CHAPTER 278

HOUSE BILL 2214

AN ACT

AMENDING SECTIONS 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1024; AMENDING SECTIONS 43-1121 AND 43-1122, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1124; RELATING TO INCOME TAX SUBTRACTIONS.

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

Section 1. Section 43-1021, Arizona Revised Statutes, is amended to read:

43-1021. Addition to Arizona gross income

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

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

2. An amount equal to the ordinary income portion of a lump sum distribution that was excluded from federal adjusted gross income pursuant to the special rule for individuals who attained fifty years of age before January 1, 1986 under Public Law 99-514, section 1122(h)(3).

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

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

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

6. The amount by which the adjusted basis of property described in this paragraph and computed pursuant to the internal revenue code exceeds the adjusted basis of such property computed pursuant to this title and the income tax act of 1954, as amended. 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, except depreciable property used in a trade or business.

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

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

9. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1080 and that is sold or otherwise disposed of
during the taxable year exceeds the adjusted basis of the property
computed under section 43-1080.

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

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

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

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

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

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

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

17. With respect to property for which an expense deduction was
taken pursuant to section 179 of the internal revenue code in a taxable
year beginning before January 1, 2013, the amount in excess of twenty-five
thousand dollars.

18. The amount of a nonqualified withdrawal, as defined in section
15-1871, from a college savings plan established pursuant to section 529
of the internal revenue code that is made to a distributee to the extent
the amount is not included in computing federal adjusted gross income,
except that the amount added under this paragraph shall not exceed the
difference between the amount subtracted under section 43-1022 in prior
taxable years and the amount added under this section in any prior taxable
years.
19. The amount of discharge of indebtedness income that is deferred and excluded from 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).

20. The amount of any previously deferred original issue discount that was deducted in computing federal adjusted gross income in the current 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 subtracted from Arizona gross income pursuant to section 43-1022, paragraph 24.

21. Amounts that are considered to be income under section 43-1032, subsection D because the amount is withdrawn from a long-term health care savings account and not used to pay the taxpayer’s long-term health care expenses.

22. The amount of a withdrawal that is not a qualified disability expense as defined in 26 United States Code section 529A and any regulations issued pursuant to that section from an achieving a better life experience act account established pursuant to 26 United States Code section 529A and any regulations issued pursuant to that section AND that is made to a distributee to the extent the amount is not included in computing federal adjusted gross income, except that the amount added under this paragraph shall not exceed the difference between the amount subtracted under section 43-1022 in prior taxable years and the amount added under this section in any prior taxable years.

23. IF A SUBTRACTION IS OR HAS BEEN TAKEN BY THE TAXPAYER UNDER SECTION 43-1024, IN THE CURRENT OR A PRIOR TAXABLE YEAR FOR THE FULL AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8, ANY AMOUNT OF ELIGIBLE ACCESS EXPENDITURES THAT IS RECOGNIZED UNDER THE INTERNAL REVENUE CODE, INCLUDING ANY AMOUNT THAT IS AMORTIZED ACCORDING TO FEDERAL AMORTIZATION SCHEDULES, AND THAT IS INCLUDED IN COMPUTING TAXABLE INCOME FOR THE CURRENT TAXABLE YEAR.

Sec. 2. 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 through December 31, 2015, 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.

(d) In taxable years beginning from and after December 31, 2015 through December 31, 2016, 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 fifty-five percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

(e) In taxable years beginning from and after December 31, 2016, 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 the full 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,
twenty-five 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.

31. Any amount of qualified disability expenses that is distributed from a qualified ABLE program determined pursuant to 26 United States Code section 529A and any regulations issued pursuant to that section and that is included in income in computing federal adjusted gross income. For the purposes of this paragraph, "qualified disability expenses" has the same meaning prescribed in section 46-901.

32. THE AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED DURING THE TAXABLE YEAR TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8 AS PROVIDED BY SECTION 43-1024.

Sec. 3. Title 43, chapter 10, article 3, Arizona Revised Statutes, is amended by adding section 43-1024, to read:

43-1024. Americans with disabilities act access expenditures

A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, IN COMPUTING ARIZONA ADJUSTED GROSS INCOME, A SUBTRACTION IS ALLOWED UNDER SECTION 43-1022, PARAGRAPH 32 FOR ELIGIBLE BUSINESS ACCESS EXPENDITURES PAID OR INCURRED BY THE TAXPAYER DURING THE TAXABLE YEAR IN ORDER TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8 BY RETROFITTING DEVELOPED REAL PROPERTY THAT WAS ORIGINALLY PLACED IN SERVICE AT LEAST TEN YEARS BEFORE THE CURRENT TAXABLE YEAR.

B. FOR THE PURPOSES OF THIS SECTION, ELIGIBLE BUSINESS ACCESS EXPENDITURES INCLUDE REASONABLE AND NECESSARY AMOUNTS PAID OR INCURRED TO:

1. REMOVE ANY BARRIERS THAT PREVENT A BUSINESS FROM BEING ACCESSIBLE TO OR USABLE BY INDIVIDUALS WITH DISABILITIES.

2. PROVIDE QUALIFIED INTERPRETERS OR OTHER METHODS OF MAKING AUDIO MATERIALS AVAILABLE TO HEARING-IMPAIRED INDIVIDUALS.

3. PROVIDE QUALIFIED READERS, TAPED TEXTS AND OTHER EFFECTIVE METHODS OF MAKING VISUALLY DELIVERED MATERIALS AVAILABLE TO INDIVIDUALS WITH VISUAL IMPAIRMENTS.

4. ACQUIRE OR MODIFY EQUIPMENT OR DEVICES FOR INDIVIDUALS WITH DISABILITIES.
5. PROVIDE OTHER SIMILAR SERVICES, MODIFICATIONS, MATERIALS OR EQUIPMENT.

C. A TAXPAYER WHO HAS BEEN CITED FOR NONCOMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1990 OR TITLE 41, CHAPTER 9, ARTICLE 8 BY EITHER FEDERAL OR STATE ENFORCEMENT OFFICIALS IS INELIGIBLE FOR A SUBTRACTION UNDER THIS SECTION FOR ANY EXPENDITURE REQUIRED TO CURE THE CITED VIOLATION.

Sec. 4. Section 43-1121, Arizona Revised Statutes, is amended to read:

43-1121. Additions to Arizona gross income; corporations

In computing Arizona taxable income for a corporation, the following amounts shall be added to Arizona gross income:

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

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

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

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

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

6. With respect to property for which an expense deduction was taken pursuant to section 179 of the internal revenue code in a taxable year beginning before January 1, 2013, the amount in excess of twenty-five thousand dollars.

7. The amount of discharge of indebtedness income that is deferred and excluded from the computation of federal taxable 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).
8. The amount of any previously deferred original issue discount that was deducted in computing federal taxable income in the current 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 subtracted from Arizona gross income pursuant to section 43-1122, paragraph 8.

9. The amount of dividend income received from corporations and allowed as a deduction pursuant to sections 243, 244 and 245 of the internal revenue code.

10. Taxes that are based on income paid to states, local governments or foreign governments and that were deducted in computing federal taxable income.

11. Expenses and interest relating to tax-exempt income on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the tax imposed by this title. Financial institutions, as defined in section 6-101, shall be governed by section 43-961, paragraph 2.

12. Commissions, rentals and other amounts paid or accrued to a domestic international sales corporation controlled by the payor corporation if the domestic international sales corporation is not required to report its taxable income to this state because its income is not derived from or attributable to sources within this state. If the domestic international sales corporation is subject to article 4 of this chapter, the department shall prescribe by rule the method of determining the portion of the commissions, rentals and other amounts that are paid or accrued to the controlled domestic international sales corporation and that shall be deducted by the payor. For the purposes of this paragraph, "control" means direct or indirect ownership or control of fifty percent or more of the voting stock of the domestic international sales corporation by the payor corporation.

13. The amount of net operating loss taken pursuant to section 172 of the internal revenue code.

14. The amount of exploration expenses determined pursuant to section 617 of the internal revenue code to the extent that they exceed seventy-five thousand dollars and to the extent that the election is made to defer those expenses not in excess of seventy-five thousand dollars.

15. Amortization of costs incurred to install pollution control devices and deducted pursuant to the internal revenue code or the amount of deduction for depreciation taken pursuant to the internal revenue code on pollution control devices for which an election is made pursuant to section 43-1129.

16. The amount of depreciation or amortization of costs of child care facilities deducted pursuant to section 167 or 188 of the internal revenue code for which an election is made to amortize pursuant to section 43-1130.
17. The loss of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

18. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under section 43-1169 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

19. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1169 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1169.

20. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under either section 43-1170 or 43-1170.01 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

21. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under either section 43-1170 or 43-1170.01 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1170 or 43-1170.01, as applicable.

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

23. The amount by which a capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code exceeds the capital loss carryover allowable pursuant to section 43-1130.01, subsection F.

24. Any amount deducted in computing Arizona taxable income as expenses for installing solar stub outs or electric vehicle recharge outlets in this state with respect to which a credit is claimed pursuant to section 43-1176.

25. Any wage expenses deducted pursuant to the internal revenue code for which a credit is claimed under section 43-1175 and representing net increases in qualified employment positions for employment of temporary assistance for needy families recipients.

26. Any amount of expenses that were deducted pursuant to the internal revenue code and for which a credit is claimed under section 43-1178.

27. The amount of any deduction that is claimed in computing Arizona gross income and that represents a donation of a school site for which a credit is claimed under section 43-1181.
28. Any amount deducted pursuant to section 170 of the internal revenue code representing contributions to a school tuition organization for which a credit is claimed under section 43-1183 or 43-1184.

29. IF A SUBTRACTION IS OR HAS BEEN TAKEN BY THE TAXPAYER UNDER SECTION 43-1124, IN THE CURRENT OR A PRIOR TAXABLE YEAR FOR THE FULL AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8, ANY AMOUNT OF ELIGIBLE ACCESS EXPENDITURES THAT IS RECOGNIZED UNDER THE INTERNAL REVENUE CODE, INCLUDING ANY AMOUNT THAT IS AMORTIZED ACCORDING TO FEDERAL AMORTIZATION SCHEDULES, AND THAT IS INCLUDED IN COMPUTING ARIZONA TAXABLE INCOME FOR THE CURRENT TAXABLE YEAR.

Sec. 5. Section 43-1122, Arizona Revised Statutes, is amended to read:

43-1122. Subtractions from Arizona gross income; corporations
In computing Arizona taxable income for a corporation, the following amounts shall be subtracted from Arizona gross income:

1. 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.

2. 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.

3. 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 applies 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.

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

5. 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.

6. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1121, paragraph 5 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 taxable year or prior taxable years.
7. With respect to property for which an adjustment was made under section 43-1121, paragraph 6, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1121, paragraph 6 in the year in which the amount was adjusted under section 43-1121, paragraph 6 and in each of the following four years.

8. The amount of any original issue discount that was deferred and not allowed to be deducted in computing federal taxable 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).

9. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal taxable 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 43-1121, paragraph 7.

10. With respect to a financial institution as defined in section 6-101, expenses and interest relating to tax-exempt income disallowed pursuant to section 265 of the internal revenue code.

11. Dividends received from another corporation owned or controlled directly or indirectly by a recipient corporation. For the purposes of this paragraph, "control" means direct or indirect ownership or control of fifty percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in section 316 of the internal revenue code. This subtraction shall apply without regard to section 43-961, paragraph 2 and article 4 of this chapter.

12. Interest income received on obligations of the United States.

13. The amount of dividend income from foreign corporations.

14. The amount of net operating loss allowed by section 43-1123.

15. The amount of any state income tax refunds received that were included as income in computing federal taxable income.

16. The amount of expense recapture included in income pursuant to section 617 of the internal revenue code for mine exploration expenses.

17. The amount of deferred exploration expenses allowed by section 43-1127.

18. The amount of exploration expenses related to the exploration of oil, gas or geothermal resources, computed in the same manner and on the same basis as a deduction for mine exploration pursuant to section 617 of the internal revenue code. This computation is subject to the adjustments contained in section 43-1121, paragraph 14 and paragraphs 16 and 17 of this section relating to exploration expenses.

19. The amortization of pollution control devices allowed by section 43-1129.
20. The amount of amortization of the cost of child care facilities pursuant to section 43-1130.

21. The amount of income from a domestic international sales corporation required to be included in the income of its shareholders pursuant to section 995 of the internal revenue code.

22. The income of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

23. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

24. 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.

25. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with Disabilities Act of 1990 (P.L. 101-336) or Title 41, Chapter 9, Article 8 as provided by Section 43-1124.

A. For taxable years beginning from and after December 31, 2017, in computing Arizona taxable income, a subtraction is allowed under section 43-1122, paragraph 25 for eligible business access expenditures paid or incurred by the taxpayer during the taxable year in order to comply with the requirements of the Americans with Disabilities Act of 1990 (P.L. 101-336) or Title 41, Chapter 9, Article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year.

B. For the purposes of this section, eligible business access expenditures include reasonable and necessary amounts paid or incurred to:

1. Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.

2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.

3. Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.

4. Acquire or modify equipment or devices for individuals with disabilities.

5. Provide other similar services, modifications, materials or equipment.
C. A TAXPAYER THAT HAS BEEN CITED FOR NONCOMPLIANCE WITH THE
AMERICANS WITH DISABILITIES ACT OF 1990 OR TITLE 41, CHAPTER 9, ARTICLE 8
BY EITHER FEDERAL OR STATE ENFORCEMENT OFFICIALS IS INELIGIBLE FOR A
SUBTRACTION UNDER THIS SECTION FOR ANY EXPENDITURE REQUIRED TO CURE THE
CITED VIOLATION.

APPROVED BY THE GOVERNOR MAY 8, 2017.