

Senate Engrossed House Bill

income tax; partnerships; S corporations

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

HOUSE BILL 2838

AN ACT

AMENDING SECTIONS 43-222 AND 43-581, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1014; AMENDING SECTIONS 43-1021 AND 43-1071, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; RELATING TO THE TAXATION OF INCOME.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section. 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 **43-222. Income tax credit review schedule**

5 The joint legislative income tax credit review committee shall
6 review the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
8 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

9 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
10 **43-1075**, 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

11 3. For years ending in 2 and 7, sections 43-1073, 43-1085, 43-1086,
12 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

13 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
14 43-1168, 43-1170 and 43-1178.

15 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
16 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

17 Sec. 2. Section 43-581, Arizona Revised Statutes, is amended to
18 read:

19 **43-581. Payment of estimated tax: penalty: rules: forms**

20 A. An individual who is subject to the tax imposed by this title
21 and whose Arizona gross income, as defined by section 43-1001, or as
22 described by section 43-1091 in the case of nonresidents, for the taxable
23 year exceeds ~~seventy-five thousand dollars~~ \$75,000 or ~~one hundred fifty~~
24 ~~thousand dollars~~ \$150,000 if a joint return is filed and whose Arizona
25 gross income was greater than ~~seventy-five thousand dollars~~ \$75,000 in the
26 preceding taxable year or ~~one hundred fifty thousand dollars~~ \$150,000 in
27 the preceding taxable year if a joint return is filed shall make payments
28 of estimated tax during the individual's taxable year. The amount of the
29 payments of estimated tax shall be an amount that reasonably reflects a
30 taxpayer's Arizona income tax liability that will be unpaid at the end of
31 the taxpayer's taxable year. This amount shall be paid in four
32 installments on or before the due dates established by the internal
33 revenue code and shall total, when combined with the taxpayer's
34 withholding tax, at least ninety percent of the tax due for the current
35 taxable year or one hundred percent of the tax due for the preceding
36 taxable year.

37 B. Any other individual who is subject to the tax imposed by this
38 title may make payments of estimated tax during the individual's taxable
39 year. The amount of any estimated tax payments for the taxable year shall
40 be an amount that reasonably reflects a taxpayer's Arizona income tax
41 liability that will be unpaid at the end of the taxpayer's taxable year.

42 C. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021, AN
43 ENTITY THAT IS TREATED AS A PARTNERSHIP OR S CORPORATION FOR FEDERAL
44 INCOME TAX PURPOSES, THAT ELECTS TO PAY THE TAX UNDER SECTION 43-1014 AND
45 WHOSE TAXABLE INCOME FOR THE TAXABLE YEAR EXCEEDS \$150,000 IN THE

1 PRECEDING TAXABLE YEAR SHALL MAKE PAYMENTS OF ESTIMATED TAX DURING THE
2 TAXABLE YEAR IN A MANNER THAT IS CONSISTENT WITH THE MANNER PRESCRIBED IN
3 THIS SECTION FOR INDIVIDUALS.

4 ~~C.~~ D. The department shall prescribe rules for the payments of
5 estimated tax that shall provide for estimated payments in a manner
6 similar to the manner prescribed in the internal revenue code.

7 ~~D.~~ E. If the taxpayer does not pay the estimated tax required by
8 subsection A ~~OR C~~ of this section on or before the prescribed dates, there
9 is assessed and the department shall collect a penalty on the unpaid
10 amount as prescribed by section 42-1125, subsection Q. ~~NO~~ Penalties or
11 interest shall ~~NOT~~ be assessed or collected if either of the following
12 applies:

13 1. The estimated tax payments made pursuant to this section are
14 allowable exceptions under section 6654 of the internal revenue code.

15 2. The taxpayer's Arizona income tax liability due on the
16 taxpayer's return is less than ~~one thousand dollars~~ \$1,000. For the
17 purposes of this paragraph, "Arizona income tax liability due on the
18 taxpayer's return" means the amount of tax due on the return minus the
19 amount of Arizona income tax withheld and tax credits claimed by the
20 taxpayer.

21 ~~E.~~ F. The department shall make available suitable forms and
22 instructions to taxpayers who make estimated tax payments pursuant to this
23 article.

24 Sec. 3. Title 43, chapter 10, article 2, Arizona Revised Statutes,
25 is amended by adding section 43-1014, to read:

26 43-1014. Entity-level tax election; partnerships;
27 S corporations

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021,
29 THE PARTNERS OR SHAREHOLDERS OF A BUSINESS THAT IS TREATED AS A
30 PARTNERSHIP OR S CORPORATION FOR FEDERAL INCOME TAX PURPOSES MAY CONSENT
31 TO BE TAXED AT THE ENTITY LEVEL AT A RATE OF FOUR AND ONE-HALF PERCENT OF
32 THE ENTIRE PORTION OF ITS TAXABLE INCOME THAT IS ATTRIBUTABLE TO ITS
33 RESIDENT PARTNERS OR SHAREHOLDERS AND THE PORTION OF ITS TAXABLE INCOME
34 DERIVED FROM SOURCES WITHIN THIS STATE THAT IS ATTRIBUTABLE TO ITS
35 NONRESIDENT PARTNERS OR SHAREHOLDERS FOR THAT TAXABLE YEAR. THE ELECTION
36 UNDER THIS SUBSECTION MUST BE MADE ON OR BEFORE THE DUE DATE OR EXTENDED
37 DUE DATE OF THE BUSINESS'S RETURN UNDER THIS TITLE.

38 B. IF THE ELECTION IS MADE UNDER SUBSECTION A OF THIS SECTION, ALL
39 OF THE FOLLOWING APPLY:

40 1. THE TAXABLE INCOME OF THE PARTNERSHIP OR S CORPORATION SHALL BE
41 COMPUTED UNDER THIS CHAPTER OR CHAPTER 14 OF THIS TITLE, AS APPLICABLE.

42 2. IF THE PARTNERSHIP OR S CORPORATION DOES NOT PAY THE AMOUNT OWED
43 TO THE DEPARTMENT AS A RESULT OF THE ELECTION UNDER THIS SECTION, THE
44 DEPARTMENT MAY COLLECT THE AMOUNT FROM THE PARTNERS OR SHAREHOLDERS BASED

1 ON THE PROPORTIONATE SHARE OF INCOME THAT IS ATTRIBUTABLE TO EACH PARTNER
2 OR SHAREHOLDER FOR ARIZONA TAX PURPOSES.

3 3. THE PARTNERSHIP OR S CORPORATION SHALL PAY ESTIMATED TAX
4 PURSUANT TO SECTION 43-581 AS NECESSARY.

5 C. THE ELECTION UNDER SUBSECTION A OF THIS SECTION DOES NOT APPLY
6 TO THE FOLLOWING:

7 1. PARTNERS OR SHAREHOLDERS THAT ARE NOT INDIVIDUALS, ESTATES OR
8 TRUSTS. THE PORTION OF THE TAXABLE INCOME ATTRIBUTABLE TO A PARTNER OR
9 SHAREHOLDER THAT IS NOT AN INDIVIDUAL, ESTATE OR TRUST IS NOT INCLUDED IN
10 THE ENTITY-LEVEL TAX UNDER SUBSECTION A OF THIS SECTION.

11 2. PARTNERS OR SHAREHOLDERS WHO ARE INDIVIDUALS, ESTATES OR TRUSTS
12 AND WHO OPT OUT OR WAIVE THE RIGHT TO OPT OUT OF THE ELECTION PURSUANT TO
13 SUBSECTION D OF THIS SECTION. THE PORTION OF THE TAXABLE INCOME
14 ATTRIBUTABLE TO A PARTNER OR SHAREHOLDER WHO IS AN INDIVIDUAL, ESTATE OR
15 TRUST AND WHO OPTS OUT OR WAIVES THE RIGHT TO OPT OUT OF THE ELECTION
16 PURSUANT TO SUBSECTION D OF THIS SECTION IS NOT INCLUDED IN THE
17 ENTITY-LEVEL TAX UNDER SUBSECTION A OF THIS SECTION.

18 D. A PARTNERSHIP OR S CORPORATION THAT INTENDS TO MAKE THE ELECTION
19 UNDER SUBSECTION A OF THIS SECTION SHALL NOTIFY ALL PARTNERS OR
20 SHAREHOLDERS WHO ARE INDIVIDUALS, ESTATES OR TRUSTS OF THE INTENT TO MAKE
21 THE ELECTION AND THAT EACH PARTNER OR SHAREHOLDER WHO IS AN INDIVIDUAL,
22 ESTATE OR TRUST HAS THE RIGHT TO OPT OUT OF THE ELECTION. THE NOTICE SHALL
23 ALLOW EACH PARTNER OR SHAREHOLDER WHO IS AN INDIVIDUAL, ESTATE OR TRUST AT
24 LEAST SIXTY DAYS AFTER RECEIVING THE NOTICE TO NOTIFY THE PARTNERSHIP OR S
25 CORPORATION THAT THE PARTNER OR SHAREHOLDER WHO IS AN INDIVIDUAL, ESTATE
26 OR TRUST IS EXERCISING THE PARTNER'S OR SHAREHOLDER'S RIGHT TO OPT OUT OF
27 THE ELECTION. IF THE PARTNER OR SHAREHOLDER WHO IS AN INDIVIDUAL, ESTATE
28 OR TRUST DOES NOT RESPOND WITHIN THE SIXTY-DAY PERIOD OR WAIVES THE RIGHT
29 TO OPT OUT, THE PARTNER OR SHAREHOLDER WILL BE INCLUDED IN THE ELECTION.

30 E. THE DEPARTMENT SHALL ADOPT RULES AND PRESCRIBE FORMS AND
31 PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION.

32 Sec. 4. Section 43-1021, Arizona Revised Statutes, is amended to
33 read:

34 43-1021. Addition to Arizona gross income

35 In computing Arizona adjusted gross income, the following amounts
36 shall be added to Arizona gross income:

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

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

44 3. The amount of interest income received on obligations of any
45 state, territory or possession of the United States, or any political

1 subdivision thereof, located outside the state of Arizona, reduced, for
2 taxable years beginning from and after December 31, 1996, by the amount of
3 any interest on indebtedness and other related expenses that were incurred
4 or continued to purchase or carry those obligations and that are not
5 otherwise deducted or subtracted in arriving at Arizona gross income.

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

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

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

16 7. The amount by which the depreciation or amortization computed
17 under the internal revenue code with respect to property for which a
18 credit was taken under either section 43-1081 or 43-1081.01 exceeds the
19 amount of depreciation or amortization computed pursuant to the internal
20 revenue code on the Arizona adjusted basis of the property.

21 8. The amount by which the adjusted basis computed under the
22 internal revenue code with respect to property for which a credit was
23 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
24 or otherwise disposed of during the taxable year exceeds the adjusted
25 basis of the property computed under section 43-1074.02, 43-1081 or
26 43-1081.01, as applicable.

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

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

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

38 12. The amount of any depreciation allowance allowed pursuant to
39 section 167(a) of the internal revenue code to the extent not previously
40 added.

41 13. The amount of a nonqualified withdrawal, as defined in section
42 15-1871, from a college savings plan established pursuant to section 529
43 of the internal revenue code that is made to a distributee to the extent
44 the amount is not included in computing federal adjusted gross income,
45 except that the amount added under this paragraph shall not exceed the

1 difference between the amount subtracted under section 43-1022 in prior
2 taxable years and the amount added under this section in any prior taxable
3 years.

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

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

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

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

22 16. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021,
23 THE AMOUNT DEDUCTED BY THE PARTNERSHIP OR S CORPORATION PURSUANT TO THE
24 INTERNAL REVENUE CODE FOR THE AMOUNT PAID TO THIS STATE UNDER SECTION
25 43-1014 AND FOR TAXES THAT THE DEPARTMENT DETERMINES ARE SUBSTANTIALLY
26 SIMILAR TO THE TAX IMPOSED UNDER SECTION 43-1014. THIS AMOUNT SHALL BE
27 REFLECTED IN THE PARTNER'S OR SHAREHOLDER'S ARIZONA GROSS INCOME AND THE
28 PARTNERSHIP'S OR S CORPORATION'S ARIZONA TAXABLE INCOME.

29 Sec. 5. Section 43-1071, Arizona Revised Statutes, is amended to
30 read:

31 43-1071. Credit for income taxes paid to other states:
32 definitions

33 A. Subject to the following conditions, residents ~~shall be~~ ARE
34 allowed a credit against the taxes imposed by this chapter for net income
35 taxes imposed by and paid to another state or country on income taxable
36 under this chapter:

37 1. The credit ~~shall be~~ IS allowed only for taxes paid to the other
38 state or country on income that is derived from sources within that state
39 or country and that is taxable under its laws irrespective of the
40 residence or domicile of the recipient.

41 2. The credit ~~shall~~ IS not ~~be~~ allowed if the other state or country
42 allows residents of this state a credit against the taxes imposed by that
43 state or country for taxes paid or payable under this chapter.

44 3. The credit shall not exceed the proportion of the tax payable
45 under this chapter as the income subject to tax in the other state or

1 country and also taxable under this title bears to the taxpayer's entire
2 income on which the tax is imposed by this chapter.

3 B. If any taxes paid to another state or country for which a
4 taxpayer has been allowed a credit under this section are at any time
5 credited or refunded to the taxpayer:

6 1. The taxpayer shall immediately report that fact to the
7 department.

8 2. A tax equal to the credit allowed for the taxes credited or
9 refunded by the other state or country is due and payable from the
10 taxpayer on notice and demand from the department.

11 3. Interest shall be added to and collected as a part of the tax at
12 the rate determined pursuant to section 42-1123 from the date the credit
13 was allowed under this chapter to the date of the notice and demand.

14 4. If the tax and interest are not paid within ten days ~~from~~ AFTER
15 the date of notice and demand, there shall be collected as a part of the
16 tax interest on the unpaid amount of tax and interest at the rate of
17 twelve percent a year from the date of the notice and demand until the
18 amount is paid.

19 C. The credit against the taxes imposed by this chapter for net
20 income taxes paid to another state or country ~~shall~~ IS not ~~be~~ allowed to
21 any taxpayer or any class of taxpayers if the allowances of the credit
22 will result in any invalid or illegal discrimination against another
23 taxpayer or another class of taxpayers.

24 D. For taxable years beginning on or after January 1, 2002 and
25 subject to the following conditions, a resident of this state, who is also
26 considered to be a resident of another state under the laws of the other
27 state, is allowed a credit against the taxes imposed by this title for net
28 income taxes imposed by and paid to that state on income taxable under
29 this title as follows:

30 1. The credit is allowed only if the other state taxes the income
31 to the resident of this state and does not allow the taxpayer a credit
32 against taxes imposed by that state on that income for taxes paid or
33 payable on that income under this title.

34 2. The credit is allowed only for the proportion of the taxes paid
35 to the other state as the income taxable under this title and also subject
36 to tax in the other state bears to the entire income on which the taxes
37 paid to the other state are imposed.

38 3. The credit may not exceed the proportion of the tax payable
39 under this title as the income taxable under this title and also subject
40 to tax in the other state bears to the entire income taxable under this
41 title.

42 4. For the purpose of the credit allowed under this subsection,
43 "income taxable under this title and also subject to tax in the other
44 state" means income that would be sourced to the other state if the other

1 state were imposing its income tax on the taxpayer as if the taxpayer was
2 a nonresident of that other state.

3 E. The taxpayer may apply the allowable credit only against Arizona
4 income tax for the same taxable year in which the income is subject to tax
5 in the other state.

6 F. An individual who participates in a composite income tax return
7 in another state may claim a credit for taxes paid to the other state if
8 the taxpayer meets all of the requirements of this section and the taxes
9 paid to the other state are imposed on and paid directly by the individual
10 taxpayer and not the entity. For the purposes of this subsection, taxes
11 are considered to be imposed on and paid directly by the individual under
12 one or more of the following circumstances:

13 1. The individual makes direct payment to the other state.
14 2. The individual makes direct payment to the entity filing the
15 composite income tax return.

16 3. The entity charges the individual's loan account for the amount
17 of the tax.

18 4. The entity reduces the individual's capital account.

19 G. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021, A
20 RESIDENT TAXPAYER IS ALLOWED A CREDIT AGAINST THE TAX OTHERWISE DUE UNDER
21 THIS TITLE FOR THE AMOUNT OF ANY TAX THAT THE DEPARTMENT DETERMINES IS
22 SUBSTANTIALLY SIMILAR TO THE TAX IMPOSED UNDER SECTION 43-1014 FOR THE
23 TAXABLE YEAR AND THAT IS IMPOSED BY ANOTHER STATE OF THE UNITED STATES OR
24 A POLITICAL SUBDIVISION OF SUCH A STATE, OR BY THE DISTRICT OF COLUMBIA,
25 WITH RESPECT TO THE DIRECT AND INDIRECT TAXABLE INCOME ATTRIBUTABLE TO THE
26 RESIDENT TAXPAYER FROM A PASS-THROUGH ENTITY THAT IS ALSO SUBJECT TO TAX
27 UNDER THIS TITLE. A CREDIT ALLOWED PURSUANT TO THIS SUBSECTION MAY NOT
28 EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED IF THE INCOME WERE TAXED AT
29 THE INDIVIDUAL LEVEL AND NOT TAXED AT THE ENTITY LEVEL.

30 H. If the taxpayer claims the credit for taxes paid to a
31 foreign country, the taxpayer shall use the conversion rate in effect on
32 the date the taxpayer paid the taxes to the foreign country.

33 ~~H.~~ I. For the purposes of this section:

34 1. "Composite income tax return" means a single income tax return
35 that is filed with another state on behalf of a group of individuals who
36 are partners or shareholders of the partnership or S corporation that
37 filed the return on their behalf.

38 2. "Entire income on which the other state's or country's tax is
39 imposed" means the other state's or country's income computed under the
40 equivalent of section 43-1094 but does not include any exemption allowable
41 under the equivalent of section 43-1023.

42 3. "Entire income on which the tax is imposed by this chapter"
43 means Arizona adjusted gross income as defined and computed under section
44 43-1001 but does not include any exemption allowed under section 43-1023.

1 4. "Income subject to tax in the other state or country and also
2 taxable under this title" means the portion of income that is included in
3 entire income on which the tax is imposed by this chapter that is also
4 included in the entire income on which the other state's or country's tax
5 is imposed. The taxpayer shall increase or reduce the portion of income
6 that is included in the entire income on which the tax is imposed by this
7 chapter by any related additions under section 43-1021 and by any related
8 subtractions under section 43-1022. The taxpayer shall increase or reduce
9 the portion of income that is included in the entire income on which the
10 other state's or country's tax is imposed by any related additions and
11 subtractions under the other state's equivalent of sections 43-1021 and
12 43-1022, as applicable.

13 5. "Net income tax":

14 (a) Means:

15 (i) A tax that grants deductions or exemptions from gross income.
16 (ii) Any tax imposed by another country that qualifies for a credit
17 under sections 901 and 903 of the internal revenue code and the
18 regulations under those sections, even if withheld from income.

19 (b) Except as specifically included in subdivision (a) of this
20 paragraph, does not include:

21 (i) A system of taxation that assesses taxes on gross income, gross
22 receipts or gross dividends.

23 (ii) Taxes withheld from income.

24 6. "Tax payable under this chapter" means the income tax imposed by
25 this state on the taxpayer's taxable income as defined under section
26 43-1001 minus any tax credit amount claimed for the taxable year under
27 this article but not including the credit amount allowed under this
28 section.

29 Sec. 6. Title 43, chapter 10, article 5, Arizona Revised Statutes,
30 is amended by adding section 43-1075, to read:

31 43-1075. Credit for entity-level income tax

32 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021, A
33 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A TAXPAYER
34 WHO IS A PARTNER IN A PARTNERSHIP OR A SHAREHOLDER OF AN S CORPORATION
35 THAT ELECTS TO PAY THE TAX UNDER SECTION 43-1014.

36 B. THE AMOUNT OF THE CREDIT IS THE PORTION OF THE TAX PAID BY THE
37 PARTNERSHIP OR S CORPORATION UNDER SECTION 43-1014 THAT IS ATTRIBUTABLE TO
38 THE PARTNER'S OR SHAREHOLDER'S SHARE OF INCOME TAXABLE IN THIS STATE.

39 C. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
40 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
41 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS
42 TITLE MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
43 YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

1 Sec. 7. Purpose

2 Pursuant to section 43-223, Arizona Revised Statutes, the
3 legislature enacts section 43-1075, Arizona Revised Statutes, as added by
4 this act, to restore the ability for partnerships and S corporations in
5 this state to deduct state income taxes.

6 Sec. 8. Effective date; retroactivity

7 This act is effective from and after December 31, 2021.