AN ACT

AMENDING SECTION 42-5010, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 42-5076 AND 42-5077; AMENDING SECTIONS 43-1011 AND 43-1022, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 42-5010, Arizona Revised Statutes, is amended to read:

42-5010. Rates; distribution base

A. The tax imposed by this article is levied and shall be collected at the following rates:

1. Five percent of the tax base as computed for the business of every person engaging or continuing in this state in the following business classifications described in article 2 of this chapter:
   (a) Transporting classification.
   (b) Utilities classification.
   (c) Telecommunications classification.
   (d) Pipeline classification.
   (e) Private car line classification.
   (f) Publication classification.
   (g) Job printing classification.
   (h) Prime contracting classification.
   (i) Amusement classification.
   (j) Restaurant classification.
   (k) Personal property rental classification.
   (l) Retail classification and amounts equal to retail transaction privilege tax due pursuant to section 42-5008.01.
   (m) PERSONAL SERVICES CLASSIFICATION.
   (n) FINANCIAL SERVICES CLASSIFICATION.

2. Five and one-half percent of the tax base as computed for the business of every person engaging or continuing in this state in the transient lodging classification described in section 42-5070.

3. Three and one-eighth percent of the tax base as computed for the business of every person engaging or continuing in this state in the mining classification described in section 42-5072.

4. Zero percent of the tax base as computed for the business of every person engaging or continuing in this state in the commercial lease classification described in section 42-5069.

B. Except as provided by subsection J of this section, twenty percent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (a) through (h) of this section is designated as distribution base for purposes of section 42-5029.

C. Forty percent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (i) through (n) of this section is designated as distribution base for purposes of section 42-5029.
D. Thirty-two percent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 3 of this section is designated as distribution base for purposes of section 42-5029.

E. Fifty-three and one-third percent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 4 of this section is designated as distribution base for purposes of section 42-5029.

F. Fifty percent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 2 of this section is designated as distribution base for purposes of section 42-5029.

G. In addition to the rates prescribed by subsection A of this section, if approved by the qualified electors voting at a statewide general election, an additional rate increment is imposed and shall be collected through June 30, 2021. The taxpayer shall pay taxes pursuant to this subsection at the same time and in the same manner as under subsection A of this section. The department shall separately account for the revenues collected with respect to the rates imposed pursuant to this subsection and the state treasurer shall distribute all of those revenues in the manner prescribed by section 42-5029, subsection E. The rates imposed pursuant to this subsection shall not be considered local revenues for purposes of article IX, section 21, Constitution of Arizona. The additional tax rate increment is levied at the rate of six-tenths of one per cent of the tax base of every person engaging or continuing in this state in a business classification listed in subsection A, paragraph 1 of this section.

H. Any increase in the rate of tax that is imposed by this chapter and that is enacted by the legislature or by a vote of the people does not apply with respect to contracts entered into by prime contractors or pursuant to written bids made by prime contractors on or before the effective date of the legislation or the date of the election enacting the increase. To qualify for the exemption under this subsection, the prime contractor must maintain sufficient documentation, in a manner and form prescribed by the department, to verify the date of the contract or written bid.

I. For taxpayers taxable under this chapter other than prime contractors taxable pursuant to section 42-5075:

1. Any increase in the rate of tax that is levied by this article or article 2 of this chapter enacted by the legislature or by a vote of the people does not apply for a period of one hundred twenty days from the date of the tax rate increase to the gross proceeds of sales or gross income from the business of the taxpayer with respect to written contracts entered into before the effective date of the tax rate increase unless the taxpayer has entered into a contract that contains a provision that entitles the taxpayer to recover from the purchaser the amount of the additional tax levied.
2. The provisions of this subsection apply without regard to the accounting method used by the taxpayer to report the taxes imposed under article 2 of this chapter.

3. The provisions of this subsection shall not be considered in determining the rate of tax imposed under chapter 6, article 3 of this title.

J. Zero percent of the tax revenues that are collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classification listed in subsection A, paragraph 1, subdivision (h) of this section, and that are subject to any distribution required by section 42-5032.02, is designated as distribution base for the purposes of section 42-5029 until the total amount subject to distribution pursuant to section 42-5032.02 has reached the maximum amount prescribed by section 42-5032.02, subsection C. Thereafter, twenty percent of the remaining tax revenues is designated as distribution base for the purposes of section 42-5029 as provided by subsection B of this section.

Sec. 2. Title 42, chapter 5, article 2, Arizona Revised Statutes, is amended by adding sections 42-5076 and 42-5077, to read:

42-5076. Personal services classification

A. The personal services classification includes the following businesses that are not otherwise classified under this article for tax purposes:

1. Barber, beauty, nail and pedicure salon services.
2. Funeral, mortuary, crematory and other death care services.
3. Laundry, dry cleaning and garment services, including garment altering and repair services.
4. Shoe repair and shoeshine services.
5. Carpet and upholstery cleaning.
6. Pet grooming and boarding and other pet care services that are not considered to be veterinary services.
7. Parking services.
8. Home, automobile and personal property maintenance, cleaning and repair services, including sales of warranty contracts.
11. Diet and weight reduction services.
12. Weight and fitness facilities, gymnasiums, spas and sports training services.
13. Individual and family counseling services.
14. Job training, vocational and driving schools and examination preparation schools and seminars.
15. Child and residential care services that are not considered to be medical care.
16. Other personal services.
B. THE TAX BASE FOR THE PERSONAL SERVICES CLASSIFICATION IS THE GROSS
PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS, EXCEPT THAT THE
TAX BASE DOES NOT INCLUDE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED
FROM BUSINESS-TO-BUSINESS TRANSACTIONS.

42-5077. Financial services classification
A. THE FINANCIAL SERVICES CLASSIFICATION INCLUDES THE FOLLOWING
BUSINESSES THAT ARE NOT OTHERWISE CLASSIFIED FOR TAXATION UNDER THIS ARTICLE:
1. DEPOSITORY INSTITUTIONS, INCLUDING BANKS AND CREDIT UNIONS OTHER
   THAN NATIONAL BANKS AND FEDERAL CREDIT UNIONS AND ALL OTHER DEPOSITORY CREDIT
   INTERMEDIATION.
2. CREDIT CARD ISSUING, SALES FINANCING, CONSUMER LENDING, REAL ESTATE
   CREDIT, INTERNATIONAL TRADE FINANCING, SECONDARY MARKET FINANCING AND ALL
   OTHER NONDEPOSITORY CREDIT INSTITUTIONS.
3. MORTGAGE AND NONMORTGAGE LOAN BROKERS.
4. FINANCIAL TRANSACTIONS PROCESSING, RESERVE, CLEARINGHOUSE AND OTHER
   ACTIVITIES RELATED TO CREDIT INTERMEDIATION.
5. HOLDING COMPANIES.
6. INVESTMENT COMPANIES, BROKERS AND DEALERS IN SECURITIES AND
   COMMODITY CONTRACTS AND INTERMEDIATION.
7. MORTGAGE AND NONMORTGAGE LOAN BROKER SERVICES.
8. FINANCIAL TRANSACTION PROCESSING AND CLEARING.
9. OTHER ACTIVITIES RELATED TO CREDIT INTERMEDIATION.
10. INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT.
11. TRUST, FIDUCIARY AND CUSTODY ACTIVITIES.
12. ALL OTHER FINANCIAL INVESTMENT ACTIVITIES.
B. THE TAX BASE FOR THE FINANCIAL SERVICES CLASSIFICATION IS THE GROSS
PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS, WHETHER IN THE
FORM OF INTEREST, FEES, COMMISSIONS, RENTS, ROYALTIES OR OTHER CHARGES PAID
BY CUSTOMERS FOR FINANCIAL SERVICES.

Sec. 3. Section 43-1011, Arizona Revised Statutes, is amended to read:
43-1011. Taxes and tax rates
A. There shall be levied, collected and paid for each taxable year on
the entire taxable income of every resident of this state and on the entire
taxable income of every nonresident that is derived from sources within this
state taxes determined in the following manner:
1. For taxable years beginning from and after December 31, 1996
   through December 31, 1997:
      (a) In the case of a single person or a married person filing
      separately:
         If taxable income is: The tax is:
         $0 - $10,000 2.90% of taxable income
         $10,001 - $25,000 $290, plus 3.30% of the excess over $10,000
         $25,001 - $50,000 $785, plus 3.90% of the excess over $25,000
         $50,001 - $150,000 $1,760, plus 4.80% of the excess over $50,000
         $150,001 and over $6,560, plus 5.17% of the excess over $150,000
<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.90%</td>
<td>$580, plus 3.30% of the excess over $20,000</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>3.30%</td>
<td>$1,570, plus 3.90% of the excess over $50,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>4.80%</td>
<td>$3,520, plus 4.80% of the excess over $100,000</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td>5.17%</td>
<td>$13,120, plus 5.17% of the excess over $300,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.88%</td>
<td>$576, plus 3.24% of the excess over $20,000</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>3.24%</td>
<td>$1,548, plus 3.82% of the excess over $50,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>4.74%</td>
<td>$3,458, plus 4.74% of the excess over $100,000</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td>5.10%</td>
<td>$12,938, plus 5.10% of the excess over $150,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.87%</td>
<td>$574, plus 3.20% of the excess over $20,000</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>3.20%</td>
<td>$1,534, plus 3.74% of the excess over $50,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>4.72%</td>
<td>$3,404, plus 4.72% of the excess over $100,000</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td>5.04%</td>
<td>$12,844, plus 5.04% of the excess over $300,000</td>
</tr>
</tbody>
</table>
4. For taxable years beginning from and after December 31, 2005 through December 31, 2006:
   (a) In the case of a single person or a married person filing separately:

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

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

5. Subject to subsections B and C of this section, for taxable years beginning from and after December 31, 2006 through December 31, 2017:
   (a) In the case of a single person or a married person filing separately:

   **If taxable income is:** | **The tax is:**
   --- | ---
   $0 - $10,000 | 2.59% of taxable income
   $10,001 - $25,000 | $259, plus 2.88% of the excess over $10,000
   $25,001 - $50,000 | $1,458, plus 3.36% of the excess over $25,000
   $50,001 - $150,000 | $3,233, plus 4.24% of the excess over $50,000
   $150,001 and over | $5,771, plus 4.54% 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:

   **If taxable income is:** | **The tax is:**
   --- | ---
   $0 - $20,000 | 2.59% of taxable income
   $20,001 - $50,000 | $518, plus 2.88% of the excess over $20,000
   $50,001 - $100,000 | $1,382, plus 3.36% of the excess over $50,000
   $100,001 - $300,000 | $3,062, plus 4.24% of the excess over $100,000
   $300,001 and over | $11,542, plus 4.54% of the excess over $300,000

6. Subject to subsection C of this section, for taxable years beginning from and after December 31, 2017:
   (a) In the case of a single person or a married person filing separately:

   **If taxable income is:** | **The tax is:**
   --- | ---
   $0 - $10,163 | 1.3% of taxable income
   $10,164 - $25,406 | $132, plus 2.7% of the excess over $10,163
   $25,407 - $50,812 | $544, plus 3.2% of the excess over $25,406
$50,813 - $152,434 $1,357, PLUS 4.1% OF THE EXCESS OVER $50,812
$152,435 AND OVER $5,524, PLUS 4.5% OF THE EXCESS OVER $152,434

(b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE PERSON WHO IS A HEAD OF A HOUSEHOLD:

IF TAXABLE INCOME IS: THE TAX IS:

$0 - $20,325 1.3% OF TAXABLE INCOME
$20,326 - $50,812 $264, PLUS 2.7% OF THE EXCESS OVER $20,325
$50,813 - $101,623 $1,087, PLUS 3.2% OF THE EXCESS OVER $50,812
$101,624 - $304,868 $2,713, PLUS 4.1% OF THE EXCESS OVER $101,623
$304,869 AND OVER $11,046, PLUS 4.5% OF THE EXCESS OVER $304,868

B. For the taxable year beginning from and after December 31, 2014 through December 31, 2015, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

C. For each taxable year beginning from and after December 31, 2015, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:

43-1022. Subtractions from Arizona gross income

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

1. The amount of exemptions allowed by section 43-1023.
2. Benefits, annuities and pensions in an amount totaling not more than two thousand five hundred dollars received from one or more of the following:
   (a) The United States government service retirement and disability fund, retired or retainer pay of the uniformed services of the United States, the United States foreign service retirement and disability system and any other retirement system or plan established by federal law.
   (b) The Arizona state retirement system, the corrections officer retirement plan, the public safety personnel retirement system, the elected officials' retirement plan, an optional retirement program established by the Arizona board of regents under section 15-1628, an optional retirement program established by a community college district board under section 15-1451 or a retirement plan established for employees of a county, city or town in this state.
3. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by section 43-1333 decreases the beneficiary's Arizona gross income.

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

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

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

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

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

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

10. The amount of prizes or winnings less than five thousand dollars in a single taxable year from any of the state lotteries established and operated pursuant to title 5, chapter 5.1, article 1.

11. The amount of exploration expenses that is determined pursuant to section 617 of the internal revenue code, that has been deferred in a taxable year ending before January 1, 1990 and for which a subtraction has not previously been made. The subtraction shall be made on a ratable basis as the units of produced ores or minerals discovered or explored as a result of this exploration are sold.

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

13. To the extent not already excluded from Arizona gross income under the internal revenue code, compensation received for active service as a member of the reserves, the national guard or the armed forces of the United States, including compensation for service in a combat zone as determined under section 112 of the internal revenue code.
14. The amount of unreimbursed medical and hospital costs, adoption
counseling, legal and agency fees and other nonrecurring costs of adoption
not to exceed three thousand dollars. In the case of a husband and wife who
file separate returns, the subtraction may be taken by either taxpayer or may
be divided between them, but the total subtractions allowed both husband and
wife shall not exceed three thousand dollars. The subtraction under this
paragraph may be taken for the costs that are described in this paragraph and
that are incurred in prior years, but the subtraction may be taken only in
the year during which the final adoption order is granted.

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

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

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

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

19. The amount authorized by section 43-1030 relating to holocaust
survivors.

20. For property placed in service:
   (a) In taxable years beginning before December 31, 2012, an amount
equal to the depreciation allowable pursuant to section 167(a) of the
internal revenue code for the taxable year computed as if the election
described in section 168(k)(2)(D)(iii) of the internal revenue code had been
made for each applicable class of property in the year the property was
placed in service.

   (b) In taxable years beginning from and after December 31, 2012
through December 31, 2013, an amount determined in the year the asset was
placed in service based on the calculation in subdivision (a) of this
paragraph. In the first taxable year beginning from and after December 31,
2013, the taxpayer may elect to subtract the amount necessary to make the
depreciation claimed to date for the purposes of this title the same as it
would have been if subdivision (c) of this paragraph had applied for the
entire time the asset was in service. Subdivision (c) of this paragraph
applies for the remainder of the asset's life. If the taxpayer does not make
the election under this subdivision, subdivision (a) of this paragraph
applies for the remainder of the asset's life.

   (c) In taxable years beginning from and after December 31, 2013, an
amount equal to the depreciation allowable pursuant to section 167(a) of the
internal revenue code for the taxable year as computed as if the additional
allowance for depreciation had been ten percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

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

22. With respect to property for which an adjustment was made under section 43-1021, paragraph 17, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 17 in the year in which the amount was adjusted under section 43-1021, paragraph 17 and in each of the following four years.

23. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:
   (a) Two thousand dollars for a single individual or a head of household.
   (b) Four thousand dollars for a married couple filing a joint return.
   In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed four thousand dollars.

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

25. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously added to Arizona gross income pursuant to section 43-1021, paragraph 19.

26. The portion of the net operating loss carryforward that would have been allowed as a deduction in the current year pursuant to section 172 of the internal revenue code if the election described in section 172(b)(1)(H) of the internal revenue code had not been made in the year of the loss that exceeds the actual net operating loss carryforward that was deducted in arriving at federal adjusted gross income. This subtraction only applies to taxpayers who made an election under section 172(b)(1)(H) of the internal revenue code as amended by section 1211 of the American recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the worker, homeownership, and business assistance act of 2009 (P.L. 111-92).
27. For taxable years beginning from and after December 31, 2013, the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona commerce authority pursuant to section 41-1518.

28. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:
   (a) For taxable years beginning from and after December 31, 2012 through December 31, 2013, ten percent of the net long-term capital gain included in federal adjusted gross income.
   (b) For taxable years beginning from and after December 31, 2013 through December 31, 2014, twenty percent of the net long-term capital gain included in federal adjusted gross income.
   (c) For taxable years beginning from and after December 31, 2014 through December 31, 2017, twenty-five percent of the net long-term capital gain included in federal adjusted gross income.
   (d) For taxable years beginning from and after December 31, 2017, thirty-seven and one-half percent of the net long-term capital gain included in federal adjusted gross income.

For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.

29. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

30. With respect to a long-term health care savings account established pursuant to section 43-1032, the amount deposited by the taxpayer in the account during the taxable year to the extent that the taxpayer's contributions are included in the taxpayer's federal adjusted gross income.

Sec. 5. Effective date

This act is effective from and after December 31, 2017.