

REFERENCE TITLE: veterans; income tax subtraction; increase.

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

SB 1237

Introduced by
Senator Gowan: Representative Griffin

AN ACT

AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; RELATING TO MILITARY PENSIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1022, Arizona Revised Statutes, is amended to
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts
6 shall be subtracted from Arizona gross income:

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

8 2. Benefits, annuities and pensions in an amount totaling not more
9 than \$2,500 received from one or more of the following:

10 (a) The United States government service retirement and disability
11 fund, the United States foreign service retirement and disability system
12 and any other retirement system or plan established by federal law, except
13 retired or retainer pay of the uniformed services of the United States
14 that ~~qualify~~ QUALIFIES for a subtraction under paragraph 29 of this
15 section.

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

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

26 4. Interest income received on obligations of the United States,
27 minus any interest on indebtedness, or other related expenses, and
28 deducted in arriving at Arizona gross income, that were incurred or
29 continued to purchase or carry such obligations.

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

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

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

38 8. The portion of any wages or salaries paid or incurred by the
39 taxpayer for the taxable year that is equal to the amount of the federal
40 work opportunity credit, the empowerment zone employment credit, the
41 credit for employer paid social security taxes on employee cash tips and
42 the Indian employment credit that the taxpayer received under sections
43 45A, 45B, 51(a) and 1396 of the internal revenue code.

44 9. The amount of exploration expenses that is determined pursuant
45 to section 617 of the internal revenue code, that has been deferred in a

1 taxable year ending before January 1, 1990 and for which a subtraction has
2 not previously been made. The subtraction shall be made on a ratable
3 basis as the units of produced ores or minerals discovered or explored as
4 a result of this exploration are sold.

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

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

13 12. The amount of unreimbursed medical and hospital costs, adoption
14 counseling, legal and agency fees and other nonrecurring costs of adoption
15 not to exceed \$3,000. In the case of a husband and wife who file separate
16 returns, the subtraction may be taken by either taxpayer or may be divided
17 between them, but the total subtractions allowed both husband and wife
18 shall not exceed \$3,000. The subtraction under this paragraph may be
19 taken for the costs that are described in this paragraph and that are
20 incurred in prior years, but the subtraction may be taken only in the year
21 during which the final adoption order is granted.

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

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

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

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

37 17. The amount authorized by section 43-1030 relating to holocaust
38 survivors.

39 18. For property placed in service:

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

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

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

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

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

29 19. With respect to property that is sold or otherwise disposed of
30 during the taxable year by a taxpayer that complied with section 43-1021,
31 paragraph 14 with respect to that property, the amount of depreciation
32 that has been allowed pursuant to section 167(a) of the internal revenue
33 code to the extent that the amount has not already reduced Arizona taxable
34 income in the current or prior taxable years.

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

39 (a) \$2,000 for a single individual or a head of household.

40 (b) \$4,000 for a married couple filing a joint return. In the case
41 of a husband and wife who file separate returns, the subtraction may be
42 taken by either taxpayer or may be divided between them, but the total
43 subtractions allowed both husband and wife shall not exceed \$4,000.

44 21. The amount of any original issue discount that was deferred and
45 not allowed to be deducted in computing federal adjusted gross income in

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

4 22. The amount of previously deferred discharge of indebtedness
5 income that is included in the computation of federal adjusted gross
6 income in the current taxable year pursuant to section 108(i) of the
7 internal revenue code as added by section 1231 of the American recovery
8 and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount
9 was previously added to Arizona gross income pursuant to section 43-1021,
10 paragraph 16.

11 23. The portion of the net operating loss carryforward that would
12 have been allowed as a deduction in the current year pursuant to section
13 172 of the internal revenue code if the election described in section
14 172(b)(1)(H) of the internal revenue code had not been made in the year of
15 the loss that exceeds the actual net operating loss carryforward that was
16 deducted in arriving at federal adjusted gross income. This subtraction
17 only applies to taxpayers who made an election under section 172(b)(1)(H)
18 of the internal revenue code as amended by section 1211 of the American
19 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
20 section 13 of the worker, homeownership, and business assistance act of
21 2009 (P.L. 111-92).

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

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

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

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

36 (c) For taxable years beginning from and after December 31, 2014,
37 twenty-five percent of the net long-term capital gain included in federal
38 adjusted gross income. For the purposes of this paragraph, a transferee
39 that receives an asset by gift or at the death of a transferor is
40 considered to have acquired the asset when the asset was acquired by the
41 transferor. If the date an asset is acquired cannot be verified, a
42 subtraction under this paragraph is not allowed.

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

1 27. The amount of eligible access expenditures paid or incurred
2 during the taxable year to comply with the requirements of the Americans
3 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
4 article 8 as provided by section 43-1024.

5 28. For taxable years beginning from and after December 31, 2017,
6 the amount of any net capital gain included in Arizona gross income for
7 the taxable year that is derived from the exchange of one kind of legal
8 tender for another kind of legal tender. For the purposes of this
9 paragraph:

10 (a) "Legal tender" means a medium of exchange, including specie,
11 that is authorized by the United States Constitution or Congress to pay
12 debts, public charges, taxes and dues.

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

14 29. Benefits, annuities and pensions received as retired or
15 retainer pay of the uniformed services of the United States in amounts as
16 follows:

17 (a) For taxable years through December 31, 2018, an amount totaling
18 not more than \$2,500.

19 (b) For taxable years beginning from and after December 31, 2018
20 THROUGH DECEMBER 31, 2019, an amount totaling not more than \$3,500.

21 (c) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2019,
22 THE FULL AMOUNT RECEIVED.

23 Sec. 2. Retroactivity

24 This act applies retroactively to taxable years beginning from and
25 after December 31, 2019.