

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

HOUSE BILL 2162

AN ACT

AMENDING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 2; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 4; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1085.01; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1164.02; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 5; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 7; RELATING TO TAXATION OF INCOME.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 43-222. Income tax credit review schedule

5 The joint legislative income tax credit review committee shall review
6 the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1075, 43-1075.01,
8 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01,
9 43-1175 and 43-1182.

10 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,
11 43-1085.01, 43-1164, 43-1164.02 and 43-1183.

12 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
13 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
14 and 43-1181.

15 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
16 43-1170 and 43-1178.

17 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
18 43-1083.01, 43-1084, 43-1162, 43-1164.01, ~~and~~ 43-1170.01 AND 43-1184.

19 Sec. 2. Section 43-1074.01, Arizona Revised Statutes, as amended by
20 Laws 2008, chapter 290, section 2, is amended to read:

21 43-1074.01. Credit for increased research activities

22 A. A credit is allowed against the taxes imposed by this title in an
23 amount determined pursuant to section 41 of the internal revenue code, except
24 that:

25 1. The amount of the credit is based on the excess, if any, of the
26 qualified research expenses for the taxable year over the base amount as
27 defined in section 41(c) of the internal revenue code and is computed as
28 follows:

29 (a) If the excess is two million five hundred thousand dollars or
30 less, the credit is equal to twenty-four per cent of that amount.

31 (b) If the excess is over two million five hundred thousand dollars,
32 the credit is equal to six hundred thousand dollars plus fifteen per cent of
33 any amount exceeding two million five hundred thousand dollars, except that:

34 (i) For taxable years beginning from and after December 31, 2000
35 through December 31, 2001, the credit shall not exceed one million five
36 hundred thousand dollars.

37 (ii) For taxable years beginning from and after December 31, 2001
38 through December 31, 2002, the credit shall not exceed two million five
39 hundred thousand dollars.

40 2. Qualified research includes only research conducted in this state
41 including research conducted at a university in this state and paid for by
42 the taxpayer.

43 3. If two or more taxpayers, including partners in a partnership and
44 shareholders of an S corporation, as defined in section 1361 of the internal

1 revenue code, share in the eligible expenses, each taxpayer is eligible to
2 receive a proportionate share of the credit.

3 4. The credit under this section applies only to expenses incurred
4 from and after December 31, 2000.

5 5. The termination provisions of section 41 of the internal revenue
6 code do not apply.

7 B. If the allowable credit under this section exceeds the taxes
8 otherwise due under this title on the claimant's income, or if there are no
9 taxes due under this title, the amount of the credit not used to offset taxes
10 may be carried forward to the next fifteen consecutive taxable years. The
11 amount of credit carryforward from taxable years beginning from and after
12 December 31, 2000 through December 31, 2002 that may be used in any taxable
13 year may not exceed the taxpayer's tax liability under this title or five
14 hundred thousand dollars, whichever is less, minus the credit under this
15 section for the current taxable year's qualified research expenses. The
16 amount of credit carryforward from taxable years beginning from and after
17 December 31, 2002 that may be used in any taxable year may not exceed the
18 taxpayer's tax liability under this title minus the credit under this section
19 for the current taxable year's qualified research expenses.

20 C. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
21 DEVELOPMENT ACTIVITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER
22 SECTION 43-1085.01 FOR THE SAME EXPENSES.

23 Sec. 3. Section 43-1074.01, Arizona Revised Statutes, as amended by
24 Laws 2008, chapter 290, section 4, is amended to read:

25 43-1074.01. Credit for increased research activities

26 A. A credit is allowed against the taxes imposed by this title in an
27 amount determined pursuant to section 41 of the internal revenue code, except
28 that:

29 1. The amount of the credit is based on the excess, if any, of the
30 qualified research expenses for the taxable year over the base amount as
31 defined in section 41(c) of the internal revenue code and is computed as
32 follows:

33 (a) If the excess is two million five hundred thousand dollars or
34 less, the credit is equal to twenty per cent of that amount.

35 (b) If the excess is over two million five hundred thousand dollars,
36 the credit is equal to five hundred thousand dollars plus eleven per cent of
37 any amount exceeding two million five hundred thousand dollars, except that:

38 (i) For taxable years beginning from and after December 31, 2000
39 through December 31, 2001, the credit shall not exceed one million five
40 hundred thousand dollars.

41 (ii) For taxable years beginning from and after December 31, 2001
42 through December 31, 2002, the credit shall not exceed two million five
43 hundred thousand dollars.

1 2. Qualified research includes only research conducted in this state
2 including research conducted at a university in this state and paid for by
3 the taxpayer.

4 3. If two or more taxpayers, including partners in a partnership and
5 shareholders of an S corporation, as defined in section 1361 of the internal
6 revenue code, share in the eligible expenses, each taxpayer is eligible to
7 receive a proportionate share of the credit.

8 4. The credit under this section applies only to expenses incurred
9 from and after December 31, 2000.

10 5. The termination provisions of section 41 of the internal revenue
11 code do not apply.

12 B. If the allowable credit under this section exceeds the taxes
13 otherwise due under this title on the claimant's income, or if there are no
14 taxes due under this title, the amount of the credit not used to offset taxes
15 may be carried forward to the next fifteen consecutive taxable years. The
16 amount of credit carryforward from taxable years beginning from and after
17 December 31, 2000 through December 31, 2002 that may be used in any taxable
18 year may not exceed the taxpayer's tax liability under this title or five
19 hundred thousand dollars, whichever is less, minus the credit under this
20 section for the current taxable year's qualified research expenses. The
21 amount of credit carryforward from taxable years beginning from and after
22 December 31, 2002 that may be used in any taxable year may not exceed the
23 taxpayer's tax liability under this title minus the credit under this section
24 for the current taxable year's qualified research expenses.

25 C. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
26 DEVELOPMENT ACTIVITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER
27 SECTION 43-1085.01 FOR THE SAME EXPENSES.

28 Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
29 amended by adding section 43-1085.01, to read:

30 43-1085.01. Credit for solar liquid fuel; research and
31 development; production; delivery systems;
32 definitions

33 A. CREDITS ARE ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR
34 RESEARCH AND DEVELOPMENT, PRODUCTION AND DELIVERY SYSTEM COSTS ASSOCIATED
35 WITH SOLAR LIQUID FUEL AS PROVIDED BY THIS SECTION.

36 B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
37 THROUGH DECEMBER 31, 2021, A CREDIT IS ALLOWED FOR INCREASED RESEARCH AND
38 DEVELOPMENT ACTIVITY RELATED TO SOLAR LIQUID FUEL AS PROVIDED BY SECTION 41
39 OF THE INTERNAL REVENUE CODE, EXCEPT THAT THE AMOUNT OF THE CREDIT IS EQUAL
40 TO FORTY PER CENT OF THE AMOUNT EXCEEDING THE EXCESS, IF ANY, OF THE
41 QUALIFIED RESEARCH EXPENSES FOR THE TAXABLE YEAR OVER THE BASE AMOUNT AS
42 DEFINED IN SECTION 41(c) OF THE INTERNAL REVENUE CODE. QUALIFIED RESEARCH
43 INCLUDES ONLY RESEARCH CONDUCTED IN THIS STATE, INCLUDING RESEARCH CONDUCTED
44 AT A UNIVERSITY IN THIS STATE AND PAID FOR BY THE TAXPAYER.

1 C. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015
2 THROUGH DECEMBER 31, 2026, A CREDIT IS ALLOWED FOR THE PRODUCTION OF SOLAR
3 LIQUID FUEL IN THIS STATE IN COMMERCIAL QUANTITIES. THE AMOUNT OF THE CREDIT
4 IS EQUAL TO ELEVEN CENTS PER ONE HUNDRED THOUSAND BRITISH THERMAL UNITS OF
5 FUEL PRODUCED IN THIS STATE DURING THE TAXABLE YEAR.

6 D. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015
7 THROUGH DECEMBER 31, 2026, A CREDIT IS ALLOWED FOR COSTS INCURRED DURING THE
8 TAXABLE YEAR TO CONVERT OR MODIFY EXISTING MOTOR VEHICLE FUEL SERVICE
9 STATIONS FOR THE RETAIL SALE OF SOLAR LIQUID FUEL TO CUSTOMERS. THE AMOUNT
10 OF THE CREDIT IS EQUAL TO THIRTY PER CENT OF THE COST OF CONVERSION OR
11 MODIFICATION, BUT NOT MORE THAN TWENTY THOUSAND DOLLARS PER TAXABLE YEAR PER
12 SERVICE STATION.

13 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
14 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE INTERNAL
15 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
16 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
17 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
18 ALLOWED FOR THE SOLE OWNER OF THE BUSINESS.

19 F. THE TAXPAYER MAY ELECT TO SELL OR OTHERWISE TRANSFER THE CREDIT TO
20 ONE OR MORE OTHER TAXPAYERS FOR APPLICATION AGAINST THE TRANSFEREES' TAXES
21 DUE UNDER THIS CHAPTER OR CHAPTER 11 OF THIS TITLE AS FOLLOWS:

22 1. THE TAXPAYER MUST APPLY TO THE DEPARTMENT WITH THE TAXPAYER'S
23 INCOME TAX RETURN.

24 2. THE TAXPAYER MUST TRANSFER THE ENTIRE NOMINAL AMOUNT OF THE CREDIT.
25 WHEN TRANSFERRED, THE ORIGINAL TAXPAYER RETAINS NO CREDIT AMOUNT AGAINST THE
26 TAXPAYER'S INCOME TAX LIABILITY.

27 3. A TRANSFEREE MAY APPLY THE CREDIT AGAINST THE TRANSFEREE'S TAX
28 LIABILITY UNDER THIS CHAPTER OR CHAPTER 11 OF THIS TITLE FOR THE CURRENT
29 TAXABLE YEAR IN THE SAME MANNER AS THE ORIGINAL TAXPAYER. IF THE AMOUNT OF
30 THE CREDIT TRANSFERRED TO A TRANSFEREE EXCEEDS THE TRANSFEREE'S INCOME TAX
31 LIABILITY, THE EXCESS AMOUNT OF THE CREDIT IS EXTINGUISHED AND THE TRANSFEREE
32 IS NOT ELIGIBLE TO CLAIM A REFUND FOR THE EXCESS AMOUNT OR TO CARRY THE
33 EXCESS AMOUNT FORWARD TO SUBSEQUENT YEARS' INCOME TAX LIABILITY.

34 4. A TRANSFEREE SHALL NOT RESELL OR TRANSFER THE CREDIT TO A
35 SUBSEQUENT TAXPAYER.

36 5. IF IT IS DETERMINED THAT THE ORIGINAL TAXPAYER WAS NOT QUALIFIED,
37 OR WAS DISQUALIFIED FROM USING THE CREDIT AT THE TIME OF THE TRANSFER, THE
38 DEPARTMENT SHALL EITHER DISALLOW THE CREDIT CLAIMED BY A TRANSFEREE OR
39 RECAPTURE THE CREDIT FROM THE TRANSFEREE THROUGH ANY AUTHORIZED COLLECTION
40 METHOD. THE TRANSFEREE'S RECOURSE IS AGAINST THE ORIGINAL TAXPAYER.

41 6. IN THE CASE OF ANY FAILURE TO COMPLY WITH THIS SUBSECTION, THE
42 DEPARTMENT OF REVENUE SHALL DISALLOW THE CREDIT UNTIL THE TAXPAYER OR
43 TRANSFEREE IS IN FULL COMPLIANCE.

1 G. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
2 DEVELOPMENT ACTIVITY UNDER SUBSECTION B OF THIS SECTION SHALL NOT CLAIM A
3 CREDIT UNDER SECTION 43-1074.01 FOR THE SAME EXPENSES.

4 H. FOR THE PURPOSES OF THIS SECTION:

5 1. "COMMERCIAL QUANTITIES" MEANS AN AMOUNT OF FUEL THAT CAN BE
6 PRODUCED AND SOLD BY AN INCORPORATED ENTITY IN THE WHOLESALE OR RETAIL TRADE.

7 2. "PRODUCTION" MEANS THE PRODUCTION OF INFRASTRUCTURE COMPATIBLE
8 FUELS DERIVED FROM SUNLIGHT, CARBON DIOXIDE AND WATER THAT ARE CONVERTED INTO
9 INTERMEDIARY CHEMICALS AND GASES THAT ARE USED TO PRODUCE HYDROCARBON FUELS.

10 3. "SOLAR LIQUID FUEL" MEANS LIQUID FUEL THAT IS GENERATED THROUGH
11 PROCESSES THAT USE SUNLIGHT, CARBON DIOXIDE AND WATER TO PRODUCE
12 INFRASTRUCTURE COMPATIBLE LIQUID HYDROCARBON FUELS.

13 Sec. 5. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
14 amended by adding section 43-1164.02, to read:

15 43-1164.02. Credit for solar liquid fuel; research and
16 development; production; delivery systems;
17 definitions

18 A. CREDITS ARE ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR
19 RESEARCH AND DEVELOPMENT, PRODUCTION AND DELIVERY SYSTEM COSTS ASSOCIATED
20 WITH SOLAR LIQUID FUEL AS PROVIDED BY THIS SECTION.

21 B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
22 THROUGH DECEMBER 31, 2021, A CREDIT IS ALLOWED FOR INCREASED RESEARCH AND
23 DEVELOPMENT ACTIVITY RELATED TO SOLAR LIQUID FUEL AS PROVIDED BY SECTION 41
24 OF THE INTERNAL REVENUE CODE, EXCEPT THAT THE AMOUNT OF THE CREDIT IS EQUAL
25 TO FORTY PER CENT OF THE AMOUNT EXCEEDING THE EXCESS, IF ANY, OF THE
26 QUALIFIED RESEARCH EXPENSES FOR THE TAXABLE YEAR OVER THE BASE AMOUNT AS
27 DEFINED IN SECTION 41(c) OF THE INTERNAL REVENUE CODE. QUALIFIED RESEARCH
28 INCLUDES ONLY RESEARCH CONDUCTED IN THIS STATE, INCLUDING RESEARCH CONDUCTED
29 AT A UNIVERSITY IN THIS STATE AND PAID FOR BY THE TAXPAYER.

30 C. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015
31 THROUGH DECEMBER 31, 2026, A CREDIT IS ALLOWED FOR THE PRODUCTION OF SOLAR
32 LIQUID FUEL IN THIS STATE IN COMMERCIAL QUANTITIES. THE AMOUNT OF THE CREDIT
33 IS EQUAL TO ELEVEN CENTS PER ONE HUNDRED THOUSAND BRITISH THERMAL UNITS OF
34 FUEL PRODUCED IN THIS STATE DURING THE TAXABLE YEAR.

35 D. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015
36 THROUGH DECEMBER 31, 2026, A CREDIT IS ALLOWED FOR COSTS INCURRED DURING THE
37 TAXABLE YEAR TO CONVERT OR MODIFY EXISTING MOTOR VEHICLE FUEL SERVICE
38 STATIONS FOR THE RETAIL SALE OF SOLAR LIQUID FUEL TO CUSTOMERS. THE AMOUNT
39 OF THE CREDIT IS EQUAL TO THIRTY PER CENT OF THE COST OF CONVERSION OR
40 MODIFICATION, BUT NOT MORE THAN TWENTY THOUSAND DOLLARS PER TAXABLE YEAR PER
41 SERVICE STATION.

42 E. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
43 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
44 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS

1 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
2 ALLOWED FOR THE SOLE OWNER OF THE BUSINESS.

3 F. THE TAXPAYER MAY ELECT TO SELL OR OTHERWISE TRANSFER THE CREDIT TO
4 ONE OR MORE OTHER TAXPAYERS FOR APPLICATION AGAINST THE TRANSFEREES' TAXES
5 DUE UNDER THIS CHAPTER OR CHAPTER 10 OF THIS TITLE AS FOLLOWS:

6 1. THE TAXPAYER MUST APPLY TO THE DEPARTMENT WITH THE TAXPAYER'S
7 INCOME TAX RETURN.

8 2. THE TAXPAYER MUST TRANSFER THE ENTIRE NOMINAL AMOUNT OF THE CREDIT.
9 WHEN TRANSFERRED, THE ORIGINAL TAXPAYER RETAINS NO CREDIT AMOUNT AGAINST THE
10 TAXPAYER'S INCOME TAX LIABILITY.

11 3. A TRANSFEREE MAY APPLY THE CREDIT AGAINST THE TRANSFEREE'S TAX
12 LIABILITY UNDER THIS CHAPTER OR CHAPTER 10 OF THIS TITLE FOR THE CURRENT
13 TAXABLE YEAR IN THE SAME MANNER AS THE ORIGINAL TAXPAYER. IF THE AMOUNT OF
14 THE CREDIT TRANSFERRED TO A TRANSFEREE EXCEEDS THE TRANSFEREE'S INCOME TAX
15 LIABILITY, THE EXCESS AMOUNT OF THE CREDIT IS EXTINGUISHED AND THE TRANSFEREE
16 IS NOT ELIGIBLE TO CLAIM A REFUND FOR THE EXCESS AMOUNT OR TO CARRY THE
17 EXCESS AMOUNT FORWARD TO SUBSEQUENT YEARS' INCOME TAX LIABILITY.

18 4. A TRANSFEREE SHALL NOT RESELL OR TRANSFER THE CREDIT TO A
19 SUBSEQUENT TAXPAYER.

20 5. IF IT IS DETERMINED THAT THE ORIGINAL TAXPAYER WAS NOT QUALIFIED,
21 OR WAS DISQUALIFIED FROM USING THE CREDIT AT THE TIME OF THE TRANSFER, THE
22 DEPARTMENT SHALL EITHER DISALLOW THE CREDIT CLAIMED BY A TRANSFEREE OR
23 RECAPTURE THE CREDIT FROM THE TRANSFEREE THROUGH ANY AUTHORIZED COLLECTION
24 METHOD. THE TRANSFEREE'S RECOURSE IS AGAINST THE ORIGINAL TAXPAYER.

25 6. IN THE CASE OF ANY FAILURE TO COMPLY WITH THIS SUBSECTION, THE
26 DEPARTMENT OF REVENUE SHALL DISALLOW THE CREDIT UNTIL THE TAXPAYER OR
27 TRANSFEREE IS IN FULL COMPLIANCE.

28 G. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
29 DEVELOPMENT ACTIVITY UNDER SUBSECTION B OF THIS SECTION SHALL NOT CLAIM A
30 CREDIT UNDER SECTION 43-1168 FOR THE SAME EXPENSES.

31 H. FOR THE PURPOSES OF THIS SECTION:

32 1. "COMMERCIAL QUANTITIES" MEANS AN AMOUNT OF FUEL THAT CAN BE
33 PRODUCED AND SOLD BY AN INCORPORATED ENTITY IN THE WHOLESALE OR RETAIL TRADE.

34 2. "PRODUCTION" MEANS THE PRODUCTION OF INFRASTRUCTURE COMPATIBLE
35 FUELS DERIVED FROM SUNLIGHT, CARBON DIOXIDE AND WATER THAT ARE CONVERTED INTO
36 INTERMEDIARY CHEMICALS AND GASES THAT ARE USED TO PRODUCE HYDROCARBON FUELS.

37 3. "SOLAR LIQUID FUEL" MEANS LIQUID FUEL THAT IS GENERATED THROUGH
38 PROCESSES THAT USE SUNLIGHT, CARBON DIOXIDE AND WATER TO PRODUCE
39 INFRASTRUCTURE COMPATIBLE LIQUID HYDROCARBON FUELS.

40 Sec. 6. Section 43-1168, Arizona Revised Statutes, as amended by Laws
41 2008, chapter 290, section 5, is amended to read:

42 43-1168. Credit for increased research activities

43 A. A credit is allowed against the taxes imposed by this title in an
44 amount determined pursuant to section 41 of the internal revenue code, except
45 that:

1 1. The amount of the credit is computed as follows:
2 (a) Add:
3 (i) The excess, if any, of the qualified research expenses for the
4 taxable year over the base amount as defined in section 41(c) of the internal
5 revenue code.
6 (ii) The basic research payments determined under section 41(e)(1)(A)
7 of the internal revenue code.
8 (b) If the sum computed under subdivision (a) is two million five
9 hundred thousand dollars or less, the credit is equal to twenty-four per cent
10 of that amount.
11 (c) If the sum computed under subdivision (a) is over two million five
12 hundred thousand dollars, the credit is equal to six hundred thousand dollars
13 plus fifteen per cent of any amount exceeding two million five hundred
14 thousand dollars, except that:
15 (i) For taxable years beginning from and after December 31, 2000
16 through December 31, 2001, the credit shall not exceed one million five
17 hundred thousand dollars.
18 (ii) For taxable years beginning from and after December 31, 2001
19 through December 31, 2002, the credit shall not exceed two million five
20 hundred thousand dollars.
21 2. Qualified research includes only research conducted in this state
22 including research conducted at a university in this state and paid for by
23 the taxpayer.
24 3. If two or more taxpayers, including corporate partners in a
25 partnership, share in the eligible expenses, each taxpayer is eligible to
26 receive a proportionate share of the credit.
27 4. The credit under this section applies only to expenses incurred
28 from and after December 31, 1993.
29 5. The termination provisions of section 41 of the internal revenue
30 code do not apply.
31 B. If the allowable credit under this section exceeds the taxes
32 otherwise due under this title on the claimant's income, or if there are no
33 taxes due under this title, the amount of the credit not used to offset taxes
34 may be carried forward to the next fifteen consecutive taxable years. The
35 amount of credit carryforward from taxable years beginning from and after
36 December 31, 2000 through December 31, 2002 that may be used under this
37 subsection in any taxable year may not exceed the taxpayer's tax liability
38 under this title or five hundred thousand dollars, whichever is less, minus
39 the credit under this section for the current taxable year's qualified
40 research expenses. The amount of credit carryforward from taxable years
41 beginning from and after December 31, 2002 that may be used under this
42 subsection in any taxable year may not exceed the taxpayer's tax liability
43 under this title minus the credit under this section for the current taxable
44 year's qualified research expenses.

1 C. If a taxpayer has qualified research expenses that are carried
2 forward from taxable years beginning before January 1, 2001, the amount of
3 the expenses carried forward shall be converted to a credit carryforward by
4 multiplying the amount of the qualified expenses carried forward by twenty
5 per cent. A credit carryforward determined under this subsection may be
6 carried forward to not more than fifteen years from the year in which the
7 expenses were incurred. The amount of credit carryforward from taxable years
8 beginning before January 1, 2001 that may be used under this subsection in
9 any taxable year may not exceed the taxpayer's tax liability under this title
10 or five hundred thousand dollars, whichever is less, minus the credit under
11 this section for the current taxable year's qualified research expenses. The
12 total amount of credit carryforward from taxable years beginning before
13 January 1, 2003 that may be used in any taxable year under subsection B and
14 this subsection may not exceed the taxpayer's tax liability under this title
15 or five hundred thousand dollars, whichever is less, minus the credit under
16 this section for the current taxable year's qualified research expenses.

17 D. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
18 DEVELOPMENT ACTIVITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER
19 SECTION 43-1164.02 FOR THE SAME EXPENSES.

20 Sec. 7. Section 43-1168, Arizona Revised Statutes, as amended by Laws
21 2008, chapter 290, section 7, is amended to read:

22 43-1168. Credit for increased research activity

23 A. A credit is allowed against the taxes imposed by this title in an
24 amount determined pursuant to section 41 of the internal revenue code, except
25 that:

26 1. The amount of the credit is computed as follows:

27 (a) Add:

28 (i) The excess, if any, of the qualified research expenses for the
29 taxable year over the base amount as defined in section 41(c) of the internal
30 revenue code.

31 (ii) The basic research payments determined under section 41(e)(1)(A)
32 of the internal revenue code.

33 (b) If the sum computed under subdivision (a) is two million five
34 hundred thousand dollars or less, the credit is equal to twenty per cent of
35 that amount.

36 (c) If the sum computed under subdivision (a) is over two million five
37 hundred thousand dollars, the credit is equal to five hundred thousand
38 dollars plus eleven per cent of any amount exceeding two million five hundred
39 thousand dollars, except that:

40 (i) For taxable years beginning from and after December 31, 2000
41 through December 31, 2001, the credit shall not exceed one million five
42 hundred thousand dollars.

43 (ii) For taxable years beginning from and after December 31, 2001
44 through December 31, 2002, the credit shall not exceed two million five
45 hundred thousand dollars.

1 2. Qualified research includes only research conducted in this state
2 including research conducted at a university in this state and paid for by
3 the taxpayer.

4 3. If two or more taxpayers, including corporate partners in a
5 partnership, share in the eligible expenses, each taxpayer is eligible to
6 receive a proportionate share of the credit.

7 4. The credit under this section applies only to expenses incurred
8 from and after December 31, 1993.

9 5. The termination provisions of section 41 of the internal revenue
10 code do not apply.

11 B. If the allowable credit under this section exceeds the taxes
12 otherwise due under this title on the claimant's income, or if there are no
13 taxes due under this title, the amount of the credit not used to offset taxes
14 may be carried forward to the next fifteen consecutive taxable years. The
15 amount of credit carryforward from taxable years beginning from and after
16 December 31, 2000 through December 31, 2002 that may be used under this
17 subsection in any taxable year may not exceed the taxpayer's tax liability
18 under this title or five hundred thousand dollars, whichever is less, minus
19 the credit under this section for the current taxable year's qualified
20 research expenses. The amount of credit carryforward from taxable years
21 beginning from and after December 31, 2002 that may be used under this
22 subsection in any taxable year may not exceed the taxpayer's tax liability
23 under this title minus the credit under this section for the current taxable
24 year's qualified research expenses.

25 C. If a taxpayer has qualified research expenses that are carried
26 forward from taxable years beginning before January 1, 2001, the amount of
27 the expenses carried forward shall be converted to a credit carryforward by
28 multiplying the amount of the qualified expenses carried forward by twenty
29 per cent. A credit carryforward determined under this subsection may be
30 carried forward to not more than fifteen years from the year in which the
31 expenses were incurred. The amount of credit carryforward from taxable years
32 beginning before January 1, 2001 that may be used under this subsection in
33 any taxable year may not exceed the taxpayer's tax liability under this title
34 or five hundred thousand dollars, whichever is less, minus the credit under
35 this section for the current taxable year's qualified research expenses. The
36 total amount of credit carryforward from taxable years beginning before
37 January 1, 2003 that may be used in any taxable year under subsection B and
38 this subsection may not exceed the taxpayer's tax liability under this title
39 or five hundred thousand dollars, whichever is less, minus the credit under
40 this section for the current taxable year's qualified research expenses.

41 D. A TAXPAYER THAT CLAIMS A CREDIT FOR INCREASED RESEARCH AND
42 DEVELOPMENT ACTIVITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER
43 SECTION 43-1164.02 FOR THE SAME EXPENSES.

1 Sec. 8. Effective date

2 Section 43-1074.01, Arizona Revised Statutes, as added by Laws 2008,
3 chapter 290, section 4 and as amended by this act, and section 43-1168,
4 Arizona Revised Statutes, as added by Laws 2008, chapter 290, section 7 and
5 as amended by this act, are effective from and after December 31, 2017.