

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

# HOUSE BILL 2528

## AN ACT

AMENDING SECTION 20-167, ARIZONA REVISED STATUTES; REPEALING SECTION 20-224.04, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1511 AND 41-1512, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1514.02, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1516, 41-1532, 43-222, 43-224, 43-1021, 43-1022 AND 43-1043, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1076, 43-1076.01, 43-1079, 43-1080 AND 43-1083.01, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1083.04, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1085.01 AND 43-1090, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1162, 43-1162.01, 43-1164.01 AND 43-1164.02, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1164.05, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1167, 43-1169 AND 43-1176, ARIZONA REVISED STATUTES; RELATING TO TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 20-167, Arizona Revised Statutes, is amended to  
3 read:

4 20-167. Fees

5 A. The director shall collect in advance the following fees, as  
6 adjusted pursuant to subsection ~~F~~ E of this section, which are  
7 nonrefundable on payment:

	Not Less Than:	Not More Than:
8		
9 1. For filing charter documents:		
10 (a) Original charter documents,		
11 articles of incorporation,		
12 bylaws, or record of		
13 organization of insurers,		
14 or certified copies thereof,		
15 required to be filed with		
16 the director and not also		
17 subject to filing in the		
18 office of the corporation		
19 commission	\$ 40.00	\$ 115.00
20 (b) Amended charter documents	15.00	45.00
21 (c) No charge or fee shall be		
22 required for filing with		
23 the director any of such		
24 documents also required		
25 by law to be filed in the		
26 office of the corporation		
27 commission		
28 2. Certificate of authority:		
29 (a) Issuance:		
30 Fraternal benefit societies	\$ 15.00	\$ 45.00
31 Medical or hospital service		
32 corporations, health care		
33 services organizations or		
34 prepaid dental plan		
35 organizations	40.00	115.00
36 Mechanical		
37 reimbursement reinsurers	150.00	450.00
38 All other insurers	100.00	295.00
39 (b) Renewal:		
40 Fraternal benefit societies	15.00	45.00
41 Medical or hospital service		
42 corporations, health care		
43 services organizations or		
44 prepaid dental plan		
45 organizations	40.00	115.00

1	Domestic stock life insurers,		
2	domestic stock disability		
3	insurers or domestic stock		
4	life and disability insurers	750.00	2,250.00
5	Domestic life reinsurers,		
6	domestic disability		
7	reinsurers or domestic		
8	life and disability		
9	reinsurers	2,250.00	5,500.00
10	Mechanical reimbursement		
11	reinsurers	2,250.00	5,500.00
12	All other insurers	70.00	205.00
13	3. Certificate of registration as an		
14	administrator or application for		
15	renewal under section 20-485.12	\$ 100.00	\$ 295.00
16	4. Authority to solicit applications		
17	for and issue policies by means		
18	of mechanical vending machines	\$ 30.00	\$ 90.00
19	5. Service company permit	\$ 150.00	\$ 450.00
20	6. Application for motor vehicle		
21	service contract program approval	\$ 150.00	\$ 450.00
22	7. Life care contract application		
23	or annual report	\$ 225.00	\$ 675.00
24	8. Filing annual statement	\$ 150.00	\$ 450.00
25	9. Annual statement filing for		
26	exempt insurer transacting life		
27	insurance, disability insurance		
28	or annuity business pursuant to		
29	section 20-401.05	\$ 65.00	\$ 100.00
30	10. Licenses and examinations:		
31	(a) Licenses:		
32	Surplus lines broker's license,		
33	quadrennially	\$ 600.00	\$1,000.00
34	All other licenses,		
35	quadrennially	60.00	180.00
36	(b) Examinations for license:		
37	Examination on laws and one kind		
38	of insurance	8.00	25.00
39	Examination on laws and two or		
40	more kinds of insurance	15.00	45.00
41	11. Miscellaneous:		
42	Fee accompanying service of		
43	process <del>अपरा</del> ON director	\$ 8.00	\$ 25.00

1	Certificate of director,		
2	under seal	1.50	5.00
3	Copy of document filed in		
4	director's office, per page	0.50	0.75

5 B. Except as provided in section 20-1098.18, the director shall  
6 deposit, pursuant to sections 35-146 and 35-147, all fees collected  
7 pursuant to this section in the state general fund. A refund is not  
8 allowed for any unused portion of a fee, and the director shall not  
9 prorate fees.

10 C. The license fees prescribed by this section shall be payment in  
11 full of all demands for all state, county, district and municipal license  
12 fees, license taxes, business privilege taxes and business privilege fees  
13 and charges of every kind.

14 ~~D. Each domestic stock life or disability insurer that pays the~~  
15 ~~renewal fee required under subsection A of this section is entitled to a~~  
16 ~~credit in the amount of at least four hundred fifty-five dollars but not~~  
17 ~~more than six hundred eighty dollars, as adjusted pursuant to subsection F~~  
18 ~~of this section, to apply to the premium tax the insurer then owes~~  
19 ~~pursuant to section 20-224, but the credit is not cumulative.~~

20 ~~E.~~ D. The director may contract for the examination for the  
21 licensing of adjusters, insurance producers, bail bond agents, risk  
22 management consultants and surplus lines brokers. If the director does  
23 so, the fee for examinations for licenses pursuant to this section is  
24 payable directly to the contractor by the applicant for examination. The  
25 director may agree to a reasonable examination fee to be charged by the  
26 contractor. The fee may exceed the amounts prescribed in this section.

27 ~~F.~~ E. Each December 1, if the revenue collected from fees during  
28 the prior fiscal year is less than ninety-five ~~per cent~~ PERCENT or more  
29 than one hundred ten ~~per cent~~ PERCENT of the appropriated budget for the  
30 current fiscal year, the director shall revise all fees within the limits  
31 prescribed by subsection A of this section on a uniform percentage basis  
32 among all fee categories ~~and shall adjust the credit prescribed by~~  
33 ~~subsection D of this section as necessary in order to retain any required~~  
34 ~~uniformity.~~ The director shall revise the fees in such a manner that the  
35 revenue derived from the fees during the subsequent fiscal year equals at  
36 least ninety-five ~~per cent~~ PERCENT but not more than one hundred ten ~~per~~  
37 ~~cent~~ PERCENT of the appropriated budget for the current fiscal year. The  
38 revised fee schedule ~~shall be~~ IS effective July 1 of the subsequent fiscal  
39 year. For the purposes of this subsection, appropriated budget does not  
40 include any appropriation for the operation of the captive insurance  
41 program established under chapter 4, article 14 of this title. Any fees  
42 collected from captive insurers pursuant to subsection ~~H~~ G of this  
43 section shall not be counted for the purpose of meeting the requirement of  
44 this ~~section~~ SUBSECTION to recover at least ninety-five but not more than  
45 one hundred ten ~~per cent~~ PERCENT of the department's appropriated budget.

1 ~~F.~~ F. The director may contract with a voluntary domestic  
2 organization of surplus lines brokers to perform any transaction  
3 prescribed in chapter 2, article 5 of this title, including the acceptance  
4 or maintenance of the reports required by section 20-408. The director  
5 may allow the contractor to charge a stamping fee. The surplus lines  
6 broker shall pay the stamping fee established pursuant to this section  
7 directly to the contractor.

8 ~~H.~~ G. Captive insurers shall pay certificate of authority issuance  
9 and renewal fees as prescribed by the director.

10 ~~F.~~ H. For the purposes of subsection ~~F~~ of this section,  
11 "stamping fee" means a reasonable filing fee charged by a contractor for  
12 any transaction prescribed in chapter 2, article 5 of this title,  
13 including the acceptance or maintenance of the reports required by section  
14 20-408.

15 Sec. 2. Repeal

16 Section 20-224.04, Arizona Revised Statutes, is repealed.

17 Sec. 3. Section 41-1511, Arizona Revised Statutes, is amended to  
18 read:

19 41-1511. Renewable energy property tax incentives;  
20 qualification; definitions

21 A. **PROPERTY** tax incentives are allowed for expanding or locating  
22 qualified renewable energy operations in this state, ~~including income tax~~  
23 ~~credits pursuant to sections 43-1083.01 and 43-1164.01 and property tax~~  
24 ~~classification~~ pursuant to section 42-12006, paragraph 8.

25 B. To be eligible for the **PROPERTY** tax incentives, a renewable  
26 energy business must apply to the authority, on a form prescribed by the  
27 authority, for preapproval of the business as qualifying for the  
28 incentives. The application must include:

29 1. The applicant's name, address, telephone number and federal  
30 taxpayer identification number or numbers.

31 2. The name, address, telephone number and e-mail address of a  
32 contact person for the applicant.

33 3. The address of the site where the qualifying renewable energy  
34 operation will be located.

35 4. A detailed description of the qualifying renewable energy  
36 operation and fixed capital assets.

37 5. An estimate of the capital investment and number of employment  
38 positions at the qualifying renewable energy operation, including:

39 (a) A schedule of qualifying investments.

40 (b) A list of full-time employment positions, the estimated number  
41 of employees to be hired for the positions each year during the first five  
42 years of operation and the annual wages for each position, calculated  
43 without employee-related benefits.

44 6. A nonrefundable processing fee in an amount determined by the  
45 authority.

1           7. Other information as required by the authority to determine  
2 eligibility for the PROPERTY tax incentives, ~~and the amount of income tax~~  
3 ~~credits~~, as prescribed by this section.

4           8. An affirmation, signed by an authorized executive representing  
5 the business, that the applicant:

6           (a) Agrees to furnish records of expenditures for qualifying  
7 investments to the authority on request.

8           (b) Will continue in business at the qualifying renewable energy  
9 operation for five full calendar years after postapproval for a PROPERTY  
10 tax incentive, other than for reasons beyond the control of the applicant.

11           (c) Agrees to furnish to the authority information regarding the  
12 amount of tax benefits claimed each year.

13           (d) Authorizes the department of revenue to provide tax information  
14 to the authority pursuant to section 42-2003 for the purpose of  
15 determining any inconsistency in information furnished by the applicant.

16           (e) Agrees to allow site visits and audits to verify the  
17 applicant's continuing qualification and the accuracy of information  
18 submitted to the authority.

19           (f) Consents to the adjustment or recapture of any amount of ~~income~~  
20 ~~tax credit or~~ property tax incentive due to noncompliance with this  
21 section.

22           9. Letters of good standing from the department of revenue and the  
23 county treasurer of the county in which the project is located stating  
24 that the applicant is in good standing and is not delinquent in the  
25 payment of taxes.

26           C. To be eligible for the PROPERTY tax incentives, the applicant  
27 must make new capital investment in this state after September 30, 2009 in  
28 a manufacturing facility or headquarters facility or any combination of  
29 qualifying facilities. ~~, as follows:~~

30           ~~1. The applicant may qualify for income tax credits pursuant to~~  
31 ~~section 43-1083.01 or 43-1164.01, as applicable, if:~~

32           ~~(a) At least fifty-one percent of the net new full-time employment~~  
33 ~~positions at the renewable energy operation pay a wage that equals or~~  
34 ~~exceeds one hundred twenty-five percent of the median annual wage in this~~  
35 ~~state, as determined by the most recent annual Arizona commerce authority~~  
36 ~~occupational wage and employment estimates issued before the preapproval~~  
37 ~~is issued pursuant to subsection I of this section.~~

38           ~~(b) All net new full-time employment positions include health~~  
39 ~~insurance coverage for the employees for which the applicant pays at least~~  
40 ~~eighty percent of the premium or membership cost.~~

41           ~~2.~~ The fixed capital assets shall be classified as class six for  
42 the purposes of property taxation pursuant to section 42-12006,  
43 paragraph 8 if the qualifying investment amounts to at least twenty-five  
44 million dollars, if the applicant pays at least eighty percent of the  
45 health insurance costs or membership costs for all net new employees and

1 if at least fifty-one percent of the net new full-time employment  
2 positions at the qualifying renewable energy operation pay a wage that  
3 equals:

4 ~~(a)~~ 1. At least one hundred twenty-five, but less than two  
5 hundred, percent of the median annual wage in this state, as determined by  
6 the most recent annual Arizona commerce authority occupational wage and  
7 employment estimates issued before the preapproval is issued pursuant to  
8 subsection ~~F~~ G of this section, the property may be classified as class  
9 six for ten tax years.

10 ~~(b)~~ 2. At least two hundred percent of the median annual wage in  
11 this state, as determined by the most recent annual Arizona commerce  
12 authority occupational wage and employment estimates issued before the  
13 preapproval is issued pursuant to subsection ~~F~~ G of this section, the  
14 property may be classified as class six for fifteen tax years.

15 D. Final eligibility for the PROPERTY tax incentives is subject to  
16 any additional requirements prescribed by ~~sections~~ SECTION  
17 42-12006, ~~43-1083.01 and 43-1164.01, as applicable.~~

18 E. An applicant may separately apply and qualify with respect to  
19 investments for:

- 20 1. Renewable energy operations in separate locations.
- 21 2. Separate expansions of a renewable energy operation.

22 ~~F. To determine the amount of income tax credit to be preapproved~~  
23 ~~to a qualifying applicant, the authority shall use one of the following~~  
24 ~~computations:~~

25 ~~1. Ten percent of the amount the applicant has projected in total~~  
26 ~~qualifying investment in renewable energy operations meeting the following~~  
27 ~~minimum employment requirements:~~

28 ~~(a) For renewable energy manufacturing operations, at least one and~~  
29 ~~one-half new full-time employment positions projected by the applicant for~~  
30 ~~each five hundred thousand dollar increment of capital investment.~~

31 ~~(b) For renewable energy business headquarters, at least one new~~  
32 ~~full-time employment position projected by the applicant for each two~~  
33 ~~hundred thousand dollar increment of capital investment.~~

34 ~~2. For other qualifying renewable energy investment, ten percent of~~  
35 ~~the amount computed as follows:~~

36 ~~(a) Five hundred thousand dollars for each one and one-half new~~  
37 ~~full-time employment positions projected by the applicant in new renewable~~  
38 ~~energy manufacturing operations.~~

39 ~~(b) Two hundred thousand dollars for each new full-time employment~~  
40 ~~position projected by the applicant at a new renewable energy business~~  
41 ~~headquarters.~~

42 ~~G. Beginning with income tax credits allocated for 2010, an~~  
43 ~~approved income tax credit:~~

44 ~~1. Must be claimed on a timely filed original income tax return,~~  
45 ~~including extensions.~~

1 ~~2. Must be claimed in five equal installments as provided in~~  
2 ~~section 43-1083.01 or 43-1164.01.~~

3 ~~H.~~ F. The authority shall establish a process for qualifying and  
4 preapproving applicants for the PROPERTY tax incentives. The authority  
5 shall not preapprove an applicant as qualifying for PROPERTY tax  
6 incentives under this section for ~~taxable~~ TAX years beginning from and  
7 after December 31, 2019. Preapproval is based on:

8 ~~1.~~ priority placement established by the date that the applicant  
9 files its initial application with the authority.

10 ~~2. The availability of income tax credit capacity under the dollar~~  
11 ~~limit prescribed by subsection J of this section.~~

12 ~~I.~~ G. Within thirty days after receiving a complete and correct  
13 application, the authority shall review the application to determine  
14 whether the applicant satisfies all of the criteria prescribed by this  
15 section and either preapprove the project as qualifying for the purposes  
16 of the PROPERTY tax incentives or provide reasons for its denial. The  
17 authority shall send copies of the preapproval to ~~the department of~~  
18 ~~revenue and~~ the applicable county assessor.

19 ~~J. The authority shall not preapprove income tax credits under this~~  
20 ~~section and section 41-1512 that combined would exceed seventy million~~  
21 ~~dollars in any calendar year, except as provided by this subsection and~~  
22 ~~subsection K of this section. The authority shall not preapprove income~~  
23 ~~tax credits under this section for any one taxpayer in excess of thirty~~  
24 ~~million dollars in any calendar year. A preapproved amount applies~~  
25 ~~against the dollar limit for the year in which the application was~~  
26 ~~submitted regardless of whether the initial preapproval period extends~~  
27 ~~into the following year or years. If, at the end of any year, an unused~~  
28 ~~balance occurs under the dollar limit prescribed by this subsection:~~

29 ~~1. The balance shall be allocated to businesses that successfully~~  
30 ~~appeal the denial of approval under this section or section 41-1512. Any~~  
31 ~~amount of income tax credits due to successful appeals that are not paid~~  
32 ~~from an unused balance at the end of any year shall be paid against the~~  
33 ~~dollar limit in the following year.~~

34 ~~2. Any remaining unused balance accruing through December 31, 2011~~  
35 ~~shall be reallocated for the purposes of this section and section 41-1512~~  
36 ~~in the following year.~~

37 ~~3. Any remaining unused balance accruing in 2012 and thereafter~~  
38 ~~lapses and shall not be reallocated in the following year.~~

39 ~~K. The authority shall reallocate the amount of income tax credits~~  
40 ~~that are voluntarily relinquished under subsection L of this section, that~~  
41 ~~lapse under subsection M of this section or that lapse under subsection P~~  
42 ~~of this section. The reallocation shall be to other businesses that~~  
43 ~~applied under this section or section 41-1512 in the original credit year~~  
44 ~~based on priority placement. Once reallocated, the amount of the credit~~



1 ~~applies against the dollar limit of the original credit year regardless of~~  
2 ~~the year in which the reallocation occurs.~~

3 ~~L. A taxpayer may voluntarily relinquish unused credit amounts.~~

4 ~~M. Preapproval under this section lapses, the application is void~~  
5 ~~and the amount of the preapproved income tax credits does not apply~~  
6 ~~against the dollar limit prescribed by subsection J of this section if,~~  
7 ~~within twelve months after preapproval, the renewable energy business~~  
8 ~~fails to provide to the authority documentation of its expenditure of two~~  
9 ~~hundred fifty thousand dollars in qualifying investment or, if the period~~  
10 ~~over which the qualifying investment will be made exceeds twelve months,~~  
11 ~~documentation of additional expenditures as required in this subsection~~  
12 ~~for each twelve month period.~~

13 ~~N. Beginning in 2010, after October 31 of each year, if the~~  
14 ~~authority has preapproved the maximum calendar year income tax credit~~  
15 ~~amount pursuant to subsection J of this section, the authority may accept~~  
16 ~~initial applications for the next calendar year, but the preapproval of~~  
17 ~~any application pursuant to this subsection shall not be effective before~~  
18 ~~the first business day of the following calendar year.~~

19 ~~O. H.~~ H. Before an applicant applies for postapproval under  
20 subsection ~~P~~ I of this section, the applicant must enter into a written  
21 managed review agreement with the chief executive officer of the authority  
22 that establishes the requirements of a managed review to be conducted  
23 under this subsection at the applicant's expense. The managed review must  
24 be conducted by a certified public accountant who is selected by the  
25 applicant, who is licensed in this state or who has a limited reciprocity  
26 privilege pursuant to section 32-725 and who is approved by the chief  
27 executive officer. The certified public accountant and the firm the  
28 certified public accountant is affiliated with shall not regularly perform  
29 services for the applicant or its affiliates. The managed review shall  
30 include an analysis of the applicant's invoices, checks, accounting  
31 records and other documents and information to verify its base investment  
32 and other requirements prescribed by section 42-12006, ~~43-1083.01 or~~  
33 ~~43-1164.01~~ to confirm the amount of ~~credit or~~ property tax incentive. The  
34 certified public accountant shall furnish written findings of the managed  
35 review to the chief executive officer. The chief executive officer shall  
36 review the findings and may examine records and perform other reviews that  
37 the chief executive officer considers necessary to verify that the managed  
38 review substantially conforms to the terms of the managed review  
39 agreement. The chief executive officer shall accept or reject the  
40 findings of the managed review. If the chief executive officer rejects  
41 all or part of the managed review, the chief executive officer shall  
42 provide written reasons for the rejection.

43 ~~P. I.~~ I. When the renewable energy operation begins operations, a  
44 renewable energy business that was preapproved ~~for income tax credits~~  
45 under this section shall apply to the authority in writing for

1 postapproval ~~of the credits~~ and submit documentation certifying the total  
2 amount and dates of the qualifying investments and identifying the fixed  
3 capital assets associated with the renewable energy operation incurred  
4 from and after September 30, 2009 through the date of application for  
5 postapproval. ~~From and after December 31, 2009,~~ The authority shall  
6 provide postapproval to a renewable energy business that ~~it~~ has met the  
7 eligibility requirements of this section. ~~and shall notify the department~~  
8 ~~of revenue that the renewable energy business may claim the tax credits~~  
9 ~~pursuant to section 43-1083.01 or 43-1164.01. If the amount of qualifying~~  
10 ~~investment actually spent is less than the amount preapproved for income~~  
11 ~~tax credits, the preapproved amount not incurred lapses and does not apply~~  
12 ~~against the dollar limit prescribed by subsection J of this section for~~  
13 ~~that year. The authority shall not allow a credit under section~~  
14 ~~43-1083.01 or 43-1164.01 that exceeds the amount of the postapproval for~~  
15 ~~the project under this subsection.~~ For the purposes of this subsection,  
16 "begins operations" means:

- 17 1. A headquarters facility opens for public business.
- 18 2. A manufacturing facility begins producing commercial quantities  
19 of usable products.

20 ~~Q. J.~~ The authority may rescind the business' postapproval if the  
21 business no longer meets the terms and conditions required for qualifying  
22 for the PROPERTY tax incentives. The authority may give special  
23 consideration, or allow temporary exemption from recapture of tax  
24 benefits, in the case of extraordinary hardship due to factors beyond the  
25 control of the qualifying business.

26 ~~R. K.~~ If the authority rescinds an applicant's preapproval or  
27 postapproval under ~~subsection Q of~~ this section, it shall notify ~~the~~  
28 ~~department of revenue and~~ the county assessor of the action and the  
29 conditions of noncompliance. ~~If the department of revenue obtains~~  
30 ~~information indicating a possible failure to qualify and comply, it shall~~  
31 ~~provide that information to the authority. The department of revenue may~~  
32 ~~require the business to file appropriate amended tax returns reflecting~~  
33 ~~any recapture of income tax credits under section 43-1083.01 or~~  
34 ~~43-1164.01.~~

35 ~~S. L.~~ Preapproval and postapproval of a business for the purposes  
36 of PROPERTY tax incentives under this section do not constitute or imply  
37 compliance with any other provision of law or any regulatory rule, order,  
38 procedure, permit or other measure required by law. To maintain  
39 qualification for PROPERTY tax incentives under this section, a business  
40 must separately comply with all environmental, employment and other  
41 regulatory measures.

42 ~~T. M.~~ For five years after postapproval for PROPERTY tax  
43 incentives under this section, in any action involving the liquidation of  
44 the business assets or relocation out of state, this state claims the  
45 position of a secured creditor of the business in the amount of ~~income tax~~

1 ~~credits and~~ property tax incentives the business received pursuant to THIS  
2 section ~~42-12006, 43-1083.01 or 43-1164.01.~~

3 ~~U.~~ N. Any information gathered from a renewable energy business  
4 for the purposes of this section is considered to be confidential taxpayer  
5 information and shall be disclosed only as provided in section 42-2003,  
6 subsection B, paragraph 12, except that the authority shall publish ~~the~~  
7 ~~following information~~ in its annual report:—

8 ~~1.~~ the name of each renewable energy business ~~and the amount of~~  
9 ~~income tax credits~~ preapproved for each qualifying investment.

10 ~~2. The amount of credits postapproved with respect to each~~  
11 ~~qualifying investment.~~

12 ~~V.~~ O. The authority shall:

13 1. Keep annual records of the information provided on applications  
14 for renewable energy businesses. These records shall reflect a percentage  
15 comparison of the annual amount of monies exempted ~~or credited to FOR~~  
16 qualifying renewable energy businesses to the estimated amount of monies  
17 spent in this state in the form of qualifying investments.

18 2. Maintain annual data on growth in this state of renewable energy  
19 businesses and industry employment and wages.

20 3. Not later than April 30 of each year, prepare and publish a  
21 report summarizing the information collected pursuant to this subsection.  
22 The authority shall make copies of the annual report available to the  
23 public on request.

24 ~~W.~~ P. The authority shall adopt rules and prescribe forms and  
25 procedures as necessary for the purposes of this section. ~~The authority~~  
26 ~~and the department of revenue shall collaborate in adopting rules as~~  
27 ~~necessary to avoid duplication and inconsistencies while accomplishing the~~  
28 ~~intent and purposes of this section.~~

29 ~~X.~~ Q. For the purposes of this section:

30 1. "Capital investment" means an expenditure to acquire, lease or  
31 improve property that is used in operating a business, including land,  
32 buildings, machinery and fixtures.

33 2. "Headquarters" means a principal central administrative office  
34 where primary headquarters related functions and services are performed,  
35 including financial, personnel, administrative, legal, planning and  
36 similar business functions.

37 3. "Manufacturing" means fabricating, producing or manufacturing  
38 raw or prepared materials into usable products, imparting new forms,  
39 qualities, properties and combinations. Manufacturing does not include  
40 generating electricity for off-site consumption.

41 4. "Primarily engaged" means that more than fifty percent of a  
42 company's business activity at a particular facility directly involves  
43 renewable energy operations, measured by revenues received, expenses  
44 incurred, square footage or the number of individuals employed.

1           5. "Qualifying investment" means investment in land, buildings,  
2 machinery and fixtures for expansion of an existing renewable energy  
3 operation or establishment of a new renewable energy operation in this  
4 state after September 30, 2009. Qualifying investment does not include  
5 relocating an existing renewable energy operation in this state to another  
6 location in this state without additional capital investment of at least  
7 two hundred fifty thousand dollars.

8           6. "Qualifying renewable energy operation" means the facility where  
9 a qualifying investment was made.

10          7. "Renewable energy" means usable energy, including electricity,  
11 fuels, gas and heat, produced through the conversion of energy provided by  
12 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or  
13 ~~other~~ ANOTHER nonfossil renewable resource.

14          8. "Renewable energy business" means a person primarily engaged in  
15 the business of renewable energy manufacturing operations or renewable  
16 energy headquarters operations.

17          9. "Renewable energy operations" are limited to manufacturers of,  
18 and headquarters for, systems and components that are used or useful in  
19 manufacturing renewable energy equipment for the generation, storage,  
20 testing and research and development, transmission or distribution of  
21 electricity from renewable resources, including specialized crates  
22 necessary to package the renewable energy equipment manufactured at the  
23 qualifying renewable energy operation.

24          10. "Renewable ~~energy~~ resource" means a resource that is replaced  
25 by natural and assisted processes at a rate that is comparable to or  
26 faster than the rate of natural depletion and consumption by humans.

27          Sec. 4. Section 41-1512, Arizona Revised Statutes, is amended to  
28 read:

29           41-1512. Qualified facility income tax credits:  
30                                   qualification; definitions

31          A. For taxable years beginning from and after December 31, 2012,  
32 income tax credits are allowed for expanding or locating a qualified  
33 facility in this state pursuant to sections 43-1083.03 and 43-1164.04.  
34 Only capital investments in a qualified facility that are made on or after  
35 July 1, 2012 are included in the computation of the credit.

36          B. To be eligible for the income tax credits, a taxpayer must apply  
37 to the authority, on a form prescribed by the authority, for preapproval  
38 of the business as qualifying for the credits. The application must  
39 include:

40           1. The applicant's name, address, telephone number and federal  
41 taxpayer identification number or numbers.

42           2. The name, address, telephone number and e-mail address of a  
43 contact person for the applicant.

44           3. The address of the site where the qualified facility will be  
45 located.

- 1           4. A detailed description of the qualified facility and fixed  
2 capital assets.
- 3           5. An estimate of the capital investment and number of employment  
4 positions at the qualified facility, including:
- 5           (a) A schedule of qualifying investments.
- 6           (b) A list of full-time employment positions, the estimated number  
7 of employees to be hired for the positions each year during the first five  
8 years of operation and the annual wages for each position, calculated  
9 without employee-related benefits.
- 10          6. A nonrefundable processing fee in an amount determined by the  
11 authority.
- 12          7. Other information as required by the authority to determine  
13 eligibility for the income tax credits and the amount of income tax  
14 credits, as prescribed by this section.
- 15          8. An affirmation, signed by an authorized executive representing  
16 the business, that the applicant:
- 17           (a) Agrees to furnish records of expenditures for qualifying  
18 investments to the authority on request.
- 19           (b) Will continue in business at the qualified facility for five  
20 full calendar years after postapproval for the credit, other than for  
21 reasons beyond the control of the applicant.
- 22           (c) Agrees to furnish to the authority information regarding the  
23 amount of income tax credits claimed each year.
- 24           (d) Authorizes the department of revenue to provide tax information  
25 to the authority pursuant to section 42-2003 for the purpose of  
26 determining any inconsistency in information furnished by the applicant.
- 27           (e) Agrees to allow site visits and audits to verify the  
28 applicant's continuing qualification and the accuracy of information  
29 submitted to the authority.
- 30           (f) Consents to the adjustment or recapture of any amount of income  
31 tax credit due to noncompliance with this section.
- 32          9. Letters of good standing from the department of revenue stating  
33 that the applicant is not delinquent in the payment of taxes.
- 34          C. The applicant may qualify for the income tax credits pursuant to  
35 section 43-1083.03 or 43-1164.04, as applicable, if:
- 36           1. The applicant makes new capital investment in this state after  
37 June 30, 2012 in a qualified facility that is completed in a taxable year  
38 beginning from and after December 31, 2012.
- 39           2. At least fifty-one percent of the net new full-time employment  
40 positions at the qualified facility pay a wage that equals or exceeds one  
41 hundred twenty-five percent, or one hundred percent in the case of a  
42 qualified facility in a rural location, of the median annual wage for  
43 production occupations in this state, as determined by the most recent  
44 annual Arizona commerce authority occupational wage and employment

1 estimates issued before the preapproval is issued pursuant to subsection I  
2 of this section.

3 3. All net new full-time employment positions include health  
4 insurance coverage for the employees for which the applicant pays at least  
5 sixty-five percent of the premium or membership cost.

6 D. Final eligibility for an income tax credit is subject to any  
7 additional requirements prescribed by section 43-1083.03 or 43-1164.04, as  
8 applicable.

9 E. An applicant may separately apply and qualify with respect to  
10 investments for separate expansions of a qualified facility.

11 F. The amount of the income tax credit to be preapproved by the  
12 authority to a qualifying applicant is ten percent of the lesser of:

13 1. The amount the applicant has projected in total qualifying  
14 investment in the qualified facility.

15 2. Two hundred thousand dollars for each net new full-time  
16 employment position projected by the applicant at a qualified facility.

17 G. Beginning with income tax credits allocated for 2013, an  
18 approved credit:

19 1. Must be claimed on a timely filed original income tax return,  
20 including extensions.

21 2. Must be claimed in five equal installments as provided by  
22 section 43-1083.03 or 43-1164.04.

23 H. The authority shall establish a process for qualifying and  
24 preapproving applicants for the income tax credits. The authority shall  
25 not preapprove applicants as qualifying for credits under this section for  
26 any taxable year beginning from and after December 31, 2022. Preapproval  
27 is based on:

28 1. Priority placement established by the date that the applicant  
29 files its initial application with the authority.

30 2. The availability of income tax credit capacity under the dollar  
31 limit prescribed by **SUBSECTION J OF THIS** section ~~41-1511, subsection d~~.

32 I. Within thirty days after receiving a complete and correct  
33 application, the authority shall review the application to determine  
34 whether the applicant satisfies all of the criteria prescribed by this  
35 section and either preapprove the project as qualifying for the purposes  
36 of an income tax credit or provide reasons for its denial. The authority  
37 shall send copies of each preapproval to the department of revenue.

38 J. The authority shall not preapprove income tax credits under this  
39 section ~~and section 41-1511~~ that combined would exceed ~~the limits~~  
40 ~~prescribed by section 41-1511, subsection d~~ **SEVENTY MILLION DOLLARS IN ANY**  
41 **CALENDAR YEAR, EXCEPT AS PROVIDED BY THIS SUBSECTION AND SUBSECTION K OF**  
42 **THIS SECTION**. A preapproved amount applies against the dollar limit for  
43 the year in which the application was submitted regardless of whether the  
44 initial preapproval period extends into the following year or years.  
45 ~~A business shall not be preapproved for credits under both this section~~

1 ~~and section 41-1511 for the same capital investment.~~ The authority shall  
2 not preapprove income tax credits under this section for any taxpayer in  
3 excess of thirty million dollars in any calendar year.

4 K. The authority shall reallocate the amount of income tax credits  
5 that are voluntarily relinquished under subsection L of this section, that  
6 lapse under subsection M of this section or that lapse under subsection P  
7 of this section. The reallocation shall be to other businesses that  
8 applied under this section ~~or section 41-1511~~ in the original credit year  
9 based on priority placement. Once reallocated, the amount of the credit  
10 applies against the dollar limit of the original credit year regardless of  
11 the year in which the reallocation occurs.

12 L. A taxpayer may voluntarily relinquish unused credit amounts in  
13 writing to the authority.

14 M. Preapproval under this section lapses, the application is void  
15 and the amount of the preapproved income tax credits does not apply  
16 against the dollar limit prescribed by **SUBSECTION J OF THIS** section  
17 ~~41-1511, subsection J~~ if, within twelve months after preapproval, the  
18 business fails to provide to the authority documentation of its  
19 expenditure of two hundred fifty thousand dollars in qualifying investment  
20 or, if the period over which the qualifying investment will be made  
21 exceeds twelve months, documentation of additional expenditures as  
22 required in this subsection for each twelve-month period.

23 N. After October 31 of each year, if the authority has preapproved  
24 the maximum calendar year income tax credit amount pursuant to **SUBSECTION**  
25 **J OF THIS** section ~~41-1511, subsection J~~, the authority may accept initial  
26 applications for the next calendar year, but the preapproval of any  
27 application pursuant to this subsection shall not be effective before the  
28 first business day of the following calendar year.

29 O. Before an applicant applies for postapproval under subsection P  
30 of this section, the applicant must enter into a written managed review  
31 agreement with the chief executive officer of the authority that  
32 establishes the requirements of a managed review to be conducted under  
33 this subsection at the applicant's expense. The managed review must be  
34 conducted by a certified public accountant who is selected by the  
35 applicant, who is licensed in this state or who has a limited reciprocity  
36 privilege pursuant to section 32-725 and who is approved by the chief  
37 executive officer. The certified public accountant and the firm the  
38 certified public accountant is affiliated with shall not regularly perform  
39 services for the applicant or its affiliates. The managed review shall  
40 include an analysis of the applicant's invoices, checks, accounting  
41 records and other documents and information to verify its base investment  
42 and other requirements prescribed by section 43-1083.03 or 43-1164.04 to  
43 confirm the amount of credit. The certified public accountant shall  
44 furnish written findings of the managed review to the chief executive  
45 officer. The chief executive officer shall review the findings and may

1 examine records and perform other reviews that the chief executive officer  
2 considers necessary to verify that the managed review substantially  
3 conforms to the terms of the managed review agreement. The chief  
4 executive officer shall accept or reject the findings of the managed  
5 review. If the chief executive officer rejects all or part of the managed  
6 review, the chief executive officer shall provide written reasons for the  
7 rejection.

8 P. When the qualified facility begins operations, a business that  
9 was preapproved for income tax credits under this section shall apply to  
10 the authority in writing for postapproval of the credits and submit  
11 documentation certifying the total amount and dates of the qualifying  
12 investments and identifying the fixed capital assets associated with the  
13 qualified facility incurred after June 30, 2012 through the date of  
14 application for postapproval. For taxable years beginning from and after  
15 December 31, 2012, the authority shall provide postapproval to a business  
16 that has met the eligibility requirements of this section and shall notify  
17 the department of revenue that the business may claim an income tax credit  
18 pursuant to section 43-1083.03 or 43-1164.04. If the amount of qualifying  
19 investment actually spent is less than the amount preapproved for income  
20 tax credits, the preapproved amount not incurred lapses and does not apply  
21 against the dollar limit prescribed by **SUBSECTION J OF THIS** section  
22 ~~41-1511, subsection j~~ for that year. The department of revenue shall not  
23 allow an income tax credit under section 43-1083.03 or 43-1164.04 that  
24 exceeds the amount of the postapproval for the project under this  
25 subsection. For the purposes of this subsection, "begins operations"  
26 means the qualified facility opens for public business.

27 Q. The authority may rescind an applicant's postapproval if the  
28 business no longer meets the terms and conditions required for qualifying  
29 for the credit. The authority may give special consideration, or allow  
30 temporary exemption from recapture of the credit, in the case of  
31 extraordinary hardship due to factors beyond the control of the qualifying  
32 business.

33 R. If the authority rescinds an applicant's preapproval or  
34 postapproval under subsection Q of this section, it shall notify the  
35 department of revenue of the action and the conditions of noncompliance.  
36 If the department of revenue obtains information indicating a possible  
37 failure to qualify and comply, it shall provide that information to the  
38 authority. The department of revenue may require the business to file  
39 appropriate amended tax returns reflecting any recapture of the credit  
40 under section 43-1083.03 or 43-1164.04.

41 S. Preapproval and postapproval of an applicant for the purposes of  
42 income tax credits under this section do not constitute or imply  
43 compliance with any other provision of law or any regulatory rule, order,  
44 procedure, permit or other measure required by law. To maintain



1 qualification for a credit under this section, a business must separately  
2 comply with all environmental, employment and other regulatory measures.

3 T. For five years after postapproval of an income tax credit under  
4 this section, in any action involving the liquidation of the business  
5 assets or relocation out of state, this state claims the position of a  
6 secured creditor of the business in the amount of the credit the business  
7 received pursuant to section 43-1083.03 or 43-1164.04. The transfer of  
8 part or all of a company's assets that are then leased back by the company  
9 is not considered a liquidation under this section.

10 U. Any information gathered from a business for the purposes of  
11 this section is considered to be confidential taxpayer information and  
12 shall be disclosed only as provided in section 42-2003, subsection B,  
13 paragraph 12, except that the authority shall publish the following  
14 information in its annual report:

15 1. The name of each business and the amount of income tax credits  
16 preapproved for each qualifying investment.

17 2. The amount of income tax credits postapproved with respect to  
18 each qualifying investment.

19 V. The authority shall:

20 1. Keep annual records of the information provided on applications  
21 for qualified facilities. These records shall reflect a percentage  
22 comparison of the annual amount of monies credited to qualified facilities  
23 to the estimated amount of monies spent in this state in the form of  
24 qualifying investments.

25 2. Maintain annual data on growth in this state of qualified  
26 facilities and related employment and wages.

27 3. Not later than April 30 following each calendar year, prepare  
28 and publish a report summarizing the information collected pursuant to  
29 this subsection. The authority shall make copies of the annual report  
30 available to the public on request.

31 W. The authority shall adopt rules and prescribe forms and  
32 procedures as necessary for the purposes of this section. The authority  
33 and the department of revenue shall collaborate in adopting rules as  
34 necessary to avoid duplication and inconsistencies while accomplishing the  
35 intent and purposes of this section.

36 X. For the purposes of this section:

37 1. "Capital investment" means an expenditure to acquire, lease or  
38 improve property that is used in operating a business, including land,  
39 buildings, machinery, equipment and fixtures.

40 2. "Facility" means a single parcel or contiguous parcels of owned  
41 or leased land in this state, the structures and personal property  
42 contained on the land or any part of the structures occupied by the owner.  
43 Parcels that are separated only by a public thoroughfare or right-of-way  
44 are considered to be contiguous.

1           3. "Headquarters" means a principal central administrative office  
2 where primary headquarters related functions and services are performed,  
3 including financial, personnel, administrative, legal, planning and  
4 similar business functions.

5           4. "Manufacturing" means fabricating, producing or manufacturing  
6 raw or prepared materials into usable products, imparting new forms,  
7 qualities, properties and combinations. Manufacturing does not include  
8 generating electricity.

9           5. "Qualified facility" means a facility in this state that devotes  
10 at least eighty percent of the property and payroll at the facility to one  
11 or more of the following:

12           (a) Qualified manufacturing.

13           (b) Qualified headquarters.

14           (c) Qualified research.

15           6. "Qualified headquarters" means a global, national or regional  
16 headquarters for a taxpayer that is involved in manufacturing and that  
17 derives at least sixty-five percent of its revenue from out-of-state  
18 sales.

19           7. "Qualified manufacturing" means manufacturing tangible products  
20 in this state if at least sixty-five percent of the product will be sold  
21 ~~out-of-state~~ OUT OF STATE.

22           8. "Qualified research" has the same meaning prescribed by section  
23 41(d) of the internal revenue code, as defined by section 43-105, except  
24 that the research must be conducted by a taxpayer involved in  
25 manufacturing that derives at least sixty-five percent of its revenue from  
26 out-of-state sales.

27           9. "Qualifying investment" means investment in land, buildings,  
28 machinery, equipment and fixtures for expansion of an existing qualified  
29 facility or establishment of a new qualified facility in this state after  
30 June 30, 2012 for a facility completed in a taxable year beginning from  
31 and after December 31, 2012. If the qualified facility is a build-to-suit  
32 facility leased to the taxpayer, qualifying investment includes the costs  
33 prescribed in this paragraph that are spent by the third-party developer  
34 with respect to the qualified facility. Qualifying investment does not  
35 include relocating an existing qualified facility in this state to another  
36 location in this state without additional capital investment of at least  
37 two hundred fifty thousand dollars.

38           10. "Rural location" means a location that is within the boundaries  
39 of tribal lands or a city or town with a population of less than fifty  
40 thousand persons or a county with a population of less than eight hundred  
41 thousand persons.

42           Sec. 5. Repeal

43           Section 41-1514.02, Arizona Revised Statutes, is repealed.

1           Sec. 6. Section 41-1516, Arizona Revised Statutes, is amended to  
2 read:

3           41-1516. Healthy forest enterprise incentives; definitions

4           A. The Arizona commerce authority shall:

5           1. Implement a program to encourage counties, cities and towns to  
6 provide local incentives to economic enterprises that promote forest  
7 health in this state.

8           2. Identify and certify to the department of revenue the names of  
9 and relevant information relating to qualified businesses for the purposes  
10 of available state tax incentives for economic enterprises that promote  
11 forest health in this state.

12           B. To qualify for state tax incentives pursuant to this section, a  
13 business:

14           1. Must be primarily engaged in a qualifying project. The business  
15 shall submit to the authority evidence that it is engaged in a qualifying  
16 project as follows:

17           (a) The business operation must enhance or sustain forest health,  
18 sustain or recover watershed or improve public safety.

19           (b) If the qualifying forest product is on federal land, the  
20 business shall submit a letter from the federal agency administering the  
21 land, or official records or documents produced in connection with the  
22 project, stating that the business is primarily engaged in the business of  
23 harvesting or processing qualifying forest products for commercial use as  
24 follows:

25           (i) At least seventy ~~per cent~~ PERCENT of the harvested or processed  
26 products, measured by weight, must be qualifying forest products.

27           (ii) At least seventy-five ~~per cent~~ PERCENT of the qualifying  
28 forest products, measured by weight, must be harvested from sources in  
29 this state.

30           (c) If the qualifying forest product is not on federal land, the  
31 business shall submit a letter from the state forester stating that the  
32 business is primarily engaged in the business of harvesting or processing  
33 qualifying forest products for commercial use as follows:

34           (i) At least seventy ~~per cent~~ PERCENT of the harvested or processed  
35 products must be qualifying forest products.

36           (ii) At least seventy-five ~~per cent~~ PERCENT of the harvested or  
37 processed products must be from areas in this state.

38           (d) If the business is engaged in transporting qualifying forest  
39 products, it must submit a letter from the state forester or United States  
40 forest service, or official records or documents produced in connection  
41 with the project, stating that all of the qualifying forest products it  
42 transports are harvested from areas in this state. In addition, the  
43 business must submit evidence to the authority that at least seventy-five  
44 ~~per cent~~ PERCENT of the mileage traveled by its units each year are for  
45 transporting qualifying forest products from or to qualifying projects

1 described in subdivision (b) or (c) of this paragraph, unless a lower  
2 mileage is due to forest closures or weather conditions that are beyond  
3 the control of the business.

4 2. Must employ at least one permanent full-time employee.

5 3. Must agree to furnish to the authority information relating to  
6 the amount of state tax benefits that the business receives each year.

7 4. Must enter into a memorandum of understanding with the authority  
8 containing:

9 (a) Employment goals. Each year the business must report in  
10 writing to the authority its performance in achieving the goals.

11 (b) A commitment to continue in business and use the qualifying  
12 equipment primarily on qualifying projects in this state as described in  
13 paragraph 1 of this subsection, other than for reasons beyond the control  
14 of the business. The authority shall consult with the department of  
15 revenue in designing the memorandum of understanding to incorporate the  
16 legal qualifications for the available tax incentives and shall include  
17 the requirement that any qualifying equipment that is purchased or leased  
18 free of transaction privilege or use tax must continue to be used in this  
19 state for the term of the memorandum of understanding or the duration of  
20 its operational life, whichever is shorter.

21 (c) Provisions considered necessary by the authority to ensure the  
22 competency and responsibility of businesses that qualify under this  
23 section, including registration or other accreditation with trade and  
24 professional organizations and compliance with best management and  
25 operational practices used by governmental agencies in awarding forestry  
26 contracts.

27 (d) The authorization for the authority to terminate, adjust or  
28 recapture all or part of the tax benefits provided to the business on  
29 noncompliance with the law, noncompliance with the terms of the memorandum  
30 or violation of the terms of any contracts with the federal or state  
31 government relating to the qualifying project. The authority shall notify  
32 the department of revenue of the conditions of noncompliance. The  
33 department of revenue may also terminate the certification if it obtains  
34 information indicating a failure to qualify and comply. The department of  
35 revenue may require the business to file appropriate amended tax returns  
36 or to file appropriate use tax returns reflecting the recapture of the  
37 direct or indirect tax benefits.

38 5. Must submit a copy of the certification to the department of  
39 revenue for approval before using the certification for purposes of any  
40 tax incentive. The department of revenue shall review and approve the  
41 certification in a timely manner if the business is in good standing with  
42 the department and is not delinquent in the payment of any tax collected  
43 by the department. A failure to approve or deny the certification within  
44 sixty days after the date the business submits it to the department  
45 constitutes approval of the certification.

1 C. For the purposes of section 42-5075, subsection B, paragraph 18,  
2 the authority shall certify prime contractors that contract for the  
3 construction of any building, or other structure, project, development or  
4 improvement owned by a qualified business for purposes of a qualifying  
5 project described in subsection B, paragraph 1 of this section.

6 D. To obtain and maintain certification under this section, a  
7 business must:

8 1. Apply to the authority.

9 2. Submit and retain copies of all required information, including  
10 information relating to the actual or projected number of employees in  
11 this state.

12 3. Allow inspections and audits to verify the qualification and  
13 accuracy of information submitted to the authority.

14 E. Certification under this section is valid for sixty calendar  
15 months from the date of issuance. A business must apply for  
16 recertification at least thirty days before the current certification  
17 expires. The application for recertification shall be in a form  
18 prescribed by the authority and shall confirm that the business is  
19 continuing in a qualifying project and is in compliance with all  
20 requirements prescribed for certification.

21 F. Within sixty days after receiving a complete and correct  
22 application and all required information as prescribed by this section,  
23 the authority shall grant or deny certification and give written notice by  
24 certified mail to the applicant. The applicant is certified as a  
25 qualified business on the date the notice of certification is delivered to  
26 the applicant. A failure to respond within sixty days after receiving a  
27 complete and correct application constitutes approval of the application.

28 G. The certification shall state an effective date with respect to  
29 each authorized tax incentive, which, in each case, must be at the start  
30 of a taxable year or taxable period.

31 H. On or before March 1 of each year, each qualifying business  
32 shall make a report to the authority on all business activity in the  
33 preceding calendar year. Business information contained in the reports is  
34 confidential and shall not be disclosed to the public except as provided  
35 by this section and except that a copy of the report shall be transmitted  
36 to the department of revenue. The report shall be in a form prescribed by  
37 the authority and include:

38 1. Information prescribed by the authority with respect to both  
39 qualifying projects and other projects and business activity that do not  
40 qualify for purposes of this section.

41 ~~2. Employment information necessary to confirm eligibility for~~  
42 ~~income tax credits as prescribed by sections 43-1076 and 43-1162.~~

43 ~~3.~~ 2. The quantity, measured by weight, of qualifying forest  
44 products harvested, transported or processed.

1 I. On or before May 1 of each year, the authority shall report to  
2 the joint legislative budget committee:

3 1. The quantity, measured by weight, of qualifying forest products  
4 reported by harvesters, by transporters and by processors in the preceding  
5 calendar year.

6 2. The number of new full-time employees hired in qualified  
7 employment positions in this state in the preceding calendar year and  
8 reported for tax credit purposes.

9 3. The total number of all full-time employees employed in  
10 qualified employment positions in this state in the preceding calendar  
11 year and reported for tax credit purposes.

12 J. For purposes of administering and ensuring compliance with this  
13 section, agents of the authority may enter, and a qualified business shall  
14 allow access to, a qualifying project site at reasonable times and on  
15 reasonable notice to:

16 1. Inspect the facilities at the site.

17 2. Obtain factual data and records pertinent to and required by law  
18 to be kept for purposes of tax incentives.

19 3. Otherwise ascertain compliance with law and the terms of the  
20 memorandum of understanding.

21 K. The authority shall revoke the business' certification and  
22 notify the department of revenue and county assessor if either:

23 1. Within thirty days after a formal request from the authority or  
24 the department of revenue the business fails or refuses to provide the  
25 information or access for inspections required by this section.

26 2. The business no longer meets the terms and conditions required  
27 for qualification for the applicable tax incentives.

28 L. For the purposes of this section:

29 1. "Forest health" means the degree to which the integrity of the  
30 forest is sustained, including reducing the risk of catastrophic wildfire  
31 and destructive insect infestation, benefiting wildland habitats,  
32 watersheds and communities.

33 2. "Harvesting" means all operations relating to felling or  
34 otherwise removing trees and other forest plant growth and preparing them  
35 for transport for subsequent processing.

36 3. "Processing" means:

37 (a) Any change in the physical structure of qualifying forest  
38 products removed from a qualifying project into a marketable commercial  
39 product or component of a product that has commercial value to a consumer  
40 or purchaser and that is ready to be used with or without further altering  
41 its form.

42 (b) Burning qualifying forest products in the process of commercial  
43 electrical generation or commercial thermal energy production for heating  
44 or cooling, regardless of the physical structure of the forest product  
45 before burning.

1           4. "Qualifying equipment" means equipment used directly in  
2 harvesting or processing qualifying forest products removed from a  
3 qualifying project. Qualifying equipment does not include self-propelled  
4 vehicles required to be licensed by this state, but may include other  
5 licensed vehicles as provided by this paragraph. Qualifying equipment  
6 includes:

7           (a) Forest thinning and residue removal equipment, including  
8 mulching and masticating equipment, feller-bunchers, skidders, log  
9 loaders, portable chippers and grinders, slash bundlers, delimiters, log  
10 trailers, chip trailers and other trailers that are uniquely designed for  
11 handling forest products and that are licensed for operation on public  
12 highways.

13           (b) Forest residue receiving and handling equipment, including  
14 truck dumpers, log unloaders, scales, log decking facilities and equipment  
15 and chip pile facilities.

16           (c) Sorting and processing equipment, including portable and  
17 stationary log loaders, ~~front-end~~ FRONT-END loaders, ~~fork lifts~~ FORKLIFTS  
18 and cranes, chippers and grinders, screens, decks and debarkers, saws and  
19 sawmill equipment, firewood processing, wood residue baling and bagging  
20 equipment, kilns, planing and molding equipment and laminating and joining  
21 equipment.

22           (d) Forest waste and residue disposal and processing equipment,  
23 including:

24           (i) Processing and sizing equipment, hogs, chippers, screens,  
25 pelletizers and wood splitters.

26           (ii) Transporting and handling equipment, including loaders,  
27 conveyors, blowers, receiving hoppers, truck dumpers and dozers.

28           (iii) Waste use equipment, including fuel feed, storage bins,  
29 boilers and combustors.

30           (iv) Waste project use equipment, including generators, switchgear  
31 and substations and on-site distribution systems.

32           (v) Generated waste disposal equipment, including ash silos and  
33 wastewater treatment and disposal equipment.

34           (vi) Shop and maintenance equipment and major spares having a value  
35 of more than five thousand dollars each.

36           5. "Qualifying forest products" means dead standing and fallen  
37 timber, and forest thinnings associated with the harvest of small diameter  
38 timber, slash, wood chips, peelings, brush and other woody vegetation,  
39 removed from federal, state and other public forest land and from private  
40 forest land.

41           6. "Qualifying project" means harvesting, transporting or processing  
42 qualifying forest products as required for certification pursuant to this  
43 section.

1           Sec. 7. Section 41-1532, Arizona Revised Statutes, is amended to  
2 read:

3           41-1532. Tax incentives; conditions

4           A. A prime contractor may qualify for an exemption from transaction  
5 privilege tax with respect to activities in a military reuse zone as  
6 provided, and subject to the terms and conditions prescribed, by section  
7 42-5075, subsection B, paragraph 4.

8           ~~B. A taxpayer that owns or leases income producing property located  
9 in a military reuse zone is eligible for an income tax credit for net  
10 increases in employment of full-time employees who are primarily engaged  
11 in providing aviation or aerospace services or in manufacturing,  
12 assembling or fabricating aviation or aerospace products as provided, and  
13 subject to the terms and conditions prescribed, by section 43-1079 or  
14 43-1167, as applicable. To qualify for a tax incentive under this  
15 subsection the taxpayer shall:~~

16           ~~1. Agree with the Arizona commerce authority in writing to furnish  
17 information relating to the amount of tax benefits the taxpayer receives  
18 for each taxable year in which the taxpayer claims the credit. If the  
19 taxpayer fails to provide the required information, the authority shall  
20 immediately revoke the taxpayer's qualification and notify the department  
21 of revenue.~~

22           ~~2. Enter into a memorandum of understanding with this state through  
23 the authority containing employment goals. Each year in which the  
24 taxpayer claims the credit the taxpayer shall report in writing to the  
25 authority its performance in achieving the goals. The memorandum shall  
26 contain provisions that allow:~~

27           ~~(a) The authority to stop, readjust or recapture all or part of the  
28 tax credit allowed to the taxpayer on noncompliance with the terms of the  
29 memorandum.~~

30           ~~(b) The authority to notify the department of revenue of the  
31 conditions of noncompliance.~~

32           ~~(c) The department of revenue to require the taxpayer to file  
33 appropriate amended tax returns reflecting the recapture of the tax  
34 credit.~~

35           ~~B.~~ B. Taxable property in a military reuse zone that is devoted to  
36 providing aviation or aerospace services or to manufacturing, assembling  
37 or fabricating aviation or aerospace products qualifies for assessment as  
38 class six property as provided, and subject to the terms and conditions  
39 prescribed, by sections 42-12006 and 42-15006.

40           ~~D.~~ C. To qualify for a tax incentive described in subsection A or  
41 ~~C.~~ B of this section, the taxpayer shall provide to the authority  
42 information relating to the amount of tax benefits the taxpayer receives  
43 each year for each year in which the taxpayer claims the incentives on  
44 forms prescribed by the authority. If the taxpayer fails to provide the  
45 required information, the authority shall immediately revoke the



1 taxpayer's certification of eligibility and notify the department of  
2 revenue.

3 ~~E.~~ D. Taxpayers who qualify for tax incentives under subsection B  
4 ~~or C~~ of this section shall be certified by the authority as eligible for a  
5 ~~five year~~ FIVE-YEAR period, subject to termination in the event of changed  
6 circumstances rendering the taxpayer no longer eligible.

7 ~~F. Notwithstanding subsection C of this section, an insurer located~~  
8 ~~in a military reuse zone is eligible for a premium tax credit under~~  
9 ~~section 20-224.04 for net increases in employment positions of residents~~  
10 ~~of this state. To qualify for a premium tax credit the insurer shall:~~

11 ~~1. Agree with the authority in writing to furnish information~~  
12 ~~relating to the amount of premium tax credits the insurer receives each~~  
13 ~~year. If the insurer fails to provide the required information, the~~  
14 ~~authority shall immediately revoke the insurer's qualification and notify~~  
15 ~~the department of insurance.~~

16 ~~2. Enter into a memorandum of understanding with this state through~~  
17 ~~the authority containing employment goals. Each year the insurer shall~~  
18 ~~report in writing to the authority its performance in achieving the goals.~~  
19 ~~The memorandum shall contain provisions that allow:~~

20 ~~(a) The authority to stop, readjust or recapture all or part of the~~  
21 ~~premium tax credits provided to the insurer on noncompliance with the~~  
22 ~~terms of the memorandum.~~

23 ~~(b) The authority to notify the department of insurance of the~~  
24 ~~conditions of noncompliance.~~

25 Sec. 8. Section 43-222, Arizona Revised Statutes, is amended to  
26 read:

27 43-222. Income tax credit review schedule

28 The joint legislative income tax credit review committee shall  
29 review the following income tax credits:

30 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,  
31 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

32 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,  
33 43-1083.02, ~~43-1085.01, 43-1164.02,~~ 43-1164.03 and 43-1183.

34 3. For years ending in 2 and 7, sections 43-1073, ~~43-1079, 43-1080,~~  
35 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, ~~43-1090,~~  
36 43-1164, ~~43-1167, 43-1169, 43-1176~~ and 43-1181.

37 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,  
38 43-1168, 43-1170 and 43-1178.

39 5. For years ending in 4 and 9, sections ~~43-1076, 43-1076.01,~~  
40 43-1081.01, ~~43-1083.01,~~ 43-1083.04, 43-1084, ~~43-1162, 43-1162.01,~~  
41 ~~43-1164.01,~~ 43-1164.05, 43-1170.01 and 43-1184 and, beginning in 2019,  
42 sections 43-1083.03 and 43-1164.04.

1           Sec. 9. Section 43-224, Arizona Revised Statutes, is amended to  
2 read:

3           43-224. Individual and corporate income tax credits; annual  
4                                   report; termination of unused credits

5           A. On or before September 30 of each year, the department shall  
6 report to the directors of the joint legislative budget committee and the  
7 governor's office of strategic planning and budgeting on the amount of  
8 individual income tax credits and corporate income tax credits that were  
9 claimed in the previous fiscal year.

10           B. IF, IN ANY TWO CONSECUTIVE REPORTS UNDER SUBSECTION A OF THIS  
11 SECTION, AN INDIVIDUAL OR CORPORATE INCOME TAX CREDIT WAS NOT CLAIMED BY  
12 OR ALLOWED TO ANY INDIVIDUAL OR CORPORATE TAXPAYER, THE DIRECTOR OF THE  
13 DEPARTMENT OF REVENUE SHALL:

14           1. TERMINATE THE RECOGNITION AND SERVICING OF THAT CREDIT FOR  
15 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH  
16 THE SECOND REPORT IS ISSUED.

17           2. ISSUE A PUBLIC ANNOUNCEMENT, INCLUDING ON THE DEPARTMENT'S  
18 WEBSITE, OF THE TERMINATION OF THE CREDIT UNDER AUTHORITY OF THIS SECTION.

19           3. NOTIFY THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND  
20 BUDGETING, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF  
21 REPRESENTATIVES, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE  
22 LEGISLATIVE COUNCIL.

23           4. INCLUDE THE REPEAL OF ALL STATUTES RELATING TO THE TERMINATED  
24 CREDIT IN TECHNICAL TAX CORRECTION LEGISLATION FOR ENACTMENT IN THE NEXT  
25 REGULAR SESSION OF THE LEGISLATURE. IF THE LEGISLATURE FAILS TO ENACT  
26 THIS LEGISLATION, THE DIRECTOR SHALL RESCIND THE TERMINATION OF THE  
27 CREDIT.

28           Sec. 10. Section 43-1021, Arizona Revised Statutes, is amended to  
29 read:

30           43-1021. Addition to Arizona gross income

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

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

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

40           3. The amount of interest income received on obligations of any  
41 state, territory or possession of the United States, or any political  
42 subdivision thereof, located outside the state of Arizona, reduced, for  
43 tax years beginning from and after December 31, 1996, by the amount of any  
44 interest on indebtedness and other related expenses that were incurred or

1 continued to purchase or carry those obligations and that are not  
2 otherwise deducted or subtracted in arriving at Arizona gross income.

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

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

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

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

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

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

30 ~~10.~~ 8. The amount by which the depreciation or amortization  
31 computed under the internal revenue code with respect to property for  
32 which a credit was taken under either section 43-1081 or 43-1081.01  
33 exceeds the amount of depreciation or amortization computed pursuant to  
34 the internal revenue code on the Arizona adjusted basis of the property.

35 ~~11.~~ 9. The amount by which the adjusted basis computed under the  
36 internal revenue code with respect to property for which a credit was  
37 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold  
38 or otherwise disposed of during the taxable year exceeds the adjusted  
39 basis of the property computed under section 43-1074.02, 43-1081 or  
40 43-1081.01, as applicable.

41 ~~12.~~ 10. The deduction referred to in section 1341(a)(4) of the  
42 internal revenue code for restoration of a substantial amount held under a  
43 claim of right.

1       ~~13.~~ 11. The amount by which a net operating loss carryover or  
2 capital loss carryover allowable pursuant to section 1341(b)(5) of the  
3 internal revenue code exceeds the net operating loss carryover or capital  
4 loss carryover allowable pursuant to section 43-1029, subsection F.

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

9       ~~15.~~ 12. Any wage expenses deducted pursuant to the internal revenue  
10 code for which a credit is claimed under section 43-1087 and representing  
11 net increases in qualified employment positions for employment of  
12 temporary assistance for needy families recipients.

13       ~~16.~~ 13. The amount of any depreciation allowance allowed pursuant  
14 to section 167(a) of the internal revenue code to the extent not  
15 previously added.

16       ~~17.~~ 14. With respect to property for which an expense deduction was  
17 taken pursuant to section 179 of the internal revenue code in a taxable  
18 year beginning before January 1, 2013, the amount in excess of twenty-five  
19 thousand dollars.

20       ~~18.~~ 15. The amount of a nonqualified withdrawal, as defined in  
21 section 15-1871, from a college savings plan established pursuant to  
22 section 529 of the internal revenue code that is made to a distributee to  
23 the extent the amount is not included in computing federal adjusted gross  
24 income, except that the amount added under this paragraph shall not exceed  
25 the difference between the amount subtracted under section 43-1022 in  
26 prior taxable years and the amount added under this section in any prior  
27 taxable years.

28       ~~19.~~ 16. The amount of discharge of indebtedness income that is  
29 deferred and excluded from the computation of federal adjusted gross  
30 income in the current taxable year pursuant to section 108(i) of the  
31 internal revenue code as added by section 1231 of the American recovery  
32 and reinvestment act of 2009 (P.L. 111-5).

33       ~~20.~~ 17. The amount of any previously deferred original issue  
34 discount that was deducted in computing federal adjusted gross income in  
35 the current year pursuant to section 108(i) of the internal revenue code  
36 as added by section 1231 of the American recovery and reinvestment act of  
37 2009 (P.L. 111-5), to the extent that the amount was previously subtracted  
38 from Arizona gross income pursuant to section 43-1022, paragraph 24.

39       ~~21.~~ 18. Amounts that are considered to be income under section  
40 43-1032, subsection D because the amount is withdrawn from a long-term  
41 health care savings account and not used to pay the taxpayer's long-term  
42 health care expenses.

43       ~~22.~~ 19. The amount of a withdrawal that is not a qualified  
44 disability expense as defined in 26 United States Code section 529A and  
45 any regulations issued pursuant to that section from an achieving a better

1 life experience act account established pursuant to 26 United States Code  
2 section 529A and any regulations issued pursuant to that section AND that  
3 is made to a distributee to the extent the amount is not included in  
4 computing federal adjusted gross income, except that the amount added  
5 under this paragraph shall not exceed the difference between the amount  
6 subtracted under section 43-1022 in prior taxable years and the amount  
7 added under this section in any prior taxable years.

8 Sec. 11. Section 43-1022, Arizona Revised Statutes, is amended to  
9 read:

10 43-1022. Subtractions from Arizona gross income

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

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

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

17 (a) The United States government service retirement and disability  
18 fund, retired or retainer pay of the uniformed services of the United  
19 States, the United States foreign service retirement and disability system  
20 and any other retirement system or plan established by federal law.

21 (b) The Arizona state retirement system, the corrections officer  
22 retirement plan, the public safety personnel retirement system, the  
23 elected officials' retirement plan, an optional retirement program  
24 established by the Arizona board of regents under section 15-1628, an  
25 optional retirement program established by a community college district  
26 board under section 15-1451 or a retirement plan established for employees  
27 of a county, city or town in this state.

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

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

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

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

41 7. The amount by which the adjusted basis of property described in  
42 this paragraph and computed pursuant to this title and the income tax act  
43 of 1954, as amended, exceeds the adjusted basis of such property computed  
44 pursuant to the internal revenue code. This paragraph shall apply to all  
45 property that is held for the production of income and that is sold or

1 otherwise disposed of during the taxable year other than depreciable  
2 property used in a trade or business.

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

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

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

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

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

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

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

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

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

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

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

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

11           20. For property placed in service:

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

18           (b) In taxable years beginning from and after December 31, 2012  
19 through December 31, 2013, an amount determined in the year the asset was  
20 placed in service based on the calculation in subdivision (a) of this  
21 paragraph. In the first taxable year beginning from and after December  
22 31, 2013, the taxpayer may elect to subtract the amount necessary to make  
23 the depreciation claimed to date for the purposes of this title the same  
24 as it would have been if subdivision (c) of this paragraph had applied for  
25 the entire time the asset was in service. Subdivision (c) of this  
26 paragraph applies for the remainder of the asset's life. If the taxpayer  
27 does not make the election under this subdivision, subdivision (a) of this  
28 paragraph applies for the remainder of the asset's life.

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

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

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

1           21. With respect to property that is sold or otherwise disposed of  
2 during the taxable year by a taxpayer that complied with section 43-1021,  
3 paragraph ~~16~~ 13 with respect to that property, the amount of depreciation  
4 that has been allowed pursuant to section 167(a) of the internal revenue  
5 code to the extent that the amount has not already reduced Arizona taxable  
6 income in the current or prior taxable years.

7           22. With respect to property for which an adjustment was made under  
8 section 43-1021, paragraph ~~17~~ 14, an amount equal to one-fifth of the  
9 amount of the adjustment pursuant to section 43-1021, paragraph ~~17~~ 14 in  
10 the year in which the amount was adjusted under section 43-1021, paragraph  
11 ~~17~~ 14 and in each of the following four years.

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

16           (a) Two thousand dollars for a single individual or a head of  
17 household.

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

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

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

35           26. The portion of the net operating loss carryforward that would  
36 have been allowed as a deduction in the current year pursuant to section  
37 172 of the internal revenue code if the election described in section  
38 172(b)(1)(H) of the internal revenue code had not been made in the year of  
39 the loss that exceeds the actual net operating loss carryforward that was  
40 deducted in arriving at federal adjusted gross income. This subtraction  
41 only applies to taxpayers who made an election under section 172(b)(1)(H)  
42 of the internal revenue code as amended by section 1211 of the American  
43 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by  
44 section 13 of the worker, homeownership, and business assistance act of  
45 2009 (P.L. 111-92).



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

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

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

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

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

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

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

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

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

37           Sec. 12. Section 43-1043, Arizona Revised Statutes, is amended to  
38 read:

39           43-1043. Personal exemptions; annual adjustment

40           A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, there shall  
41 be allowed as an exemption, in the case of:

42           1. A single individual, a personal exemption of two thousand one  
43 hundred dollars.

1           2. A head of a household or a married individual, a personal  
2 exemption of four thousand two hundred dollars under this paragraph. A  
3 husband and wife shall receive but one personal exemption of four thousand  
4 two hundred dollars. If the husband and wife make separate returns, the  
5 personal exemption may be taken by either or divided between them.

6           3. A married couple who claim at least one dependent, an exemption  
7 of six thousand three hundred dollars. If the husband and wife make  
8 separate returns, the personal exemption may be taken by either or divided  
9 between them. An exemption under this paragraph is in lieu of the  
10 exemption under paragraph 2 OF THIS SUBSECTION.

11           B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016,  
12 THE DEPARTMENT SHALL ADJUST THE DOLLAR AMOUNTS PRESCRIBED FOR EACH OF THE  
13 EXEMPTIONS IN SUBSECTION A OF THIS SECTION ACCORDING TO THE AVERAGE ANNUAL  
14 CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE  
15 UNITED STATES BUREAU OF LABOR STATISTICS.

16           Sec. 13. Repeal

17           Sections 43-1076, 43-1076.01, 43-1079, 43-1080 and 43-1083.01,  
18 Arizona Revised Statutes, are repealed.

19           Sec. 14. Section 43-1083.04, Arizona Revised Statutes, is amended  
20 to read:

21           43-1083.04. Credit for renewable energy investment and  
22 production for self-consumption by  
23 international operations centers; definitions

24           A. A credit is allowed against the taxes imposed by this title for  
25 investment in new renewable energy facilities that produce energy for  
26 self-consumption using renewable energy resources if the power will be  
27 used primarily ~~for manufacturing or~~ for an international operations  
28 center.

29           ~~B. If the power is generated primarily for the purposes of the~~  
30 ~~taxpayer's manufacturing facility, the taxpayer is eligible for the credit~~  
31 ~~if all of the following apply:~~

32           ~~1. The taxpayer invests at least three hundred million dollars in~~  
33 ~~new renewable energy facilities in this state that produce energy for~~  
34 ~~self-consumption using renewable energy resources. The minimum investment~~  
35 ~~must be completed within a three-year period beginning on the date the~~  
36 ~~initial application is received or by December 31, 2017, whichever is~~  
37 ~~earlier.~~

38           ~~2. At least ninety percent of the energy produced at each renewable~~  
39 ~~energy facility is used for self-consumption in this state.~~  
40 ~~Self-consumption includes the power used by related entities if the~~  
41 ~~related entities are owned directly or indirectly by the same ownership~~  
42 ~~interests that collectively own more than fifty percent. A facility that~~  
43 ~~transfers the power it generates to a utility qualifies under this~~  
44 ~~paragraph if at least ninety percent of the power is transferred back for~~  
45 ~~self-consumption in this state.~~

1           ~~3. The power is used primarily for manufacturing. A lessor of a~~  
2 ~~facility that is using power for self-consumption under paragraph 2 of~~  
3 ~~this subsection qualifies under this paragraph if the lessee is a~~  
4 ~~manufacturer and the power is transferred as part of the lease to the~~  
5 ~~lessee.~~

6           ~~C. B. If the power is generated primarily for the purposes of the~~  
7 ~~taxpayer's international operations center,~~ The taxpayer is eligible for  
8 the credit if all of the following apply:

9           1. The taxpayer invests at least one hundred million dollars in one  
10 or more new renewable energy facilities in this state that produce energy  
11 for self-consumption using renewable energy resources. The minimum  
12 investment must be completed within a three-year period beginning on the  
13 date the initial application is received or by December 31, 2018,  
14 whichever is earlier.

15           2. A portion of the energy produced at each renewable energy  
16 facility is used for self-consumption in this state. By the fifth year a  
17 renewable energy facility is in operation, at least fifty-one percent of  
18 the energy produced must be used for self-consumption in this state.  
19 Self-consumption includes the power used by related entities if the  
20 related entities are directly or indirectly under the same ownership  
21 interests that collectively own more than eighty percent. Power that a  
22 renewable energy facility transfers to a utility qualifies as  
23 self-consumption if the utility is the same utility that provides power to  
24 the owner's international operations center in this state.

25           3. The power that is used for self-consumption under paragraph 2 of  
26 this subsection is used for an international operations center in this  
27 state. A lessor of an international operations center facility that uses  
28 power for self-consumption under paragraph 2 of this subsection satisfies  
29 the requirements of this paragraph if the lessee is an international  
30 operations center and the power is transferred as part of the lease to the  
31 lessee.

32           ~~D. C.~~ Subject to subsection ~~E~~ F of this section, the credit  
33 authorized by this section is five million dollars per year for five years  
34 for each renewable energy facility. The maximum credit allowed per  
35 taxpayer per year is five million dollars. ~~If a taxpayer uses the power~~  
36 ~~generated by the renewable energy facility in the taxpayer's international~~  
37 ~~operations center,~~ The taxpayer, including all affiliates of the taxpayer,  
38 may not cumulate tax credits under this section over different taxable  
39 years exceeding, in the aggregate, twenty-five million dollars. The  
40 initial credit for each facility is claimed in the year that the facility  
41 becomes operational. A credit, other than carryovers allowed under  
42 subsection ~~N~~ M of this section, may not be claimed for any taxable year  
43 beginning after December 31, 2025.

1           ~~F.~~ D. To qualify as a separate renewable energy facility for the  
2 purposes of this section, a facility must be located at least one mile  
3 from any other renewable energy facility for which the taxpayer is  
4 claiming a credit under this section.

5           ~~F.~~ E. To be eligible for the credit under this section, the  
6 taxpayer must apply to the department for certification of the credit on a  
7 form prescribed by the department. The application shall include:

8           1. The name, address and social security number or federal employer  
9 identification number of the applicant.

10           2. An estimate of the total investment the taxpayer will make, over  
11 a three-year period beginning on the date the application is received, in  
12 new renewable energy facilities in this state that produce energy for  
13 self-consumption using renewable energy resources.

14           3. The expected location of each of the taxpayer's facilities that  
15 comprise the total investment in paragraph 2 of this subsection and the  
16 earliest date that each facility is expected to be operational.

17           4. A statement that the portion of the power generated by each  
18 facility, as required by subsection B, paragraph 2 ~~or subsection C,~~  
19 ~~paragraph 2~~ of this section, shall be for self-consumption and shall be  
20 used for ~~manufacturing or~~ international operations center use.

21           5. Any additional information that the department requires.

22           ~~G.~~ F. The department shall review each application under  
23 subsection ~~F.~~ E of this section and preapprove the taxpayer for a  
24 specified amount of credit that is authorized. Credits are allowed under  
25 this section and section 43-1164.05 on a first come, first served basis.  
26 The department may not authorize tax credits under this section and  
27 section 43-1164.05 that exceed in the aggregate a total of ten million  
28 dollars for any calendar year. The portion of each year's limit that is  
29 reserved for each taxpayer must be based on the year that each credit is  
30 expected to be claimed using the dates provided in subsection ~~F.~~ E,  
31 paragraph 3 of this section. If the year a facility is completed is  
32 different from the estimated completion date provided in subsection ~~F.~~ E,  
33 paragraph 3 of this section, the taxpayer must amend the application with  
34 the new dates. If an application is received that, if authorized, would  
35 require the department to exceed the ten million dollar limit, the  
36 department shall grant the applicant only the remaining credit amount that  
37 would not exceed the ten million dollar limit. After the department  
38 authorizes ten million dollars in tax credits, the department shall deny  
39 any subsequent applications that are received for that calendar year. The  
40 department may not authorize any additional tax credits that exceed the  
41 ten million dollar limit even if the amounts that have been certified to  
42 any taxpayer are not claimed or a taxpayer otherwise fails to meet the  
43 requirements to claim the additional credit.

1           ~~H.~~ G. If a taxpayer fails to start construction within six months  
2 after submitting the application under subsection ~~F~~ E of this section,  
3 the preapproval issued under subsection ~~G~~ F of this section is void and  
4 all monies reserved from the limits specified in subsection ~~G~~ F of this  
5 section revert back to the limit for the year for which they were  
6 reserved.

7           ~~I.~~ H. Each year after initial preapproval, on or before the  
8 anniversary date of the application specified in subsection ~~F~~ E of this  
9 section, the taxpayer must submit to the department:

10           1. Documentation of the taxpayer's progress toward the investment  
11 required by subsection B, paragraph 1 ~~or subsection C, paragraph 1~~ of this  
12 section. This documentation is not required after the department receives  
13 a report stating that the required investment threshold has been reached.

14           2. Documentation for each facility that demonstrates that the  
15 required portion of the power generated by each renewable energy facility  
16 is for self-consumption as required by subsection B, paragraph 2 ~~or~~  
17 ~~subsection C, paragraph 2~~ of this section.

18           3. ~~IF APPLICABLE~~, certification from the Arizona commerce authority  
19 pursuant to section 41-1520.

20           ~~J.~~ I. The taxpayer must submit a request for final certification  
21 to the department within thirty days after each of the renewable energy  
22 facilities for which an authorization was given under subsection ~~G~~ F of  
23 this section becomes operational. Within thirty days after receiving a  
24 completed request under this subsection, the department shall review the  
25 request and either issue a final certification of the credit to the  
26 taxpayer or issue a denial of the credit if it is determined that the  
27 requirements of this section have not been met. Every final certification  
28 issued under this subsection must include a facility code issued by the  
29 department that is unique to each facility. To show that the facility has  
30 been certified, the taxpayer shall include with the tax return the  
31 facility code for each facility for which a credit is claimed. If the  
32 taxpayer is the owner or operator of an international operations center,  
33 the taxpayer must submit the request for final certification for each of  
34 the renewable energy facilities for which capital investment will be  
35 claimed towards the required investment threshold and must submit  
36 additional evidence to the department within sixty days after the end of  
37 the fifth year of operation of each facility that the requirements of  
38 subsection ~~C~~ B, paragraph 2 of this section have been met.

39           ~~K.~~ J. If the taxpayer fails to make the required investment in  
40 renewable energy facilities within the time period required by subsection  
41 B, paragraph 1 ~~or subsection C, paragraph 1~~ of this section or if the  
42 certification of an international operations center has been revoked under  
43 section 41-1520 due to a failure to make a one billion two hundred fifty  
44 million dollar investment in the center within ten years after  
45 certification or if the taxpayer fails to receive final certification of

1 the credit under subsection ~~J~~ I of this section, the taxpayer ~~shall~~ IS  
2 not ~~be~~ eligible and must cease claiming any further credits under this  
3 section and shall reimburse the amount of all credits previously received  
4 under this section. The reimbursement must be made on the taxpayer's  
5 income tax return for the taxable year in which it is first known that the  
6 required investment would not be made within the required time or the  
7 taxable year in which the certification was revoked. The department may  
8 give special consideration or allow a temporary exemption from  
9 reimbursement if there is extraordinary hardship due to factors beyond the  
10 taxpayer's control. If the reimbursement is due to revocation of the  
11 certification of an international operations center due to a failure to  
12 invest one billion two hundred fifty million dollars in the center within  
13 ten years after certification, the credits shall be reimbursed in inverse  
14 proportion to the total capital investment made in the international  
15 operations center divided by one billion two hundred fifty million  
16 dollars. The department may require reimbursement before the tenth  
17 anniversary of certification of an international operations center if the  
18 facility has been closed or relocated or the taxpayer has otherwise  
19 demonstrated that the one billion two hundred fifty million dollar  
20 investment will not be timely made.

21 ~~K~~ K. If a particular facility ceases to meet the requirements of  
22 this section or if the facility is sold, the taxpayer may not claim any  
23 future credits related to that facility.

24 ~~M~~ L. Co-owners of a business, including partners in a  
25 partnership, members of a limited liability company and shareholders of an  
26 S corporation as defined in section 1361 of the internal revenue code, may  
27 each claim the pro rata share of the credit allowed under this section  
28 based on ownership interest. The total of the credits allowed all the  
29 owners of the business may not exceed the amount that would have been  
30 allowed for a sole owner of the business.

31 ~~N~~ M. If the allowable tax credit for a taxpayer exceeds the taxes  
32 otherwise due under this title on the claimant's income, or if there are  
33 no taxes due under this title, the amount of the claim not used to offset  
34 taxes under this title may be carried forward for not more than five  
35 consecutive taxable years as a credit against subsequent years' income tax  
36 liability.

37 ~~O~~ N. A taxpayer may not claim a credit under this section and  
38 section 43-1083.02 regarding the same facilities.

39 ~~P~~ O. The department shall adopt rules and publish and prescribe  
40 forms and procedures as necessary to effectuate the purposes of this  
41 section.

1           ~~P.~~ P. For the purposes of this section:

2           1. "Biomass" means organic material that is available on a  
3 renewable or recurring basis, including:

4           (a) Forest-related materials, including mill residues, logging  
5 residues, forest thinnings, slash, brush, low-commercial value materials  
6 or undesirable species, salt cedar and other phreatophyte or woody  
7 vegetation removed from river basins or watersheds and woody material  
8 harvested for the purpose of forest fire fuel reduction or forest health  
9 and watershed improvement.

10           (b) Agricultural-related materials, including orchard trees,  
11 vineyard, grain or crop residues, including straws and stover, aquatic  
12 plants and agricultural processed coproducts and waste products, including  
13 fats, oils, greases, whey and lactose.

14           (c) Animal waste, including manure and slaughterhouse and other  
15 processing waste.

16           (d) Solid woody waste materials, including landscape or right-of-  
17 way tree trimmings, rangeland maintenance residues, waste pallets, crates  
18 and manufacturing, construction and demolition wood wastes but excluding  
19 pressure-treated, chemically treated or painted wood wastes and wood  
20 contaminated with plastic.

21           (e) Crops and trees planted for the purpose of being used to  
22 produce energy.

23           (f) Landfill gas, wastewater treatment gas and biosolids, including  
24 organic waste by-products generated during the wastewater treatment  
25 process.

26           2. "International operations center" means a facility that is  
27 certified by the Arizona commerce authority pursuant to section 41-1520.

28           3. "Renewable energy facility" means a facility in which the  
29 taxpayer invested at least thirty million dollars, that has at least  
30 twenty megawatts generating capacity or a minimum typical annual  
31 generation of forty thousand megawatt hours, that is located on land in  
32 this state owned or leased by the taxpayer and that produces electricity  
33 using a renewable energy resource.

34           4. "Renewable energy resource" means a resource that generates  
35 electricity through the use of only the following energy sources:

36           (a) Solar light.

37           (b) Solar heat.

38           (c) Wind.

39           (d) Biomass, including fuel cells supplied directly or indirectly  
40 with biomass generated fuels.

41           Sec. 15. Repeal

42           Sections 43-1085.01 and 43-1090, Arizona Revised Statutes, are  
43 repealed.

1           Sec. 16. Section 43-1121, Arizona Revised Statutes, is amended to  
2 read:

3           43-1121. Additions to Arizona gross income; corporations

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

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

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

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

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

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

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

34           7. The amount of discharge of indebtedness income that is deferred  
35 and excluded from the computation of federal taxable income in the current  
36 taxable year pursuant to section 108(i) of the internal revenue code as  
37 added by section 1231 of the American recovery and reinvestment act of  
38 2009 (P.L. 111-5).

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



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

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

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

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

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

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

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

36           16. The amount of depreciation or amortization of costs of child  
37 care facilities deducted pursuant to section 167 or 188 of the internal  
38 revenue code for which an election is made to amortize pursuant to section  
39 43-1130.

40           17. The loss of an insurance company that is exempt under section  
41 43-1201 to the extent that it is included in computing Arizona gross  
42 income on a consolidated return pursuant to section 43-947.

43           ~~18. The amount by which the depreciation or amortization computed~~  
44 ~~under the internal revenue code with respect to property for which a~~  
45 ~~credit was taken under section 43-1169 exceeds the amount of depreciation~~

1 ~~or amortization computed pursuant to the internal revenue code on the~~  
2 ~~Arizona adjusted basis of the property.~~

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

8 ~~20.~~ 18. The amount by which the depreciation or amortization  
9 computed under the internal revenue code with respect to property for  
10 which a credit was taken under either section 43-1170 or 43-1170.01  
11 exceeds the amount of depreciation or amortization computed pursuant to  
12 the internal revenue code on the Arizona adjusted basis of the property.

13 ~~21.~~ 19. The amount by which the adjusted basis computed under the  
14 internal revenue code with respect to property for which a credit was  
15 claimed under either section 43-1170 or 43-1170.01 and that is sold or  
16 otherwise disposed of during the taxable year exceeds the adjusted basis  
17 of the property computed under section 43-1170 or 43-1170.01, as  
18 applicable.

19 ~~22.~~ 20. The deduction referred to in section 1341(a)(4) of the  
20 internal revenue code for restoration of a substantial amount held under a  
21 claim of right.

22 ~~23.~~ 21. The amount by which a capital loss carryover allowable  
23 pursuant to section 1341(b)(5) of the internal revenue code exceeds the  
24 capital loss carryover allowable pursuant to section 43-1130.01,  
25 subsection F.

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

30 ~~25.~~ 22. Any wage expenses deducted pursuant to the internal  
31 revenue code for which a credit is claimed under section 43-1175 and  
32 representing net increases in qualified employment positions for  
33 employment of temporary assistance for needy families recipients.

34 ~~26.~~ 23. Any amount of expenses that were deducted pursuant to the  
35 internal revenue code and for which a credit is claimed under section  
36 43-1178.

37 ~~27.~~ 24. The amount of any deduction that is claimed in computing  
38 Arizona gross income and that represents a donation of a school site for  
39 which a credit is claimed under section 43-1181.

40 ~~28.~~ 25. Any amount deducted pursuant to section 170 of the  
41 internal revenue code representing contributions to a school tuition  
42 organization for which a credit is claimed under section 43-1183 or  
43 43-1184.

1           Sec. 17. Repeal  
2           Sections 43-1162, 43-1162.01, 43-1164.01 and 43-1164.02, Arizona  
3 Revised Statutes, are repealed.

4           Sec. 18. Section 43-1164.05, Arizona Revised Statutes, is amended  
5 to read:

6           43-1164.05. Credit for renewable energy investment and  
7                           production for self-consumption by  
8                           international operations centers; definitions

9           A. A credit is allowed against the taxes imposed by this title for  
10 investment in new renewable energy facilities that produce energy for  
11 self-consumption using renewable energy resources if the power will be  
12 used primarily ~~for manufacturing or~~ for an international operations  
13 center.

14           ~~B. If the power is generated primarily for the purposes of the~~  
15 ~~taxpayer's manufacturing facility, the taxpayer is eligible for the credit~~  
16 ~~if all of the following apply:~~

17           ~~1. The taxpayer invests at least three hundred million dollars in~~  
18 ~~new renewable energy facilities in this state that produce energy for~~  
19 ~~self-consumption using renewable energy resources. The minimum investment~~  
20 ~~must be completed within a three-year period beginning on the date the~~  
21 ~~initial application is received or December 31, 2017, whichever is~~  
22 ~~earlier.~~

23           ~~2. At least ninety percent of the energy produced at each renewable~~  
24 ~~energy facility is used for self-consumption in this state. Self-consumption~~  
25 ~~includes the power used by related entities if the related entities are~~  
26 ~~owned directly or indirectly by the same ownership interests that~~  
27 ~~collectively own more than fifty percent. A facility that transfers the~~  
28 ~~power it generates to a utility qualifies under this paragraph if at least~~  
29 ~~ninety percent of the power is transferred back for self-consumption in~~  
30 ~~this state.~~

31           ~~3. The power is used primarily for manufacturing. A lessor of a~~  
32 ~~facility that is using power for self-consumption under paragraph 2 of~~  
33 ~~this subsection qualifies under this paragraph if the lessee is a~~  
34 ~~manufacturer and the power is transferred as part of the lease to the~~  
35 ~~lessee.~~

36           ~~C. B. If the power is generated primarily for the purposes of the~~  
37 ~~taxpayer's international operations center, The taxpayer is eligible for~~  
38 the credit if all of the following apply:

39           1. The taxpayer invests at least one hundred million dollars in one  
40 or more new renewable energy facilities in this state that produce energy  
41 for self-consumption using renewable energy resources. The minimum  
42 investment must be completed within a three-year period beginning on the  
43 date the initial application is received or by December 31, 2018,  
44 whichever is earlier.

1           2. A portion of the energy produced at each renewable energy  
2 facility is used for self-consumption in this state. By the fifth year a  
3 renewable energy facility is in operation, at least fifty-one percent of  
4 the energy produced must be used for self-consumption in this state.  
5 Self-consumption includes the power used by related entities if the  
6 related entities are directly or indirectly under the same ownership  
7 interests that collectively own more than eighty percent. Power that a  
8 renewable energy facility transfers to a utility qualifies as  
9 self-consumption if the utility is the same utility that provides power to  
10 the owner's international operations center in this state.

11           3. The power that is used for self-consumption under paragraph 2 of  
12 this subsection is used for an international operations center in this  
13 state. A lessor of an international operations center facility that uses  
14 power for self-consumption under paragraph 2 of this subsection satisfies  
15 the requirements of this paragraph if the lessee is an international  
16 operations center and the power is transferred as part of the lease to the  
17 lessee.

18           ~~D.~~ C. Subject to subsection ~~G~~ F of this section, the credit  
19 authorized by this section is five million dollars per year for five years  
20 for each renewable energy facility. The maximum credit allowed per  
21 taxpayer per year is five million dollars. ~~If a taxpayer uses the power~~  
22 ~~generated by the renewable energy facility in the taxpayer's international~~  
23 ~~operations center~~, The taxpayer, including all affiliates of the taxpayer,  
24 may not cumulate tax credits under this section over different taxable  
25 years exceeding, in the aggregate, twenty-five million dollars. The  
26 initial credit for each facility is claimed in the year that the facility  
27 becomes operational. A credit, other than carryovers allowed under  
28 subsection ~~N~~ M of this section, may not be claimed for any taxable year  
29 beginning after December 31, 2025.

30           ~~E.~~ D. To qualify as a separate renewable energy facility for the  
31 purposes of this section, a facility must be located at least one mile  
32 from any other renewable energy facility for which the taxpayer is  
33 claiming a credit under this section.

34           ~~F.~~ E. To be eligible for the credit under this section, the  
35 taxpayer must apply to the department for certification of the credit on a  
36 form prescribed by the department. The application shall include:

37           1. The name, address and social security number or federal employer  
38 identification number of the applicant.

39           2. An estimate of the total investment the taxpayer will make, over  
40 a three-year period beginning on the date the application is received, in  
41 new renewable energy facilities in this state that produce energy for  
42 self-consumption using renewable energy resources.

43           3. The expected location of each of the taxpayer's facilities that  
44 comprise the total investment in paragraph 2 of this subsection and the  
45 earliest date that each facility is expected to be operational.

1           4. A statement that the portion of the power generated by each  
2 facility, as required by subsection B, paragraph 2 ~~or subsection C,~~  
3 ~~paragraph 2~~ of this section, shall be for self-consumption and shall be  
4 used for ~~manufacturing or~~ international operations center use.

5           5. Any additional information that the department requires.

6           ~~G.~~ F. The department shall review each application under  
7 subsection ~~F~~ E of this section and preapprove the taxpayer for a  
8 specified amount of credit that is authorized. Credits are allowed under  
9 this section and section 43-1083.04 on a first come, first served basis.  
10 The department may not authorize tax credits under this section and  
11 section 43-1083.04 that exceed in the aggregate a total of ten million  
12 dollars for any calendar year. The portion of each year's limit that is  
13 reserved for each taxpayer must be based on the year that each credit is  
14 expected to be claimed using the dates provided in subsection ~~F~~ E,  
15 paragraph 3 of this section. If the year a facility is completed is  
16 different from the estimated completion date provided in subsection ~~F~~ E,  
17 paragraph 3 of this section, the taxpayer must amend the application with  
18 the new dates. If an application is received that, if authorized, would  
19 require the department to exceed the ten million dollar limit, the  
20 department shall grant the applicant only the remaining credit amount that  
21 would not exceed the ten million dollar limit. After the department  
22 authorizes ten million dollars in tax credits, the department shall deny  
23 any subsequent applications that are received for that calendar year. The  
24 department may not authorize any additional tax credits that exceed the  
25 ten million dollar limit even if the amounts that have been certified to  
26 any taxpayer are not claimed or a taxpayer otherwise fails to meet the  
27 requirements to claim the additional credit.

28           ~~H.~~ G. If a taxpayer fails to start construction within six months  
29 after submitting the application under subsection ~~F~~ E of this section,  
30 the preapproval issued under subsection ~~G~~ F of this section is void and  
31 all monies reserved from the limits specified in subsection ~~G~~ F of this  
32 section revert back to the limit for the year for which they were  
33 reserved.

34           ~~I.~~ H. Each year after initial preapproval, on or before the  
35 anniversary date of the application specified in subsection ~~F~~ E of this  
36 section, the taxpayer must submit to the department:

37           1. Documentation of the taxpayer's progress toward the investment  
38 required by subsection B, paragraph 1 ~~or subsection C, paragraph 1~~ of this  
39 section. This documentation is not required after the department receives  
40 a report stating that the required investment threshold has been reached.

41           2. Documentation for each facility that demonstrates that the  
42 required portion of the power generated by each renewable energy facility  
43 is for self-consumption as required by subsection B, paragraph 2 ~~or~~  
44 ~~subsection C, paragraph 2~~ of this section.

1           3. IF APPLICABLE, certification from the Arizona commerce authority  
2 pursuant to section 41-1520.

3           ~~g.~~ I. The taxpayer must submit a request for final certification  
4 to the department within thirty days after each of the renewable energy  
5 facilities for which an authorization was given under subsection ~~g.~~ F of  
6 this section becomes operational. Within thirty days after receiving a  
7 completed request under this subsection, the department shall review the  
8 request and either issue a final certification of the credit to the  
9 taxpayer or issue a denial of the credit if it is determined that the  
10 requirements of this section have not been met. Every final certification  
11 issued under this subsection must include a facility code issued by the  
12 department that is unique to each facility. To show that the facility has  
13 been certified, the taxpayer shall include with the tax return the  
14 facility code for each facility for which a credit is claimed. If the  
15 taxpayer is the owner or operator of an international operations center,  
16 the taxpayer must submit the request for final certification for each of  
17 the renewable energy facilities for which capital investment will be  
18 claimed towards the required investment threshold and must submit  
19 additional evidence to the department within sixty days after the end of  
20 the fifth year of operation of each facility that the requirements of  
21 subsection ~~g.~~ B, paragraph 2 of this section have been met.

22           ~~k.~~ J. If the taxpayer fails to make the required investment in  
23 renewable energy facilities within the time period required by subsection  
24 B, paragraph 1 ~~or subsection c, paragraph 1~~ of this section or if the  
25 certification of an international operations center has been revoked under  
26 section 41-1520 due to a failure to make a one billion two hundred fifty  
27 million dollar investment in the center within ten years after  
28 certification or if the taxpayer fails to receive final certification of  
29 the credit under subsection ~~g.~~ I of this section, the taxpayer ~~shall~~ IS  
30 not ~~be~~ eligible and must cease claiming any further credits under this  
31 section and shall reimburse the amount of all credits previously received  
32 under this section. The reimbursement must be made on the taxpayer's  
33 income tax return for the taxable year in which it is first known that the  
34 required investment would not be made within the required time or the  
35 taxable year in which the certification was revoked. The department may  
36 give special consideration or allow a temporary exemption from  
37 reimbursement if there is extraordinary hardship due to factors beyond the  
38 taxpayer's control. If the reimbursement is due to revocation of the  
39 certification of an international operations center due to a failure to  
40 invest one billion two hundred fifty million dollars in the center within  
41 ten years after certification, the credits shall be reimbursed in inverse  
42 proportion to the total capital investment made in the international  
43 operations center divided by one billion two hundred fifty million  
44 dollars. The department may require reimbursement before the tenth  
45 anniversary of certification of an international operations center if the

1 facility has been closed or relocated or the taxpayer has otherwise  
2 demonstrated that the one billion two hundred fifty million dollar  
3 investment will not be timely made.

4 ~~K.~~ K. If a particular facility ceases to meet the requirements of  
5 this section or if the facility is sold, the taxpayer may not claim any  
6 future credits related to that facility.

7 ~~L.~~ L. Co-owners of a business, including corporate partners in a  
8 partnership and members of a limited liability company, may each claim the  
9 pro rata share of the credit allowed under this section based on ownership  
10 interest. The total of the credits allowed all the owners of the business  
11 may not exceed the amount that would have been allowed for a sole owner of  
12 the business.

13 ~~M.~~ M. If the allowable tax credit for a taxpayer exceeds the taxes  
14 otherwise due under this title on the claimant's income, or if there are  
15 no taxes due under this title, the amount of the claim not used to offset  
16 taxes under this title may be carried forward for not more than five  
17 consecutive taxable years as a credit against subsequent years' income tax  
18 liability.

19 ~~N.~~ N. A taxpayer may not claim a credit under this section and  
20 section 43-1164.03 regarding the same facilities.

21 ~~O.~~ O. The department shall adopt rules and publish and prescribe  
22 forms and procedures as necessary to effectuate the purposes of this  
23 section.

24 ~~P.~~ P. For the purposes of this section:

25 1. "Biomass" means organic material that is available on a  
26 renewable or recurring basis, including:

27 (a) Forest-related materials, including mill residues, logging  
28 residues, forest thinnings, slash, brush, low-commercial value materials  
29 or undesirable species, salt cedar and other phreatophyte or woody  
30 vegetation removed from river basins or watersheds and woody material  
31 harvested for the purpose of forest fire fuel reduction or forest health  
32 and watershed improvement.

33 (b) Agricultural-related materials, including orchard trees,  
34 vineyard, grain or crop residues, including straws and stover, aquatic  
35 plants and agricultural processed coproducts and waste products, including  
36 fats, oils, greases, whey and lactose.

37 (c) Animal waste, including manure and slaughterhouse and other  
38 processing waste.

39 (d) Solid woody waste materials, including landscape or  
40 right-of-way tree trimmings, rangeland maintenance residues, waste  
41 pallets, crates and manufacturing, construction and demolition wood wastes  
42 but excluding pressure-treated, chemically treated or painted wood wastes  
43 and wood contaminated with plastic.

44 (e) Crops and trees planted for the purpose of being used to  
45 produce energy.

1 (f) Landfill gas, wastewater treatment gas and biosolids, including  
2 organic waste by-products generated during the wastewater treatment  
3 process.

4 2. "International operations center" means a facility that is  
5 certified by the Arizona commerce authority pursuant to section 41-1520.

6 3. "Renewable energy facility" means a facility in which the  
7 taxpayer invested at least thirty million dollars, that has at least  
8 twenty megawatts generating capacity or a minimum typical annual  
9 generation of forty thousand megawatt hours, that is located on land in  
10 this state owned or leased by the taxpayer and that produces electricity  
11 using a renewable energy resource.

12 4. "Renewable energy resource" means a resource that generates  
13 electricity through the use of only the following energy sources:

14 (a) Solar light.

15 (b) Solar heat.

16 (c) Wind.

17 (d) Biomass, including fuel cells supplied directly or indirectly  
18 with biomass generated fuels.

19 Sec. 19. Repeal

20 Sections 43-1167, 43-1169 and 43-1176, Arizona Revised Statutes, are  
21 repealed.

22 Sec. 20. Conforming legislation

23 The legislative council staff shall prepare proposed legislation  
24 conforming the Arizona Revised Statutes to the provisions of this act for  
25 consideration in the fifty-third legislature, second regular session.

26 Sec. 21. Savings

27 A. The repeal of section 41-1514.02, Arizona Revised Statutes, by  
28 this act does not affect any remaining application of or qualification for  
29 transaction privilege and use tax deductions and exemptions under the  
30 following provisions of Arizona Revised Statutes:

31 1. Section 42-5061, subsection D.

32 2. Section 42-5063, subsection C, paragraph 4.

33 3. Section 42-5071, subsection A, paragraph 5.

34 4. Section 42-5075, subsection B, paragraph 5.

35 5. Section 42-5159, subsection A, paragraph 31.

36 B. The repeal of any income tax credit under this act does not  
37 affect the continuing validity of any amount of the credit carried forward  
38 from previous taxable years for application against subsequent tax  
39 liabilities as allowed by prior law.

40 Sec. 22. Effective date

41 Except for section 43-1043, Arizona Revised Statutes, as amended by  
42 this act, this act is effective from and after December 31, 2017.