers, assemblers and fabricators

37 A. Except as provided in subsection ~~B- C of this section~~ and
38 notwithstanding any other statute, the department shall adjust depreciation
39 schedules for use by the assessors to determine the valuation of personal
40 property valued under this article that was or is initially assessed during
41 ~~or after~~ tax year 1994 THROUGH TAX YEAR 2007 as follows:

- 42 1. For the first tax year of assessment, the assessor shall use
43 thirty-five per cent of the scheduled depreciated value.
44 2. For the second tax year of assessment, the assessor shall use
45 fifty-one per cent of the scheduled depreciated value.

1 3. For the third tax year of assessment, the assessor shall use
2 sixty-seven per cent of the scheduled depreciated value.

3 4. For the fourth tax year of assessment, the assessor shall use
4 eighty-three per cent of the scheduled depreciated value.

5 5. For the fifth and subsequent tax years of assessment, the assessor
6 shall use the scheduled depreciated value as prescribed by the department's
7 guidelines.

8 B. EXCEPT AS PROVIDED IN SUBSECTION C AND NOTWITHSTANDING ANY OTHER
9 LAW, THE DEPARTMENT SHALL ADJUST DEPRECIATION SCHEDULES FOR USE BY THE
10 ASSESSORS TO DETERMINE THE VALUATION OF PERSONAL PROPERTY VALUED UNDER THIS
11 ARTICLE THAT WAS OR IS INITIALLY ASSESSED DURING OR AFTER TAX YEAR 2008 AS
12 FOLLOWS:

13 1. FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE THIRTY
14 PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

15 2. FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
16 FORTY-SIX PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

17 3. FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
18 SIXTY-TWO PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

19 4. FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
20 SEVENTY-EIGHT PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

21 5. FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
22 NINETY-FOUR PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

23 6. FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR
24 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S
25 GUIDELINES.

26 ~~B-~~ C. The additional depreciation prescribed in subsection A ~~of this~~
27 ~~section~~ shall not reduce the valuation below the minimum value prescribed by
28 the department for property in use.

29 Sec. 4. Section 42-15001, Arizona Revised Statutes, is amended to
30 read:

31 42-15001. Assessed valuation of class one property

32 The assessed valuation of class one property described in section
33 42-12001 is the following percentage of its full cash value or limited
34 valuation, as applicable:

35 1. Twenty-five per cent through December 31, 2005.

36 2. Twenty-four and one-half per cent beginning from and after December
37 31, 2005 through December 31, 2006.

38 3. Twenty-four per cent beginning from and after December 31, 2006
39 through December 31, 2007.

40 4. Twenty-three ~~and one-half~~ per cent beginning from and after
41 December 31, 2007 through December 31, 2008.

42 5. ~~Twenty-three~~ TWENTY-TWO per cent beginning from and after December
43 31, 2008 through December 31, 2009.

44 6. ~~Twenty-two and one-half~~ TWENTY-ONE per cent beginning from and
45 after December 31, 2009 through December 31, 2010.

1 7. ~~Twenty two~~ TWENTY per cent beginning from and after December 31,
2 2010 ~~through December 31, 2011.~~

3 ~~8. Twenty one and one half per cent beginning from and after December~~
4 ~~31, 2011 through December 31, 2012.~~

5 ~~9. Twenty one per cent beginning from and after December 31, 2012~~
6 ~~through December 31, 2013.~~

7 ~~10. Twenty and one half per cent beginning from and after December 31,~~
8 ~~2013 through December 31, 2014.~~

9 ~~11. Twenty per cent beginning from and after December 31, 2014.~~

10 Sec. 5. Section 42-15006, Arizona Revised Statutes, is amended to
11 read:

12 42-15006. Assessed valuation of class six property

13 The assessed valuation of class six property described in
14 section 42-12006 is based on the following percentages to the full cash value
15 or limited valuation of class six property, as applicable:

16 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6
17 and 7, five per cent.

18 2. Property described in section 42-12006, paragraph 4:

19 (a) For primary property tax purposes, five per cent.

20 (b) Except as provided in subdivision (c), for secondary property tax
21 purposes:

22 (i) Twenty-five per cent through December 31, 2006.

23 (ii) Twenty-four per cent beginning from and after December 31, 2006
24 through December 31, 2007.

25 (iii) Twenty-three ~~and one half~~ per cent beginning from and after
26 December 31, 2007 through December 31, 2008.

27 (iv) ~~Twenty three~~ TWENTY-TWO per cent beginning from and after
28 December 31, 2008 through December 31, 2009.

29 (v) ~~Twenty two and one half~~ TWENTY-ONE per cent beginning from and
30 after December 31, 2009 through December 31, 2010.

31 (vi) ~~Twenty two~~ TWENTY per cent beginning from and after December 31,
32 2010 ~~through December 31, 2011.~~

33 ~~(vii) Twenty one and one half per cent beginning from and after~~
34 ~~December 31, 2011 through December 31, 2012.~~

35 ~~(viii) Twenty one per cent beginning from and after December 31, 2012~~
36 ~~through December 31, 2013.~~

37 ~~(ix) Twenty and one half per cent beginning from and after~~
38 ~~December 31, 2013 through December 31, 2014.~~

39 ~~(x) Twenty per cent beginning from and after December 31, 2014.~~

40 (c) If subdivision (b) is finally adjudicated to be invalid, for
41 secondary property tax purposes, five per cent.

1 Sec. 6. Section 43-222, Arizona Revised Statutes, as amended by Laws
2 2007, chapter 225, section 4, is amended to read:

3 43-222. Income tax credit review schedule

4 Each year the joint legislative income tax credit review committee
5 shall review the following income tax credits:

6 1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
7 43-1166, 43-1167 and 43-1169.

8 2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
9 43-1178.

10 3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and
11 43-1170.01.

12 4. In 2010, sections 43-1075, 43-1075.01, 43-1079.01, 43-1087,
13 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 and 43-1182.

14 5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1164 and
15 43-1183.

16 6. In 2012, sections 43-1073, 43-1086, 43-1089, 43-1089.01,
17 43-1089.02, 43-1090, 43-1176 and 43-1181.

18 Sec. 7. Section 43-1021, Arizona Revised Statutes, is amended to read:

19 43-1021. Additions to Arizona gross income

20 In computing Arizona adjusted gross income, the following amounts shall
21 be added to Arizona gross income:

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

25 2. An amount equal to the "ordinary income portion" of a lump sum
26 distribution that was excluded from federal adjusted gross income pursuant to
27 section 402(d) of the internal revenue code.

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

35 4. Annuity income received during the taxable year to the extent that
36 the sum of the proceeds received from such annuity in all taxable years prior
37 to and including the current taxable year exceeds the total consideration and
38 premiums paid by the taxpayer. This paragraph applies only to those
39 annuities with respect to which the first payment was received prior to
40 December 31, 1978.

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

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

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

11 8. The amount of depreciation or amortization of costs of any capital
12 investment that is deducted pursuant to section 167 or 179 of the internal
13 revenue code by a qualified defense contractor with respect to which an
14 election is made to amortize pursuant to section 43-1024.

15 9. The amount of gain from the sale or other disposition of a capital
16 investment which a qualified defense contractor has elected to amortize
17 pursuant to section 43-1024.

18 10. Amounts withdrawn from the Arizona state retirement system, the
19 corrections officer retirement plan, the public safety personnel retirement
20 system, the elected officials' retirement plan or a county or city retirement
21 plan by an employee upon termination of employment before retirement to the
22 extent they were deducted in arriving at Arizona taxable income in any year.

23 11. That portion of the net operating loss included in federal adjusted
24 gross income which has already been taken as a net operating loss for Arizona
25 purposes or which is separately taken as a subtraction under the special net
26 operating loss transition rule.

27 12. Any nonitemized amount deducted pursuant to section 170 of the
28 internal revenue code representing contributions to an educational
29 institution which denies admission, enrollment or board and room
30 accommodations on the basis of race, color or ethnic background except those
31 institutions primarily established for the education of American Indians.

32 13. The amount paid as taxes on property in this state with respect to
33 which a credit is claimed under section 43-1078.

34 14. Amounts withdrawn from a medical savings account by the individual
35 during the taxable year computed pursuant to section 220(f) of the internal
36 revenue code and not included in federal adjusted gross income.

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

40 16. The amount by which the depreciation or amortization computed under
41 the internal revenue code with respect to property for which a credit was
42 taken under section 43-1080 exceeds the amount of depreciation or
43 amortization computed pursuant to the internal revenue code on the Arizona
44 adjusted basis of the property.

45 17. The amount by which the adjusted basis computed under the internal
46 revenue code with respect to property for which a credit was claimed under

1 section 43-1080 and which is sold or otherwise disposed of during the taxable
2 year exceeds the adjusted basis of the property computed under section
3 43-1080.

4 18. The amount by which the depreciation or amortization computed under
5 the internal revenue code with respect to property for which a credit was
6 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
7 depreciation or amortization computed pursuant to the internal revenue code
8 on the Arizona adjusted basis of the property.

9 19. The amount by which the adjusted basis computed under the internal
10 revenue code with respect to property for which a credit was claimed under
11 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise
12 disposed of during the taxable year exceeds the adjusted basis of the
13 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
14 applicable.

15 20. The deduction referred to in section 1341(a)(4) of the internal
16 revenue code for restoration of a substantial amount held under a claim of
17 right.

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

22 22. Any amount deducted pursuant to section 170 of the internal revenue
23 code representing contributions to a school tuition organization or a public
24 school for which a credit is claimed under section 43-1089 or 43-1089.01.

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

28 24. Any wage expenses deducted pursuant to the internal revenue code
29 for which a credit is claimed under section 43-1087 and representing net
30 increases in qualified employment positions for employment of temporary
31 assistance for needy families recipients.

32 25. Any amount deducted for conveying ownership or development rights
33 of property to an agricultural preservation district under section 48-5702
34 for which a credit is claimed under section 43-1081.02.

35 26. The amount of any depreciation allowance allowed pursuant to
36 section 167(a) of the internal revenue code to the extent not previously
37 added.

38 27. With respect to property for which an expense deduction was taken
39 pursuant to section 179 of the internal revenue code, the amount in excess of
40 twenty-five thousand dollars.

41 28. The amount of any deductions that are claimed in computing federal
42 adjusted gross income representing expenses for which a credit is claimed
43 under section 43-1075.

44 29. The amount by which the depreciation or amortization computed under
45 the internal revenue code with respect to property for which a credit was
46 taken under section 43-1090.01 exceeds the amount of depreciation or

1 amortization computed pursuant to the internal revenue code on the Arizona
2 adjusted basis of the property.

3 30. The amount by which the adjusted basis computed under the internal
4 revenue code with respect to property for which a credit was claimed under
5 section 43-1090.01 and which is sold or otherwise disposed of during the
6 taxable year exceeds the adjusted basis of the property computed under
7 section 43-1090.01.

8 31. THE AMOUNT OF A NONQUALIFIED WITHDRAWAL, AS DEFINED IN SECTION
9 15-1871, FROM A COLLEGE SAVINGS PLAN ESTABLISHED PURSUANT TO SECTION 529 OF
10 THE INTERNAL REVENUE CODE THAT IS MADE TO A DISTRIBUTE TO THE EXTENT THE
11 AMOUNT IS NOT INCLUDED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME, EXCEPT
12 THAT THE AMOUNT ADDED UNDER THIS PARAGRAPH SHALL NOT EXCEED THE DIFFERENCE
13 BETWEEN THE AMOUNT SUBTRACTED UNDER SECTION 43-1022 IN PRIOR TAXABLE YEARS
14 AND THE AMOUNT ADDED UNDER SECTION 43-1021 IN ANY PRIOR TAXABLE YEARS.

15 Sec. 8. Section 43-1022, Arizona Revised Statutes, is amended to read:
16 43-1022. Subtractions from Arizona gross income

17 In computing Arizona adjusted gross income, the following amounts shall
18 be subtracted from Arizona gross income:

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

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

23 (a) The United States government service retirement and disability
24 fund, retired or retainer pay of the uniformed services of the United States,
25 the United States foreign service retirement and disability system and any
26 other retirement system or plan established by federal law.

27 (b) The Arizona state retirement system, the corrections officer
28 retirement plan, the public safety personnel retirement system, the elected
29 officials' retirement plan, an optional retirement program established by the
30 Arizona board of regents under section 15-1628, an optional retirement
31 program established by a community college district board under section
32 15-1451 or a retirement plan established for employees of a county, city or
33 town in this state.

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

37 4. The amount of any distributions from an individual retirement
38 account as provided for in section 408 of the internal revenue code or from a
39 qualified retirement plan of a self-employed individual as provided for in
40 section 401 of the internal revenue code to the extent that total adjustments
41 made pursuant to this paragraph in all tax years do not exceed the total of
42 all contributions made by the taxpayer to such plans prior to December 31,
43 1975, which were included in computing Arizona taxable income.

44 5. The amount of income on an installment receivable which is
45 recognized pursuant to the internal revenue code and which has already been

1 recognized on the death of the taxpayer for purposes of this title for tax
2 years ending before January 1, 1990.

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

7 7. The amount of any income tax refunds which were received from
8 states other than Arizona and which were included as income in computing
9 federal adjusted gross income.

10 8. Annuity income included in federal adjusted gross income pursuant
11 to section 72 of the internal revenue code if the first payment with respect
12 to such annuity was received prior to December 31, 1978.

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

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

19 11. The amount by which the adjusted basis of property described in
20 this paragraph and computed pursuant to this title and the income tax act of
21 1954, as amended, exceeds the adjusted basis of such property computed
22 pursuant to the internal revenue code. This paragraph shall apply to all
23 property which is held for the production of income and which is sold or
24 otherwise disposed of during the taxable year other than depreciable property
25 used in a trade or business.

26 12. The amount allowed by section 43-1024 for amortization, by a
27 qualified defense contractor certified by the department of commerce under
28 section 41-1508, of a capital investment for private commercial activities.

29 13. The amount of gain included in federal adjusted gross income on the
30 sale or other disposition of a capital investment that a qualified defense
31 contractor has elected to amortize pursuant to section 43-1024.

32 14. The amount allowed by section 43-1025 for contributions during the
33 taxable year of agricultural crops to charitable organizations.

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

40 16. The amount of prizes or winnings less than five thousand dollars in
41 a single taxable year from any of the state lotteries established and
42 operated pursuant to title 5, chapter 5, article 1, except that all such
43 winnings before March 22, 1983, including periodic distributions from such
44 winnings made after March 22, 1983, may be subtracted.

45 17. The amount of exploration expenses that is determined pursuant to
46 section 617 of the internal revenue code, that has been deferred in a taxable

1 year ending before January 1, 1990 and for which a subtraction has not
2 previously been made. The subtraction shall be made on a ratable basis as
3 the units of produced ores or minerals discovered or explored as a result of
4 this exploration are sold.

5 18. The amount included in federal adjusted gross income pursuant to
6 section 86 of the internal revenue code, relating to taxation of social
7 security and railroad retirement benefits.

8 19. To the extent not already excluded from Arizona gross income under
9 the internal revenue code, compensation received for active service as a
10 member of the reserves, THE national guard or the armed forces of the United
11 States, including compensation for service in a combat zone as determined
12 under section 112 of the internal revenue code.

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

22 21. The amount authorized by section 43-1027 for the taxable year
23 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

24 22. With respect to a medical savings account established pursuant to
25 section 43-1028:

26 (a) An eligible individual may subtract:

27 (i) The amount of contributions made by the individual's employer
28 during the taxable year to the individual's medical savings account pursuant
29 to section 43-1028 to the extent that the employer contributions are included
30 in the individual's federal adjusted gross income.

31 (ii) The amount deposited by the individual in the account during the
32 taxable year to the extent that the individual's contributions are included
33 in the individual's federal adjusted gross income.

34 (b) The individual's employer may subtract the amount of contributions
35 made by the employer to a medical savings account established on the
36 individual's behalf to the extent that the contributions are not deductible
37 under the internal revenue code.

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

42 24. Any amount of qualified educational expenses that is distributed
43 from a qualified state tuition program determined pursuant to section 529 of
44 the internal revenue code and that is included in income in computing federal
45 adjusted gross income.

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

4 26. The amount authorized by section 43-1030 relating to holocaust
5 survivors.

6 27. The amount authorized by section 43-1031 for constructing an energy
7 efficient residence.

8 28. An amount equal to the depreciation allowable pursuant to section
9 167(a) of the internal revenue code for the taxable year computed as if the
10 election described in section 168(k)(2)(D)(iii) of the internal revenue code
11 had been made for each applicable class of property in the year the property
12 was placed in service.

13 29. With respect to property that is sold or otherwise disposed of
14 during the taxable year by a taxpayer that complied with section 43-1021,
15 paragraph 26 with respect to that property, the amount of depreciation that
16 has been allowed pursuant to section 167(a) of the internal revenue code to
17 the extent that the amount has not already reduced Arizona taxable income in
18 the current or prior taxable years.

19 30. With respect to property for which an adjustment was made under
20 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
21 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
22 the amount was adjusted under section 43-1021, paragraph 27 and in each of
23 the following four years.

24 31. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007
25 THROUGH DECEMBER 31, 2012, THE AMOUNT CONTRIBUTED DURING THE TAXABLE YEAR TO
26 COLLEGE SAVINGS PLANS ESTABLISHED PURSUANT TO SECTION 529 OF THE INTERNAL
27 REVENUE CODE TO THE EXTENT THAT THE CONTRIBUTIONS WERE NOT DEDUCTED IN
28 COMPUTING FEDERAL ADJUSTED GROSS INCOME. THE AMOUNT SUBTRACTED SHALL NOT
29 EXCEED:

30 (a) SEVEN HUNDRED FIFTY DOLLARS FOR A SINGLE INDIVIDUAL OR A HEAD OF
31 HOUSEHOLD.

32 (b) ONE THOUSAND FIVE HUNDRED DOLLARS FOR A MARRIED COUPLE FILING A
33 JOINT RETURN. IN THE CASE OF A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS,
34 THE SUBTRACTION MAY BE TAKEN BY EITHER TAXPAYER OR MAY BE DIVIDED BETWEEN
35 THEM, BUT THE TOTAL SUBTRACTIONS ALLOWED BOTH HUSBAND AND WIFE SHALL NOT
36 EXCEED ONE THOUSAND FIVE HUNDRED DOLLARS.

37 Sec. 9. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
38 amended by adding section 43-1086, to read:

39 43-1086. Credit for donation to the military family relief fund

40 FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007 THROUGH
41 DECEMBER 31, 2012, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS
42 TITLE FOR CASH CONTRIBUTIONS MADE BY A TAXPAYER DURING THE TAXABLE YEAR TO
43 THE MILITARY FAMILY RELIEF FUND ESTABLISHED BY SECTION 41-608.04. THE AMOUNT
44 OF THE CREDIT IS THE LOWEST OF THE FOLLOWING AMOUNTS, AS APPLICABLE:

45 1. THE TOTAL AMOUNT OF CONTRIBUTIONS TO THE FUND BY THE TAXPAYER
46 DURING THE TAXABLE YEAR.

1 2. TWO HUNDRED DOLLARS OF CONTRIBUTIONS DURING THE TAXABLE YEAR BY A
2 TAXPAYER FILING AS A SINGLE INDIVIDUAL OR A HEAD OF HOUSEHOLD.

3 3. FOUR HUNDRED DOLLARS OF CONTRIBUTIONS DURING THE TAXABLE YEAR BY A
4 MARRIED COUPLE FILING A JOINT RETURN.

5 4. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN
6 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF
7 THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED ON A JOINT RETURN.

8 5. THE TAXPAYER'S TAX LIABILITY FOR THE TAXABLE YEAR.

9 Sec. 10. Delayed repeal

10 A. Section 41-608.04, Arizona Revised Statutes, as added by this act,
11 is repealed from and after December 31, 2013.

12 B. Section 43-1086, Arizona Revised Statutes, as added by this act, is
13 repealed from and after December 31, 2012.

14 Sec. 11. Transaction privilege tax exemption; 2009 NBA All-Star
15 game events

16 Notwithstanding section 42-5073, Arizona Revised Statutes, the
17 transaction privilege tax amusement classification does not include sales of
18 admissions to the 2009 national basketball association all-star game and
19 admissions to other related official activities and events sponsored by the
20 national basketball association.

21 Sec. 12. Delayed repeal

22 Section 11 of this act, relating to transaction privilege tax exemption
23 for the 2009 national basketball association all-star game and related
24 events, is repealed from and after December 31, 2009.

25 Sec. 13. Purpose

26 Pursuant to section 43-223, Arizona Revised Statutes, the purpose of
27 the income tax credit for contributions to the military family relief fund
28 under section 43-1086, Arizona Revised Statutes, as added by this act, is to
29 encourage contributions for the compassionate relief of military widows,
30 widowers, spouses and minor children of military personnel in this state who
31 were killed or wounded in the line of duty.

32 Sec. 14. Appropriation; military family relief fund; exemption

33 A. The sum of \$100,000 is appropriated from the state general fund in
34 fiscal year 2007-2008 to the military family relief fund established by
35 section 41-608.04, Arizona Revised Statutes, as added by this act. The
36 appropriation shall only be used for costs associated with administering the
37 fund and financial assistance program and shall not be used to provide
38 financial assistance.

39 B. The appropriation made in subsection A of this section is exempt
40 from the provisions of section 35-190, Arizona Revised Statutes, relating to
41 lapsing of appropriations.

42 Sec. 15. Conditional enactment

43 Section 11 of this act, relating to transaction privilege tax exemption
44 for the 2009 national basketball association all-star game and related
45 events, is not effective unless the city of Phoenix both:

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- 1 1. Issues letters of commitment to the national basketball association
- 2 to host its 2009 all-star game.
- 3 2. Provides for exempting the sales of admission to the 2009 national
- 4 basketball association all-star game and related events from its municipal
- 5 transaction privilege tax.

APPROVED BY THE GOVERNOR JUNE 25, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 25, 2007.