

REFERENCE TITLE: income tax subtraction; rent; foreclosure

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

HB 2315

Introduced by
Representatives Farley, Carter, Gallego, Wheeler: Saldate, Tovar

AN ACT

AMENDING SECTIONS 43-1011 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1026; RELATING TO INDIVIDUAL INCOME TAX; PROVIDING FOR CONDITIONAL REPEAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1011, Arizona Revised Statutes, is amended to
3 read:

4 43-1011. Taxes and tax rates

5 There shall be levied, collected and paid for each taxable year ~~upon~~ ON
6 the entire taxable income of every resident of this state and ~~upon~~ ON the
7 entire taxable income of every nonresident ~~which~~ THAT is derived from sources
8 within this state taxes determined in the following manner:

9 1. For taxable years beginning from and after December 31, 1996
10 through December 31, 1997:

11 (a) In the case of a single person or a married person filing
12 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
13 \$0 - \$10,000	14 2.90% of taxable income
15 \$10,001 - \$25,000	16 \$290, plus 3.30% of the excess over \$10,000
17 \$25,001 - \$50,000	18 \$785, plus 3.90% of the excess over \$25,000
19 \$50,001 - \$150,000	20 \$1,760, plus 4.80% of the excess over \$50,000
21 \$150,001 and over	22 \$6,560, plus 5.17% of the excess over \$150,000

23 (b) In the case of a married couple filing a joint return or a single
24 person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
25 \$0 - \$20,000	26 2.90% of taxable income
27 \$20,001 - \$50,000	28 \$580, plus 3.30% of the excess over \$20,000
29 \$50,001 - \$100,000	30 \$1,570, plus 3.90% of the excess over \$50,000
31 \$100,001 - \$300,000	32 \$3,520, plus 4.80% of the excess over \$100,000
33 \$300,001 and over	34 \$13,120, plus 5.17% of the excess over \$300,000

35 2. For taxable years beginning from and after December 31, 1997
36 through December 31, 1998:

37 (a) In the case of a single person or a married person filing
38 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
39 \$0 - \$10,000	40 2.88% of taxable income
41 \$10,001 - \$25,000	42 \$288, plus 3.24% of the excess over \$10,000
43 \$25,001 - \$50,000	44 \$774, plus 3.82% of the excess over \$25,000
\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
\$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

(b) In the case of a married couple filing a joint return or a single
person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
\$0 - \$20,000	2.88% of taxable income
\$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
\$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

1 3. For taxable years beginning from and after December 31, 1998
2 through December 31, 2005:

3 (a) In the case of a single person or a married person filing
4 separately:

5 If taxable income is: The tax is:
6 \$0 - \$10,000 2.87% of taxable income
7 \$10,001 - \$25,000 \$287, plus 3.20% of the excess over \$10,000
8 \$25,001 - \$50,000 \$767, plus 3.74% of the excess over \$25,000
9 \$50,001 - \$150,000 \$1,702, plus 4.72% of the excess over \$50,000
10 \$150,001 and over \$6,422, plus 5.04% of the excess over \$150,000

11 (b) In the case of a married couple filing a joint return or a single
12 person who is a head of a household:

13 If taxable income is: The tax is:
14 \$0 - \$20,000 2.87% of taxable income
15 \$20,001 - \$50,000 \$574, plus 3.20% of the excess over \$20,000
16 \$50,001 - \$100,000 \$1,534, plus 3.74% of the excess over \$50,000
17 \$100,001 - \$300,000 \$3,404, plus 4.72% of the excess over \$100,000
18 \$300,001 and over \$12,844, plus 5.04% of the excess over \$300,000

19 4. For taxable years beginning from and after December 31, 2005
20 through December 31, 2006:

21 (a) In the case of a single person or a married person filing
22 separately:

23 If taxable income is: The tax is:
24 \$0 - \$10,000 2.73% of taxable income
25 \$10,001 - \$25,000 \$273, plus 3.04% of the excess over \$10,000
26 \$25,001 - \$50,000 \$729, plus 3.55% of the excess over \$25,000
27 \$50,001 - \$150,000 \$1,617, plus 4.48% of the excess over \$50,000
28 \$150,001 and over \$6,097, plus 4.79% of the excess over \$150,000

29 (b) In the case of a married couple filing a joint return or a single
30 person who is a head of a household:

31 If taxable income is: The tax is:
32 \$0 - \$20,000 2.73% of taxable income
33 \$20,001 - \$50,000 \$546, plus 3.04% of the excess over \$20,000
34 \$50,001 - \$100,000 \$1,458, plus 3.55% of the excess over \$50,000
35 \$100,001 - \$300,000 \$3,233, plus 4.48% of the excess over \$100,000
36 \$300,001 and over \$12,193, plus 4.79% of the excess over \$300,000

37 5. For taxable years beginning from and after December 31, 2006:

38 (a) In the case of a single person or a married person filing
39 separately:

40 If taxable income is: The tax is:
41 \$0 - \$10,000 2.59% of taxable income
42 \$10,001 - \$25,000 \$259, plus 2.88% of the excess over \$10,000
43 \$25,001 - \$50,000 \$691, plus 3.36% of the excess over \$25,000

1 \$50,001 - \$150,000 \$1,531, plus 4.24% of the excess over \$50,000
2 \$150,001 and over \$5,771, plus 4.54% _____ of the excess over
3 \$150,000

4 (b) In the case of a married couple filing a joint return or a single
5 person who is a head of a household:

6 If taxable income is: The tax is:
7 \$0 - \$20,000 2.59% of taxable income
8 \$20,001 - \$50,000 \$518, plus 2.88% of the excess over \$20,000
9 \$50,001 - \$100,000 \$1,382, plus 3.36% of the excess over \$50,000
10 \$100,001 - \$300,000 \$3,062, plus 4.24% of the excess over \$100,000
11 \$300,001 and over \$11,542, plus 4.54% _____ of the excess over
12 \$300,000

13 Sec. 2. Section 43-1022, Arizona Revised Statutes, is amended to read:
14 43-1022. Subtractions from Arizona gross income

15 In computing Arizona adjusted gross income, the following amounts shall
16 be subtracted from Arizona gross income:

- 17 1. The amount of exemptions allowed by section 43-1023.
- 18 2. Benefits, annuities and pensions in an amount totaling not more
19 than two thousand five hundred dollars received from one or more of the
20 following:

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

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

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

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

42 5. The amount of income on an installment receivable ~~which~~ THAT is
43 recognized pursuant to the internal revenue code and ~~which~~ THAT has already
44 been recognized on the death of the taxpayer for purposes of this title for
45 tax years ending before January 1, 1990.

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

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

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

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

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

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

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

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

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

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

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

44 17. The amount of exploration expenses that is determined pursuant to
45 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 32. To the extent not already excluded from Arizona gross income under
38 the internal revenue code, the amount authorized by section 43-1032 for
39 displaced pupils choice grants.

40 33. The amount of any original issue discount that was deferred and not
41 allowed to be deducted in computing federal adjusted gross income or federal
42 taxable income in the current taxable year pursuant to section 108(i) of the
43 internal revenue code as added by section 1231 of the American recovery and
44 reinvestment act of 2009 (P.L. 111-5).

1 34. The amount of previously deferred discharge of indebtedness income
2 that is included in the computation of federal adjusted gross income or
3 federal taxable income in the current taxable year pursuant to section 108(i)
4 of the internal revenue code as added by section 1231 of the American
5 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
6 amount was previously added to Arizona gross income pursuant to section
7 43-1021, paragraph 33.

8 35. The portion of the net operating loss carryforward that would have
9 been allowed as a deduction in the current year pursuant to section 172 of
10 the internal revenue code if the election described in section 172(b)(1)(H)
11 of the internal revenue code had not been made in the year of the loss that
12 exceeds the actual net operating loss carryforward that was deducted in
13 arriving at federal adjusted gross income. This subtraction only applies to
14 taxpayers who made an election under section 172(b)(1)(H) of the internal
15 revenue code as amended by section 1211 of the American recovery and
16 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the
17 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

18 36. For taxable years beginning from and after December 31, 2013, the
19 amount of any net capital gain included in federal adjusted gross income for
20 the taxable year derived from investment in a qualified small business as
21 determined by the Arizona commerce authority pursuant to section 41-1518.

22 37. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011, A
23 PERCENTAGE OF RENT PAID ON THE TAXPAYER'S PRIMARY RESIDENCE, AS PROVIDED BY
24 SECTION 43-1026, IF THE TAXPAYER LOST TITLE TO THE TAXPAYER'S OWNER-OCCUPIED
25 PRIMARY RESIDENCE BY FORECLOSURE, OR VOLUNTARILY IN LIEU OF FORECLOSURE.

26 Sec. 3. Title 43, chapter 10, article 3, Arizona Revised Statutes, is
27 amended by adding section 43-1026, to read:

28 43-1026. Subtraction for rent paid after foreclosure

29 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011, IN
30 COMPUTING ARIZONA ADJUSTED GROSS INCOME, A QUALIFYING TAXPAYER MAY SUBTRACT
31 FROM ARIZONA GROSS INCOME A PERCENTAGE OF THE AMOUNT OF RENT PAID BY THE
32 TAXPAYER TO LEASE THE TAXPAYER'S PRIMARY RESIDENCE IN THIS STATE DURING THE
33 TAXABLE YEAR, EXCLUSIVE OF ANY AMOUNT OF THE RENTAL PAYMENTS ATTRIBUTABLE TO
34 DEPOSITS, UTILITIES, TAXES OR OTHER FEES INDEPENDENT OF THE RIGHT TO OCCUPY
35 THE RESIDENCE. THE PERCENTAGE OF RENT ALLOWED AS A SUBTRACTION IS COMPUTED
36 AS FOLLOWS:

<u>IF HOUSEHOLD INCOME IS</u>	<u>THE ALLOWABLE PERCENTAGE IS</u>
\$0 - \$10,000	50%
\$10,001 - \$25,000	40%
\$25,001 - \$50,000	30%
\$50,001 - \$75,000	20%
\$75,001 - \$100,000	10%
\$100,001 AND OVER	0%

44 B. TO QUALIFY FOR THE SUBTRACTION UNDER THIS SECTION, THE TAXPAYER
45 MUST HAVE LOST TITLE TO THE TAXPAYER'S OWNER-OCCUPIED RESIDENCE IN THIS STATE

1 BY FORECLOSURE, OR VOLUNTARILY IN LIEU OF FORECLOSURE, WITHIN THE THIRTY-SIX
2 MONTHS IMMEDIATELY PRECEDING THE LAST DAY OF THE TAXABLE.

3 Sec. 4. Conditional repeal; notice

4 A. The director of the joint legislative budget committee and the
5 director of the governor's office of strategic planning and budgeting shall
6 jointly determine and notify in writing the director of legislative council
7 the last day in which the household foreclosure rate in this state is less
8 than one per cent in any three months of any period of six consecutive months
9 first occurs after the effective date of this act.

10 B. Section 43-1026, Arizona Revised Statutes, as added by this act, is
11 repealed from and after December 31 first occurring at least twenty-four
12 months after the notice under subsection A of this section.

13 Sec. 5. Retroactivity

14 This act applies retroactively to taxable years beginning from and
15 after December 31, 2011.