

REFERENCE TITLE: tax credits; veterans

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HB 2475

Introduced by

Representatives Cardenas, Borrelli, Carter, Contreras, Dalessandro, Escamilla, Gabaldón, Gallego, Gonzales, Hale, Larkin, Miranda, Sherwood, Steele, Thorpe, Wheeler, Senators Farley, McGuire, Tovar: Representatives Alston, Campbell, Gowan, Hernández, Lesko, Livingston, Mendez, Pierce J, Quezada, Saldate, Shope, Senator Meza

AN ACT

AMENDING TITLE 41, CHAPTER 23, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-2560; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1171; PROVIDING FOR THE DELAYED REPEAL OF SECTIONS 43-1075 AND 43-1171, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; RELATING TO VETERANS.

(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 23, article 3, Arizona Revised Statutes,
3 is amended by adding section 41-2560, to read:

4 41-2560. State contracts; veteran-owned business; participation
5 goal; registry; definitions

6 A. NOTWITHSTANDING ANY OTHER LAW, THE DIRECTOR OF THE DEPARTMENT OF
7 ADMINISTRATION SHALL ESTABLISH A VETERAN-OWNED BUSINESS PARTICIPATION GOAL OF
8 AWARDED, PURSUANT TO EXISTING PROCUREMENT RULES, TO QUALIFIED, OPERATED AND
9 CONTROLLED VETERAN-OWNED BUSINESSES STATE CONTRACTS INVOLVING THE PROCUREMENT
10 OF MATERIALS, SERVICES OR CONSTRUCTION OR THE DISPOSAL OF MATERIALS. THE
11 PARTICIPATION GOAL IS AT LEAST ONE AND ONE-HALF PER CENT DURING THE FIRST
12 YEAR FOLLOWING THE EFFECTIVE DATE OF THIS SECTION AND INCREASES TO THREE PER
13 CENT OR MORE FOR EVERY YEAR AFTER THE FIRST YEAR. THE GOAL APPLIES TO THE
14 OVERALL DOLLAR AMOUNT SPENT EACH YEAR BY THIS STATE PURSUANT TO THIS ARTICLE.

15 B. THE DIRECTOR OF THE DEPARTMENT OF VETERANS' SERVICES SHALL:

16 1. ESTABLISH A REGISTRY OF VETERAN-OWNED BUSINESSES TO VERIFY THE
17 VETERAN STATUS AND ELIGIBILITY OF BUSINESSES SEEKING TO BE INCLUDED IN THE
18 REGISTRY.

19 2. USE ANY RESOURCES, INCLUDING THE UNITED STATES DEPARTMENT OF
20 VETERANS AFFAIRS VETBIZ REGISTRY, OR ITS SUCCESSOR REGISTRY, OR THE UNITED
21 STATES DEPARTMENT OF DEFENSE FORM DD-214, OR ITS SUCCESSOR FORM, TO DETERMINE
22 BUSINESS ELIGIBILITY.

23 C. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL ESTABLISH
24 PROCEDURES FOR MEETING THE GOAL USING A REGISTRY OF VETERAN-OWNED BUSINESSES
25 THAT IS COMPILED BY THE DIRECTOR OF THE DEPARTMENT OF VETERANS' SERVICES.
26 THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, BY RULE, MAY ALLOW A
27 PROCUREMENT OFFICER TO RESERVE CERTAIN PROCUREMENTS FOR REGISTERED
28 VETERAN-OWNED BUSINESSES.

29 D. IN THE PERFORMANCE OF A CONTRACT FOR SERVICES, A VETERAN-OWNED
30 BUSINESS SHALL USE AT LEAST FIFTY PER CENT OF THE PROCEEDS OF THE CONTRACT TO
31 PAY FOR THE SALARIES OF EMPLOYEES OF THE VETERAN-OWNED BUSINESS. THIS
32 SUBSECTION DOES NOT APPLY TO CONSTRUCTION CONTRACTS.

33 E. FOR THE PURPOSES OF THIS SECTION:

34 1. "VETERAN" MEANS A PERSON WHO IS A VETERAN OF THE ARMED FORCES OF
35 THE UNITED STATES AND WHO IS SEPARATED FROM THE ARMED FORCES UNDER HONORABLE
36 CONDITIONS FOLLOWING MORE THAN SIX MONTHS OF ACTIVE DUTY.

37 2. "VETERAN-OWNED BUSINESS" MEANS A BUSINESS TO WHICH ALL OF THE
38 FOLLOWING APPLY:

39 (a) THE BUSINESS IS AN INDIVIDUAL PROPRIETORSHIP, PARTNERSHIP,
40 CORPORATION OR JOINT VENTURE THAT IS AT LEAST FIFTY-ONE PER CENT OWNED BY ONE
41 OR MORE VETERANS OR, FOR A BUSINESS WHOSE STOCK IS PUBLICLY HELD, AT LEAST
42 FIFTY-ONE PER CENT OF THE STOCK IS OWNED BY ONE OR MORE VETERANS.

43 (b) THE MANAGEMENT AND DAILY OPERATIONS OF THE BUSINESS ARE CONTROLLED
44 BY ONE OR MORE VETERANS WHO OWN THE BUSINESS.

1 (c) THE HOME OFFICE OF THE BUSINESS IS LOCATED IN THIS STATE AND IS
2 NOT A BRANCH OR SUBSIDIARY OF A FOREIGN CORPORATION OR FIRM OR OTHER FOREIGN
3 BUSINESS.

4 Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to read:
5 43-222. Income tax credit review schedule

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

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

10 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
11 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

12 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
13 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090,
14 43-1164, 43-1167, 43-1169, 43-1176 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 43-1075, 43-1076, 43-1076.01,
18 43-1081.01, 43-1083.01, 43-1084, 43-1162, 43-1162.01, 43-1164.01, 43-1170.01,
19 43-1171 and 43-1184 and, beginning in 2019, sections 43-1083.03 and
20 43-1164.04.

21 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
22 amended by adding section 43-1075, to read:

23 43-1075. Credit for employing veterans

24 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013
25 THROUGH DECEMBER 31, 2016, A CREDIT OF NOT MORE THAN ONE HUNDRED FIFTY
26 THOUSAND DOLLARS IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A
27 TAXPAYER WHO HIRES AN EMPLOYEE WHO IS ALL OF THE FOLLOWING:

28 1. A VETERAN OF THE ARMED FORCES OF THE UNITED STATES AS DEFINED IN
29 SECTION 41-601.

30 2. SEPARATED FROM THE ARMED FORCES UNDER HONORABLE CONDITIONS.

31 3. COLLECTING UNEMPLOYMENT BENEFITS PURSUANT TO TITLE 23, CHAPTER 4 AT
32 THE TIME THE EMPLOYEE IS HIRED.

33 B. TO QUALIFY FOR A CREDIT UNDER THIS SECTION, THE EMPLOYER MUST PAY
34 THE EMPLOYEE COMPENSATION THAT AT LEAST EQUALS THE MEDIAN ANNUAL WAGE IN THIS
35 STATE, AS DETERMINED BY THE MOST RECENT ANNUAL ARIZONA COMMERCE AUTHORITY
36 OCCUPATIONAL WAGE AND EMPLOYMENT ESTIMATES.

37 C. THE AMOUNT OF THE CREDIT EQUALS THE LOWEST OF THE FOLLOWING:

38 1. TEN PER CENT OF THE SALARY EARNED AND PAID TO THE EMPLOYEE DURING
39 THE TAXABLE YEAR.

40 2. ONE THOUSAND TWO HUNDRED DOLLARS FOR AN EMPLOYEE.

41 3. TWO THOUSAND FOUR HUNDRED DOLLARS FOR AN EMPLOYEE WHO MEETS THE
42 REQUIREMENTS OF SECTION 38-492, SUBSECTION E.

43 D. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
44 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL
45 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED

1 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
2 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
3 ALLOWED A SOLE OWNER.

4 E. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
5 THIS TITLE ON A CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
6 TITLE, THE TAXPAYER MAY CARRY FORWARD THE AMOUNT OF THE CLAIM NOT USED TO
7 OFFSET THE TAXES UNDER THIS TITLE FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
8 YEARS' INCOME TAX LIABILITY.

9 F. A CREDIT IS NOT ALLOWED FOR A TAXPAYER IF THE EMPLOYEE HIRED IS A
10 RELATIVE OF THE TAXPAYER OR OF A PERSON WHO HAS AN OWNERSHIP INTEREST IN THE
11 TAXPAYER CLAIMING THE CREDIT. FOR THE PURPOSES OF THIS SUBSECTION,
12 "RELATIVE" MEANS THE SPOUSE, CHILD, CHILD'S CHILD, PARENT, GRANDPARENT,
13 BROTHER OR SISTER OF THE WHOLE OR HALF BLOOD OR BY ADOPTION AND THE SPOUSE OF
14 ANY OF THEM, AND THE PARENT, BROTHER, SISTER OR CHILD OF A SPOUSE.

15 Sec. 4. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
16 amended by adding section 43-1171, to read:

17 43-1171. Credit for employing veterans

18 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013
19 THROUGH DECEMBER 31, 2016, A CREDIT OF NOT MORE THAN ONE HUNDRED FIFTY
20 THOUSAND DOLLARS IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A
21 TAXPAYER THAT HIRES AN EMPLOYEE WHO IS ALL OF THE FOLLOWING:

22 1. A VETERAN OF THE ARMED FORCES OF THE UNITED STATES AS DEFINED IN
23 SECTION 41-601.

24 2. SEPARATED FROM THE ARMED FORCES UNDER HONORABLE CONDITIONS.

25 3. COLLECTING UNEMPLOYMENT BENEFITS PURSUANT TO TITLE 23, CHAPTER 4 AT
26 THE TIME THE EMPLOYEE IS HIRED.

27 B. TO QUALIFY FOR A CREDIT UNDER THIS SECTION, THE EMPLOYER MUST PAY
28 THE EMPLOYEE COMPENSATION THAT AT LEAST EQUALS THE MEDIAN ANNUAL WAGE IN THIS
29 STATE, AS DETERMINED BY THE MOST RECENT ANNUAL ARIZONA COMMERCE AUTHORITY
30 OCCUPATIONAL WAGE AND EMPLOYMENT ESTIMATES.

31 C. THE AMOUNT OF THE CREDIT EQUALS THE LOWEST OF THE FOLLOWING:

32 1. TEN PER CENT OF THE SALARY EARNED AND PAID TO THE EMPLOYEE DURING
33 THE TAXABLE YEAR.

34 2. ONE THOUSAND TWO HUNDRED DOLLARS FOR AN EMPLOYEE.

35 3. TWO THOUSAND FOUR HUNDRED DOLLARS FOR AN EMPLOYEE WHO MEETS THE
36 REQUIREMENTS OF SECTION 38-492, SUBSECTION E.

37 D. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
38 PARTNERSHIP AND MEMBERS OF A LIMITED LIABILITY COMPANY, MAY EACH CLAIM ONLY
39 THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON THE
40 OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL OWNERS OF THE
41 BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED A SOLE OWNER
42 OF THE BUSINESS.

43 E. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
44 THIS TITLE ON A CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
45 TITLE, THE TAXPAYER MAY CARRY FORWARD THE AMOUNT OF THE CLAIM NOT USED TO

1 OFFSET THE TAXES UNDER THIS TITLE FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
2 YEARS' INCOME TAX LIABILITY.

3 F. A CREDIT IS NOT ALLOWED FOR A TAXPAYER IF THE EMPLOYEE HIRED IS A
4 RELATIVE OF THE TAXPAYER OR OF A PERSON WHO HAS AN OWNERSHIP INTEREST IN THE
5 TAXPAYER CLAIMING THE CREDIT. FOR THE PURPOSES OF THIS SUBSECTION,
6 "RELATIVE" MEANS THE SPOUSE, CHILD, CHILD'S CHILD, PARENT, GRANDPARENT,
7 BROTHER OR SISTER OF THE WHOLE OR HALF BLOOD OR BY ADOPTION AND THE SPOUSE OF
8 ANY OF THEM, AND THE PARENT, BROTHER, SISTER OR CHILD OF A SPOUSE.

9 Sec. 5. Purpose

10 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
11 enacts sections 43-1075 and 43-1171, Arizona Revised Statutes, as added by
12 this act, to assist in helping veterans in finding employment.

13 Sec. 6. Delayed repeal

14 Sections 43-1075 and 43-1171, Arizona Revised Statutes, as added by
15 this act, are repealed from and after December 31, 2016. The repeal of these
16 sections does not affect the ability to carry forward a credit that was
17 earned before the repeal of these sections.

18 Sec. 7. Effective date

19 Section 41-2560, Arizona Revised Statutes, as added by this act, is
20 effective from and after December 31, 2014.