

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

**CHAPTER 316**  
**HOUSE BILL 2014**

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

1 current taxable year pursuant to section 108(i) of the internal revenue  
2 code as added by section 1231 of the American recovery and reinvestment  
3 act of 2009 (P.L. 111-5).

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

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11 subsection D because the amount is withdrawn from a long-term health care  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

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

24 23. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017,  
25 THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN ARIZONA GROSS INCOME FOR  
26 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL  
27 TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS  
28 PARAGRAPH:

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

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

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

35 43-1022. Subtractions from Arizona gross income

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

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

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

42 (a) The United States government service retirement and disability  
43 fund, retired or retainer pay of the uniformed services of the United  
44 States, the United States foreign service retirement and disability system  
45 and any other retirement system or plan established by federal law.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15           26. Any amount of expenses that were deducted pursuant to the  
16 internal revenue code and for which a credit is claimed under section  
17 43-1178.

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

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

24           29. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017,  
25 THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN ARIZONA GROSS INCOME FOR  
26 THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE KIND OF LEGAL  
27 TENDER FOR ANOTHER KIND OF LEGAL TENDER. FOR THE PURPOSES OF THIS  
28 PARAGRAPH:

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

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

33           Sec. 4. Section 43-1122, Arizona Revised Statutes, is amended to  
34 read:

35           43-1122. Subtractions from Arizona gross income: corporations

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

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

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

44           3. The amount by which the adjusted basis of property described in  
45 this paragraph and computed pursuant to this title and the income tax act

1 of 1954, as amended, exceeds the adjusted basis of such property computed  
2 pursuant to the internal revenue code. This paragraph applies to all  
3 property that is held for the production of income and that is sold or  
4 otherwise disposed of during the taxable year other than depreciable  
5 property used in a trade or business.

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

8 5. The portion of any wages or salaries paid or incurred by the  
9 taxpayer for the taxable year that is equal to the amount of the federal  
10 work opportunity credit, the empowerment zone employment credit, the  
11 credit for employer paid social security taxes on employee cash tips and  
12 the Indian employment credit that the taxpayer received under sections  
13 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

20 7. With respect to property for which an adjustment was made under  
21 section 43-1121, paragraph 6, an amount equal to one-fifth of the amount  
22 of the adjustment pursuant to section 43-1121, paragraph 6 in the year in  
23 which the amount was adjusted under section 43-1121, paragraph 6 and in  
24 each of the following four years.

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

30 9. The amount of previously deferred discharge of indebtedness  
31 income that is included in the computation of federal taxable income in  
32 the current taxable year pursuant to section 108(i) of the internal  
33 revenue code as added by section 1231 of the American recovery and  
34 reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was  
35 previously added to Arizona gross income pursuant to section 43-1121,  
36 paragraph 7.

37 10. With respect to a financial institution as defined in section  
38 6-101, expenses and interest relating to tax-exempt income disallowed  
39 pursuant to section 265 of the internal revenue code.

40 11. Dividends received from another corporation owned or controlled  
41 directly or indirectly by a recipient corporation. For the purposes of  
42 this paragraph, "control" means direct or indirect ownership or control of  
43 fifty percent or more of the voting stock of the payor corporation by the  
44 recipient corporation. Dividends shall have the meaning provided in  
45 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.

H.B. 2014

APPROVED BY THE GOVERNOR MAY 22, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 22, 2017.