

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

HOUSE BILL 2377

AN ACT

AMENDING TITLE 15, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-118; AMENDING SECTION 43-1021, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; APPROPRIATING MONIES; REPEALING SECTIONS 15-118 AND 43-1075, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 15, chapter 1, article 1, Arizona Revised
3 Statutes, is amended by adding section 15-118, to read:

4 15-118. Classroom teacher supply assistance accounts:
5 definition

6 A. EACH SCHOOL DISTRICT AND CHARTER SCHOOL SHALL ESTABLISH A
7 CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT IN ITS MAINTENANCE AND
8 OPERATION BUDGET. MONIES IN THE CLASSROOM TEACHER SUPPLY ASSISTANCE
9 ACCOUNT SHALL BE DISTRIBUTED TO CLASSROOM TEACHERS FOR THE PURCHASE OF
10 CLASSROOM SUPPLIES AND MATERIALS.

11 B. EACH SCHOOL DISTRICT AND CHARTER SCHOOL SHALL DISTRIBUTE MONIES
12 IN ITS CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT TO CLASSROOM TEACHERS
13 TO PURCHASE, ON BEHALF OF THE SCHOOL DISTRICT OR CHARTER SCHOOL, CLASSROOM
14 MATERIALS AND SUPPLIES TO BE USED IN THE INSTRUCTION OF STUDENTS. MONIES
15 DISTRIBUTED FROM THE CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT:

16 1. MAY NOT BE USED TO PURCHASE EQUIPMENT.

17 2. SHALL BE USED TO SUPPLEMENT THE MATERIALS AND SUPPLIES OTHERWISE
18 AVAILABLE TO CLASSROOM TEACHERS, INCLUDING MONIES DISTRIBUTED FROM THE
19 SEPARATE ACCOUNT PRESCRIBED IN SECTION 15-354.

20 C. ON OR BEFORE JULY 15 OF EACH YEAR, THE DEPARTMENT OF EDUCATION
21 SHALL DISTRIBUTE FROM THE MONIES APPROPRIATED FOR THIS PURPOSE AN AMOUNT
22 TO EACH SCHOOL DISTRICT AND CHARTER SCHOOL THAT IS BASED ON THE TOTAL
23 NUMBER OF CLASSROOM TEACHERS EMPLOYED BY THAT SCHOOL DISTRICT OR CHARTER
24 SCHOOL. EACH SCHOOL DISTRICT OR CHARTER SCHOOL SHALL DEPOSIT THESE MONIES
25 IN ITS CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT.

26 D. IN ADDITION TO MONIES APPROPRIATED TO AND DISTRIBUTED BY THE
27 DEPARTMENT OF EDUCATION FOR THIS PURPOSE, A SCHOOL DISTRICT OR CHARTER
28 SCHOOL MAY ACCEPT AND DEPOSIT IN ITS CLASSROOM TEACHER SUPPLY ASSISTANCE
29 ACCOUNT MONIES RAISED BY OR DONATED TO THE SCHOOL DISTRICT OR CHARTER
30 SCHOOL FOR THE PURCHASE OF CLASSROOM SUPPLIES AND MATERIALS.

31 E. EACH YEAR, EACH SCHOOL DISTRICT AND CHARTER SCHOOL SHALL
32 DISTRIBUTE AN EQUAL AMOUNT FROM ITS CLASSROOM TEACHER SUPPLY ASSISTANCE
33 ACCOUNT TO EACH CLASSROOM TEACHER WHO IS EXPECTED TO BE EMPLOYED BY THE
34 SCHOOL DISTRICT OR CHARTER SCHOOL ON SEPTEMBER 1 OF THAT YEAR. THE SCHOOL
35 DISTRICT GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY MAY PROVIDE A
36 CLASSROOM TEACHER WHO IS DETERMINED TO BE ELIGIBLE ON JULY 1 WITH THAT
37 TEACHER'S TOTAL PROPORTIONATE SHARE ON OR BEFORE AUGUST 1 BASED ON THE
38 ESTIMATE OF THE TOTAL NUMBER OF TEACHERS WHO WILL BE EMPLOYED ON
39 SEPTEMBER 1. THE SCHOOL DISTRICT OR CHARTER SCHOOL SHALL PROVIDE A
40 CLASSROOM TEACHER WHO IS DETERMINED TO BE ELIGIBLE AFTER JULY 1 WITH THAT
41 TEACHER'S TOTAL PROPORTIONATE SHARE ON OR BEFORE SEPTEMBER 30. THE AMOUNT
42 DISTRIBUTED FROM THE CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT TO EACH
43 PART-TIME CLASSROOM TEACHER SHALL BE PRORATED.

1 F. MONIES DISTRIBUTED TO CLASSROOM TEACHERS PURSUANT TO THIS
2 SECTION MAY BE PROVIDED BY ANY MEANS DETERMINED APPROPRIATE BY THE SCHOOL
3 DISTRICT GOVERNING BOARD OR THE CHARTER SCHOOL GOVERNING BODY, INCLUDING
4 DIRECT DEPOSIT, CHECK, DEBIT CARD OR PURCHASING CARD. IF A DEBIT CARD IS
5 PROVIDED TO A TEACHER FOR THIS PURPOSE, AN IDENTIFIER MUST BE PLACED ON
6 THE FRONT OF THE DEBIT CARD THAT CLEARLY INDICATES THE CARD HAS BEEN
7 ISSUED TO ALLOW THAT TEACHER TO PURCHASE CLASSROOM SUPPLIES AND MATERIALS.

8 G. PURCHASES MADE WITH MONIES DISTRIBUTED FROM CLASSROOM TEACHER
9 SUPPLY ASSISTANCE ACCOUNTS ARE NOT SUBJECT TO COMPETITIVE BIDDING
10 REQUIREMENTS.

11 H. MONIES RECEIVED BY A CLASSROOM TEACHER PURSUANT TO THIS SECTION
12 DO NOT AFFECT WAGES, HOURS OR TERMS AND CONDITIONS OF EMPLOYMENT AND ARE
13 NOT SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS.

14 I. A CLASSROOM TEACHER MAY DECLINE THE RECEIPT OF OR RETURN THE
15 MONIES DISTRIBUTED UNDER THIS SECTION WITHOUT EXPLANATION OR CAUSE.

16 J. EACH CLASSROOM TEACHER WHO ACCEPTS MONIES DISTRIBUTED PURSUANT
17 TO THIS SECTION SHALL DO ALL OF THE FOLLOWING:

18 1. SIGN AND DATE AN ACKNOWLEDGMENT OF THE RECEIPT OF THE MONIES
19 THAT INCLUDES THE FOLLOWING STATEMENT:

20 I, _____, AM EMPLOYED BY THE (SCHOOL DISTRICT
21 OR CHARTER SCHOOL) AS A CLASSROOM TEACHER. I ACKNOWLEDGE
22 THAT THESE MONIES ARE APPROPRIATED BY THE LEGISLATURE FOR THE
23 SOLE PURPOSE OF PURCHASING CLASSROOM SUPPLIES AND MATERIALS TO
24 BE USED IN THE INSTRUCTION OF STUDENTS. IN ACCEPTING CUSTODY
25 OF THESE MONIES, I AGREE TO KEEP THE RECEIPTS FOR ALL MONIES
26 SPENT FOR AT LEAST THREE YEARS. I UNDERSTAND THAT IF I DO NOT
27 KEEP THE RECEIPTS, IT WILL BE MY PERSONAL RESPONSIBILITY TO
28 PAY ANY STATE AND FEDERAL TAXES DUE ON THESE MONIES. I ALSO
29 AGREE TO RETURN ANY UNSPENT MONIES TO THE (SCHOOL DISTRICT
30 OR CHARTER SCHOOL) AT THE END OF THE REGULAR SCHOOL YEAR FOR
31 DEPOSIT IN ITS CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT.

32 2. MAINTAIN RECEIPTS FOR MONIES SPENT PURSUANT TO THIS SECTION FOR
33 AT LEAST THREE YEARS.

34 3. RETURN ANY UNSPENT MONIES TO THE SCHOOL DISTRICT OR CHARTER
35 SCHOOL AT THE END OF THE REGULAR SCHOOL YEAR FOR DEPOSIT IN ITS CLASSROOM
36 TEACHER SUPPLY ASSISTANCE ACCOUNT.

37 K. THE DEPARTMENT OF EDUCATION, SCHOOL DISTRICTS AND CHARTER
38 SCHOOLS MAY, AND ARE ENCOURAGED TO, ENTER INTO PUBLIC-PRIVATE PARTNERSHIPS
39 IN ORDER TO INCREASE THE AMOUNT OF MONIES AVAILABLE TO CLASSROOM TEACHERS
40 IN THE CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT.

41 L. FOR THE PURPOSES OF THIS SECTION, "CLASSROOM TEACHER" MEANS A
42 CERTIFICATED TEACHER WHO IS EMPLOYED BY A SCHOOL DISTRICT OR CHARTER
43 SCHOOL ON OR BEFORE SEPTEMBER 1 OF EACH YEAR AND WHO PROVIDES CLASSROOM
44 INSTRUCTION TO STUDENTS.

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

3 43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

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

35 8. 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 43-1080 and that is sold or otherwise disposed of
38 during the taxable year exceeds the adjusted basis of the property
39 computed under section 43-1080.

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

1 10. The amount by which the adjusted basis computed under the
2 internal revenue code with respect to property for which a credit was
3 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
4 or otherwise disposed of during the taxable year exceeds the adjusted
5 basis of the property computed under section 43-1074.02, 43-1081 or
6 43-1081.01, as applicable.

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

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

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

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

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

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

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

38 18. The amount of any previously deferred original issue discount
39 that was deducted in computing federal adjusted gross income in the
40 current year pursuant to section 108(i) of the internal revenue code as
41 added by section 1231 of the American recovery and reinvestment act of
42 2009 (P.L. 111-5), to the extent that the amount was previously subtracted
43 from Arizona gross income pursuant to section 43-1022, paragraph 23.

44 19. Amounts that are considered to be income under section 43-1032,
45 subsection D because the amount is withdrawn from a long-term health care

1 savings account and not used to pay the taxpayer's long-term health care
2 expenses.

3 20. If a subtraction is or has been taken by the taxpayer under
4 section 43-1024, in the current or a prior taxable year for the full
5 amount of eligible access expenditures paid or incurred to comply with the
6 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
7 or title 41, chapter 9, article 8, any amount of eligible access
8 expenditures that is recognized under the internal revenue code, including
9 any amount that is amortized according to federal amortization schedules,
10 and that is included in computing taxable income for the current taxable
11 year.

12 21. For taxable years beginning from and after December 31, 2017,
13 the amount of any net capital loss included in Arizona gross income for
14 the taxable year that is derived from the exchange of one kind of legal
15 tender for another kind of legal tender. For the purposes of this
16 paragraph:

17 (a) "Legal tender" means a medium of exchange, including specie,
18 that is authorized by the United States Constitution or Congress for the
19 payment of debts, public charges, taxes and dues.

20 (b) "Specie" means coins having precious metal content.

21 22. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018
22 THROUGH DECEMBER 31, 2020, ANY EXPENSES OF ELEMENTARY AND SECONDARY
23 SCHOOLTEACHERS DEDUCTED PURSUANT TO SECTION 62(a)(2)(D) OF THE INTERNAL
24 REVENUE CODE TO THE EXTENT THAT A CREDIT IS CLAIMED FOR THE SAME EXPENSES
25 UNDER SECTION 43-1075.

26 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes,
27 is amended by adding section 43-1075, to read:

28 43-1075. Credit for educational supplies and materials;
29 definition

30 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018
31 THROUGH DECEMBER 31, 2020, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED
32 BY THIS TITLE FOR EXPENSES INCURRED BY A QUALIFIED SCHOOLTEACHER DURING
33 THE TAXABLE YEAR FOR EDUCATIONAL SUPPLIES AND MATERIALS THAT ARE PURCHASED
34 BY THE QUALIFIED SCHOOLTEACHER AND USED IN THE QUALIFIED SCHOOLTEACHER'S
35 CLASSROOM. TO QUALIFY FOR THE CREDIT, A SCHOOLTEACHER MUST RECEIVE AND
36 SPEND THE FULL AMOUNT OF MONIES THE SCHOOL MAKES AVAILABLE TO THE TEACHER
37 FROM ITS CLASSROOM TEACHER SUPPLY ASSISTANCE ACCOUNT FOR THE SCHOOL YEAR
38 PURSUANT TO, AND ONLY FOR THE PURPOSES PRESCRIBED BY, SECTION 15-118.

39 B. THE AMOUNT OF THE CREDIT UNDER THIS SECTION IS THE RETAIL PRICE
40 PAID BY THE QUALIFIED SCHOOLTEACHER DURING THE TAXABLE YEAR FOR THE
41 SUPPLIES AND MATERIALS, EXCLUSIVE OF THE AMOUNT RECEIVED BY THE TAXPAYER
42 DURING THE TAXABLE YEAR FROM THE CLASSROOM TEACHER SUPPLY ASSISTANCE
43 ACCOUNT UNDER SECTION 15-118, BUT NOT MORE THAN ONE HUNDRED FIFTY DOLLARS.
44 IF BOTH A HUSBAND AND WIFE FILING A JOINT RETURN ARE QUALIFIED
45 SCHOOLTEACHERS AND SEPARATELY INCUR EXPENSES FOR EDUCATIONAL SUPPLIES AND

1 MATERIALS, THEY MAY INCLUDE THE EXPENSES INCURRED BY BOTH SPOUSES,
2 EXCLUSIVE OF AMOUNTS RECEIVED BY THE RESPECTIVE SPOUSES FROM THE CLASSROOM
3 TEACHER SUPPLY ASSISTANCE ACCOUNT, BUT NOT MORE THAN ONE HUNDRED FIFTY
4 DOLLARS OF SEPARATE EXPENSES FOR EACH SPOUSE.

5 C. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE
6 UNDER THIS TITLE ON THE CLAIMANT'S INCOME FOR THE TAXABLE YEAR, OR IF
7 THERE ARE NO TAXES DUE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT
8 USED TO OFFSET TAXES FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
9 YEARS.

10 D. THE CREDIT ALLOWED UNDER THIS SECTION IS IN LIEU OF ANY
11 DEDUCTION ALLOWANCE FOR STATE TAX PURPOSES FOR THE SAME EXPENSES PURSUANT
12 TO SECTION 62(a)(2)(D) OF THE INTERNAL REVENUE CODE.

13 E. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED SCHOOLTEACHER"
14 MEANS A TEACHER IN A KINDERGARTEN PROGRAM OR IN ANY OF GRADES ONE THROUGH
15 TWELVE.

16 Sec. 4. Purpose

17 Pursuant to section 43-223, Arizona Revised Statutes, the
18 legislature enacts section 43-1075, Arizona Revised Statutes, as added by
19 this act, to reduce the financial burden on schoolteachers who personally
20 purchase school supplies and materials for use in the teacher's classroom.

21 Sec. 5. Appropriations; department of education; teacher
22 classroom supply assistance accounts

23 The sum of \$8,700,000 is appropriated from the state general fund in
24 each of fiscal years 2018-2019 and 2019-2020 to the department of
25 education for distribution to school districts and charter schools for
26 deposit in classroom teacher supply assistance accounts as prescribed by
27 this act.

28 Sec. 6. Delayed repeal

29 Sections 15-118 and 43-1075, Arizona Revised Statutes, as added by
30 this act, are repealed from and after June 30, 2021, except that the
31 repeal of section 43-1075, Arizona Revised Statutes, as added by this act,
32 does not affect any carryover of any amount of the credit.