

REFERENCE TITLE: legal tender exchange; tax effect

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

HB 2014

Introduced by
Representative Finchem

AN ACT

AMENDING SECTIONS 43-1021, 43-1022, 43-1121 AND 43-1122, ARIZONA REVISED
STATUTES; RELATING TO INCOME TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

4 43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

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

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

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

1 during the taxable year exceeds the adjusted basis of the property
2 computed under section 43-1080.

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

8 11. The amount by which the adjusted basis computed under the
9 internal revenue code with respect to property for which a credit was
10 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
11 or otherwise disposed of during the taxable year exceeds the adjusted
12 basis of the property computed under section 43-1074.02, 43-1081 or
13 43-1081.01, as applicable.

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

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

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

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

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

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

36 18. The amount of a nonqualified withdrawal, as defined in section
37 15-1871, from a college savings plan established pursuant to section 529
38 of the internal revenue code that is made to a distributee to the extent
39 the amount is not included in computing federal adjusted gross income,
40 except that the amount added under this paragraph shall not exceed the
41 difference between the amount subtracted under section 43-1022 in prior
42 taxable years and the amount added under this section in any prior taxable
43 years.

44 19. The amount of discharge of indebtedness income that is deferred
45 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. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN ARIZONA GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

(a) "LEGAL TENDER" MEANS A MEDIUM OF EXCHANGE, INCLUDING SPECIE, THAT IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR CONGRESS FOR THE PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES AND DUES.

(b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

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.

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

4 13. To the extent not already excluded from Arizona gross income
5 under the internal revenue code, compensation received for active service
6 as a member of the reserves, the national guard or the armed forces of the
7 United States, including compensation for service in a combat zone as
8 determined under section 112 of the internal revenue code.

9 14. The amount of unreimbursed medical and hospital costs, adoption
10 counseling, legal and agency fees and other nonrecurring costs of adoption
11 not to exceed three thousand dollars. In the case of a husband and wife
12 who file separate returns, the subtraction may be taken by either taxpayer
13 or may be divided between them, but the total subtractions allowed both
14 husband and wife shall not exceed three thousand dollars. The subtraction
15 under this paragraph may be taken for the costs that are described in this
16 paragraph and that are incurred in prior years, but the subtraction may be
17 taken only in the year during which the final adoption order is granted.

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

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

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

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

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

35 20. For property placed in service:

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

42 (b) In taxable years beginning from and after December 31, 2012
43 through December 31, 2013, an amount determined in the year the asset was
44 placed in service based on the calculation in subdivision (a) of this
45 paragraph. In the first taxable year beginning from and after December

1 31, 2013, the taxpayer may elect to subtract the amount necessary to make
2 the depreciation claimed to date for the purposes of this title the same
3 as it would have been if subdivision (c) of this paragraph had applied for
4 the entire time the asset was in service. Subdivision (c) of this
5 paragraph applies for the remainder of the asset's life. If the taxpayer
6 does not make the election under this subdivision, subdivision (a) of this
7 paragraph applies for the remainder of the asset's life.

8 (c) In taxable years beginning from and after December 31, 2013
9 through December 31, 2015, an amount equal to the depreciation allowable
10 pursuant to section 167(a) of the internal revenue code for the taxable
11 year as computed as if the additional allowance for depreciation had been
12 ten percent of the amount allowed pursuant to section 168(k) of the
13 internal revenue code.

14 (d) In taxable years beginning from and after December 31, 2015
15 through December 31, 2016, an amount equal to the depreciation allowable
16 pursuant to section 167(a) of the internal revenue code for the taxable
17 year as computed as if the additional allowance for depreciation had been
18 fifty-five percent of the amount allowed pursuant to section 168(k) of the
19 internal revenue code.

20 (e) In taxable years beginning from and after December 31, 2016, an
21 amount equal to the depreciation allowable pursuant to section 167(a) of
22 the internal revenue code for the taxable year as computed as if the
23 additional allowance for depreciation had been the full amount allowed
24 pursuant to section 168(k) of the internal revenue code.

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

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

36 23. The amount contributed during the taxable year to college
37 savings plans established pursuant to section 529 of the internal revenue
38 code to the extent that the contributions were not deducted in computing
39 federal adjusted gross income. The amount subtracted shall not exceed:

40 (a) Two thousand dollars for a single individual or a head of
41 household.

42 (b) Four thousand dollars for a married couple filing a joint
43 return. In the case of a husband and wife who file separate returns, the
44 subtraction may be taken by either taxpayer or may be divided between

1 them, but the total subtractions allowed both husband and wife shall not
2 exceed four thousand dollars.

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

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

15 26. The portion of the net operating loss carryforward that would
16 have been allowed as a deduction in the current year pursuant to section
17 172 of the internal revenue code if the election described in section
18 172(b)(1)(H) of the internal revenue code had not been made in the year of
19 the loss that exceeds the actual net operating loss carryforward that was
20 deducted in arriving at federal adjusted gross income. This subtraction
21 only applies to taxpayers who made an election under section 172(b)(1)(H)
22 of the internal revenue code as amended by section 1211 of the American
23 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
24 section 13 of the worker, homeownership, and business assistance act of
25 2009 (P.L. 111-92).

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

31 28. An amount of any net long-term capital gain included in federal
32 adjusted gross income for the taxable year that is derived from an
33 investment in an asset acquired after December 31, 2011, as follows:

34 (a) For taxable years beginning from and after December 31, 2012
35 through December 31, 2013, ten percent of the net long-term capital gain
36 included in federal adjusted gross income.

37 (b) For taxable years beginning from and after December 31, 2013
38 through December 31, 2014, twenty percent of the net long-term capital
39 gain included in federal adjusted gross income.

40 (c) For taxable years beginning from and after December 31, 2014,
41 twenty-five percent of the net long-term capital gain included in federal
42 adjusted gross income.

43 For the purposes of this paragraph, a transferee that receives an asset by
44 gift or at the death of a transferor is considered to have acquired the
45 asset when the asset was acquired by the transferor. If the date an asset

1 is acquired cannot be verified, a subtraction under this paragraph is not
2 allowed.

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

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

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

17 32. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017,
18 THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN ARIZONA GROSS INCOME FOR
19 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL
20 TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS
21 PARAGRAPH:

22 (a) "LEGAL TENDER" MEANS A MEDIUM OF EXCHANGE, INCLUDING SPECIE,
23 THAT IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR CONGRESS FOR THE
24 PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES AND DUES.

25 (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

26 Sec. 3. Section 43-1121, Arizona Revised Statutes, is amended to
27 read:

28 43-1121. Additions to Arizona gross income; corporations

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

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

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

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

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

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

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

15 7. The amount of discharge of indebtedness income that is deferred
16 and excluded from the computation of federal taxable income in the current
17 taxable year pursuant to section 108(i) of the internal revenue code as
18 added by section 1231 of the American recovery and reinvestment act of
19 2009 (P.L. 111-5).

20 8. The amount of any previously deferred original issue discount
21 that was deducted in computing federal taxable income in the current year
22 pursuant to section 108(i) of the internal revenue code as added by
23 section 1231 of the American recovery and reinvestment act of 2009
24 (P.L. 111-5), to the extent that the amount was previously subtracted from
25 Arizona gross income pursuant to section 43-1122, paragraph 8.

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

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

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

37 12. Commissions, rentals and other amounts paid or accrued to a
38 domestic international sales corporation controlled by the payor
39 corporation if the domestic international sales corporation is not
40 required to report its taxable income to this state because its income is
41 not derived from or attributable to sources within this state. If the
42 domestic international sales corporation is subject to article 4 of this
43 chapter, the department shall prescribe by rule the method of determining
44 the portion of the commissions, rentals and other amounts that are paid or
45 accrued to the controlled domestic international sales corporation and

1 that shall be deducted by the payor. For the purposes of this paragraph,
2 "control" means direct or indirect ownership or control of fifty ~~per cent~~
3 PERCENT or more of the voting stock of the domestic international sales
4 corporation by the payor corporation.

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

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

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

16 16. The amount of depreciation or amortization of costs of child
17 care facilities deducted pursuant to section 167 or 188 of the internal
18 revenue code for which an election is made to amortize pursuant to section
19 43-1130.

20 17. The loss of an insurance company that is exempt under section
21 43-1201 to the extent that it is included in computing Arizona gross
22 income on a consolidated return pursuant to section 43-947.

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

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

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

38 21. The amount by which the adjusted basis computed under the
39 internal revenue code with respect to property for which a credit was
40 claimed under either section 43-1170 or 43-1170.01 and that is sold or
41 otherwise disposed of during the taxable year exceeds the adjusted basis
42 of the property computed under section 43-1170 or 43-1170.01, as
43 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. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN ARIZONA GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS PARAGRAPH:

(a) "LEGAL TENDER" MEANS A MEDIUM OF EXCHANGE, INCLUDING SPECIE, THAT IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR CONGRESS FOR THE PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES AND DUES.

(b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

Sec. 4. 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

1 without regard to section 43-961, paragraph 2 and article 4 of this
2 chapter.

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

4 13. The amount of dividend income from foreign corporations.

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

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

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

10 17. The amount of deferred exploration expenses allowed by section
11 43-1127.

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

18 19. The amortization of pollution control devices allowed by
19 section 43-1129.

20 20. The amount of amortization of the cost of child care facilities
21 pursuant to section 43-1130.

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

25 22. The income of an insurance company that is exempt under section
26 43-1201 to the extent that it is included in computing Arizona gross
27 income on a consolidated return pursuant to section 43-947.

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

31 24. An amount equal to the depreciation allowable pursuant to
32 section 167(a) of the internal revenue code for the taxable year computed
33 as if the election described in section 168(k)(2)(D)(iii) of the internal
34 revenue code had been made for each applicable class of property in the
35 year the property was placed in service.

36 25. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017,
37 THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN ARIZONA GROSS INCOME FOR
38 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL
39 TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS
40 PARAGRAPH:

41 (a) "LEGAL TENDER" MEANS A MEDIUM OF EXCHANGE, INCLUDING SPECIE,
42 THAT IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR CONGRESS FOR THE
43 PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES AND DUES.

44 (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.