

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

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)

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.

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

6 20. The amount of any previously deferred original issue discount
7 that was deducted in computing federal adjusted gross income in the
8 current year pursuant to section 108(i) of the internal revenue code as
9 added by section 1231 of the American recovery and reinvestment act of
10 2009 (P.L. 111-5), to the extent that the amount was previously subtracted
11 from Arizona gross income pursuant to section 43-1022, paragraph 24.

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13 subsection D because the amount is withdrawn from a long-term health care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

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

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

35 Sec. 2. Section 43-1022, Arizona Revised Statutes, is amended to
36 read:

37 43-1022. Subtractions from Arizona gross income

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

40 1. The amount of exemptions allowed by section 43-1023.

41 2. Benefits, annuities and pensions in an amount totaling not more
42 than two thousand five hundred dollars received from one or more of the
43 following:

44 (a) The United States government service retirement and disability
45 fund, retired or retainer pay of the uniformed services of the United

1 States, the United States foreign service retirement and disability system
2 and any other retirement system or plan established by federal law.

3 (b) The Arizona state retirement system, the corrections officer
4 retirement plan, the public safety personnel retirement system, the
5 elected officials' retirement plan, an optional retirement program
6 established by the Arizona board of regents under section 15-1628, an
7 optional retirement program established by a community college district
8 board under section 15-1451 or a retirement plan established for employees
9 of a county, city or town in this state.

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

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

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

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

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

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

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

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

41 11. The amount of exploration expenses that is determined pursuant
42 to section 617 of the internal revenue code, that has been deferred in a
43 taxable year ending before January 1, 1990 and for which a subtraction has
44 not previously been made. The subtraction shall be made on a ratable

1 basis as the units of produced ores or minerals discovered or explored as
2 a result of this exploration are sold.

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

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

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

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

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

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

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

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

37 20. For property placed in service:

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

1 (b) In taxable years beginning from and after December 31, 2012
2 through December 31, 2013, an amount determined in the year the asset was
3 placed in service based on the calculation in subdivision (a) of this
4 paragraph. In the first taxable year beginning from and after December
5 31, 2013, the taxpayer may elect to subtract the amount necessary to make
6 the depreciation claimed to date for the purposes of this title the same
7 as it would have been if subdivision (c) of this paragraph had applied for
8 the entire time the asset was in service. Subdivision (c) of this
9 paragraph applies for the remainder of the asset's life. If the taxpayer
10 does not make the election under this subdivision, subdivision (a) of this
11 paragraph applies for the remainder of the asset's life.

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

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

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

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

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

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

44 (a) Two thousand dollars for a single individual or a head of
45 household.

1 (b) Four thousand dollars for a married couple filing a joint
2 return. In the case of a husband and wife who file separate returns, the
3 subtraction may be taken by either taxpayer or may be divided between
4 them, but the total subtractions allowed both husband and wife shall not
5 exceed four thousand dollars.

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

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

18 26. The portion of the net operating loss carryforward that would
19 have been allowed as a deduction in the current year pursuant to section
20 172 of the internal revenue code if the election described in section
21 172(b)(1)(H) of the internal revenue code had not been made in the year of
22 the loss that exceeds the actual net operating loss carryforward that was
23 deducted in arriving at federal adjusted gross income. This subtraction
24 only applies to taxpayers who made an election under section 172(b)(1)(H)
25 of the internal revenue code as amended by section 1211 of the American
26 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
27 section 13 of the worker, homeownership, and business assistance act of
28 2009 (P.L. 111-92).

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

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

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

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

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

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

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

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

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

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

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

26 43-1024. Americans with disabilities act access expenditures

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

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

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

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

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

44 4. ACQUIRE OR MODIFY EQUIPMENT OR DEVICES FOR INDIVIDUALS WITH
45 DISABILITIES.

1 5. PROVIDE OTHER SIMILAR SERVICES, MODIFICATIONS, MATERIALS OR
2 EQUIPMENT.

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

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

10 43-1121. Additions to Arizona gross income: corporations

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

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

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

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

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

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

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

41 7. The amount of discharge of indebtedness income that is deferred
42 and excluded from the computation of federal taxable income in the current
43 taxable year pursuant to section 108(i) of the internal revenue code as
44 added by section 1231 of the American recovery and reinvestment act of
45 2009 (P.L. 111-5).

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

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

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

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

18 12. Commissions, rentals and other amounts paid or accrued to a
19 domestic international sales corporation controlled by the payor
20 corporation if the domestic international sales corporation is not
21 required to report its taxable income to this state because its income is
22 not derived from or attributable to sources within this state. If the
23 domestic international sales corporation is subject to article 4 of this
24 chapter, the department shall prescribe by rule the method of determining
25 the portion of the commissions, rentals and other amounts that are paid or
26 accrued to the controlled domestic international sales corporation and
27 that shall be deducted by the payor. For the purposes of this paragraph,
28 "control" means direct or indirect ownership or control of fifty ~~per cent~~
29 PERCENT or more of the voting stock of the domestic international sales
30 corporation by the payor corporation.

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

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

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

42 16. The amount of depreciation or amortization of costs of child
43 care facilities deducted pursuant to section 167 or 188 of the internal
44 revenue code for which an election is made to amortize pursuant to section
45 43-1130.

1 17. The loss of an insurance company that is exempt under section
2 43-1201 to the extent that it is included in computing Arizona gross
3 income on a consolidated return pursuant to section 43-947.

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

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

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

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

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

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

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

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

39 26. Any amount of expenses that were deducted pursuant to the
40 internal revenue code and for which a credit is claimed under section
41 43-1178.

42 27. The amount of any deduction that is claimed in computing
43 Arizona gross income and that represents a donation of a school site for
44 which a credit is claimed under section 43-1181.

1 28. Any amount deducted pursuant to section 170 of the internal
2 revenue code representing contributions to a school tuition organization
3 for which a credit is claimed under section 43-1183 or 43-1184.

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

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

15 43-1122. Subtractions from Arizona gross income: corporations

16 In computing Arizona taxable income for a corporation, the following
17 amounts shall be subtracted from Arizona gross income:

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

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

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

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

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

39 6. With respect to property that is sold or otherwise disposed of
40 during the taxable year by a taxpayer that complied with section 43-1121,
41 paragraph 5 with respect to that property, the amount of depreciation that
42 has been allowed pursuant to section 167(a) of the internal revenue code
43 to the extent that the amount has not already reduced Arizona taxable
44 income in the current taxable year or prior taxable years.

1 7. With respect to property for which an adjustment was made under
2 section 43-1121, paragraph 6, an amount equal to one-fifth of the amount
3 of the adjustment pursuant to section 43-1121, paragraph 6 in the year in
4 which the amount was adjusted under section 43-1121, paragraph 6 and in
5 each of the following four years.

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

11 9. The amount of previously deferred discharge of indebtedness
12 income that is included in the computation of federal taxable income in
13 the current taxable year pursuant to section 108(i) of the internal
14 revenue code as added by section 1231 of the American recovery and
15 reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was
16 previously added to Arizona gross income pursuant to section 43-1121,
17 paragraph 7.

18 10. With respect to a financial institution as defined in section
19 6-101, expenses and interest relating to tax-exempt income disallowed
20 pursuant to section 265 of the internal revenue code.

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

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

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

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

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

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

36 17. The amount of deferred exploration expenses allowed by section
37 43-1127.

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

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

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

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

6 22. The income of an insurance company that is exempt under section
7 43-1201 to the extent that it is included in computing Arizona gross
8 income on a consolidated return pursuant to section 43-947.

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

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

17 25. THE AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED
18 DURING THE TAXABLE YEAR TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS
19 WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9,
20 ARTICLE 8 AS PROVIDED BY SECTION 43-1124.

21 Sec. 6. Title 43, chapter 11, article 3, Arizona Revised Statutes,
22 is amended by adding section 43-1124, to read:

23 43-1124. Americans with disabilities act access expenditures

24 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, IN
25 COMPUTING ARIZONA TAXABLE INCOME, A SUBTRACTION IS ALLOWED UNDER SECTION
26 43-1122, PARAGRAPH 25 FOR ELIGIBLE BUSINESS ACCESS EXPENDITURES PAID OR
27 INCURRED BY THE TAXPAYER DURING THE TAXABLE YEAR IN ORDER TO COMPLY WITH
28 THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990
29 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8 BY RETROFITTING DEVELOPED
30 REAL PROPERTY THAT WAS ORIGINALLY PLACED IN SERVICE AT LEAST TEN YEARS
31 BEFORE THE CURRENT TAXABLE YEAR.

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

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

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

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

41 4. ACQUIRE OR MODIFY EQUIPMENT OR DEVICES FOR INDIVIDUALS WITH
42 DISABILITIES.

43 5. PROVIDE OTHER SIMILAR SERVICES, MODIFICATIONS, MATERIALS OR
44 EQUIPMENT.

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

APPROVED BY THE GOVERNOR MAY 8, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 8, 2017.