

REFERENCE TITLE: **conformity; internal revenue code; exception**

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

HB 2879

Introduced by
Representative Toma

AN ACT

AMENDING SECTIONS 42-1001, 43-105, 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1022.01; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 42-1001, Arizona Revised Statutes, is amended to read:

42-1001. Definitions

In this title, unless the context otherwise requires:

1. "Board" or "state board" means either the state board of tax appeals or the state board of equalization, as applicable.

2. "Court" means the tax court or superior court, whichever is applicable.

3. "Department" means the department of revenue.

4. "Director" means the director of the department.

5. "Electronically send" or "send electronically" means to send by either email or the use of an electronic portal.

6. "Electronic portal" means a secure location on a website established by the department that requires the receiver to enter a password to access.

7. "Email" means:

(a) An electronic transmission of a message to an email address.

(b) If the message contains confidential information, the electronic transmission of a message to an email address using encryption software that requires the receiver to enter a password before the message can be retrieved and viewed.

8. "Internal revenue code" means the United States internal revenue code of 1986, as amended and in effect as of January 1, ~~2020~~ 2021, including those provisions that became effective during ~~2019~~ 2020 with the specific adoption of their retroactive effective dates but excluding all changes to the code enacted after January 1, ~~2020~~ 2021.

Sec. 2. Section 43-105, Arizona Revised Statutes, is amended to read:

43-105. Internal revenue code; definition; application

A. FOR THE PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, IN EFFECT ON JANUARY 1, 2021, INCLUDING THOSE PROVISIONS THAT BECAME EFFECTIVE DURING 2020 WITH THE SPECIFIC ADOPTION OF ALL RETROACTIVE EFFECTIVE DATES, BUT EXCLUDING ANY CHANGES TO THE CODE ENACTED AFTER JANUARY 1, 2021.

~~A.~~ B. For the purposes of computing income tax pursuant to this title, for taxable years beginning from and after December 31, 2019 THROUGH DECEMBER 31, 2020, "internal revenue code" means the United States internal revenue code of 1986, as amended, in effect on January 1, 2020, including those provisions that became effective during 2019 with the specific adoption of all retroactive effective dates, ~~but excluding any changes to the code enacted after January 1, 2020~~ AND INCLUDING THOSE PROVISIONS OF THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT (P.L. 116-127),

1 THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (P.L. 116-136), THE
 2 PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT OF 2020 (P.L. 116-142) AND THE
 3 CONSOLIDATED APPROPRIATIONS ACT, 2021 (P.L. 116-260) THAT ARE
 4 RETROACTIVELY EFFECTIVE DURING TAXABLE YEARS BEGINNING FROM AND AFTER
 5 DECEMBER 31, 2019 THROUGH DECEMBER 31, 2020.

6 ~~B.~~ C. For the purposes of computing income tax pursuant to this
 7 title, for taxable years beginning from and after December 31, 2018
 8 through December 31, 2019, "internal revenue code" means the United States
 9 internal revenue code of 1986, as amended, in effect on January 1, 2019,
 10 including those provisions that became effective during 2018 with the
 11 specific adoption of all retroactive effective dates, and including those
 12 provisions of the taxpayer first act (P.L. 116-25), ~~and~~ the further
 13 consolidated appropriations act, 2020 (P.L. 116-94), THE CORONAVIRUS AID,
 14 RELIEF, AND ECONOMIC SECURITY ACT (P.L. 116-136) AND THE CONSOLIDATED
 15 APPROPRIATIONS ACT, 2021 (P.L. 116-260) that are retroactively effective
 16 during taxable years beginning from and after December 31, 2018 through
 17 December 31, 2019.

18 ~~C.~~ D. For the purposes of computing income tax pursuant to this
 19 title, for taxable years beginning from and after December 31, 2017
 20 through December 31, 2018, "internal revenue code" means the United States
 21 internal revenue code of 1986, as amended, in effect on January 1, 2018,
 22 including those provisions that became effective during 2017 with the
 23 specific adoption of all retroactive effective dates, and including those
 24 provisions of the bipartisan budget act of 2018 (P.L. 115-123), the
 25 consolidated appropriations act, 2018 (P.L. 115-141), ~~and~~ the further
 26 consolidated appropriations act, 2020 (P.L. 116-94), THE CORONAVIRUS AID,
 27 RELIEF, AND ECONOMIC SECURITY ACT (P.L. 116-136) AND THE CONSOLIDATED
 28 APPROPRIATIONS ACT, 2021 (P.L. 116-260) that are retroactively effective
 29 during taxable years beginning from and after December 31, 2017 through
 30 December 31, 2018.

31 ~~D.~~ E. For the purposes of computing income tax pursuant to this
 32 title, for taxable years beginning from and after December 31, 2016
 33 through December 31, 2017, "internal revenue code" means the United States
 34 internal revenue code of 1986, as amended, in effect on January 1, 2017,
 35 including those provisions that became effective during 2016 with the
 36 specific adoption of all federal retroactive effective dates, and
 37 including those provisions of the disaster tax relief and airport and
 38 airway extension act of 2017 (P.L. 115-63), the tax cuts and jobs act
 39 (P.L. 115-97), the bipartisan budget act of 2018 (P.L. 115-123), the
 40 consolidated appropriations act, 2018 (P.L. 115-141) and the further
 41 consolidated appropriations act, 2020 (P.L. 116-94) that are retroactively
 42 effective during taxable years beginning from and after December 31, 2016
 43 through December 31, 2017.

44 ~~E.~~ F. For the purposes of computing income tax pursuant to this
 45 title, for taxable years beginning from and after December 31, 2015

1 through December 31, 2016, "internal revenue code" means the United States
2 internal revenue code of 1986, as amended, in effect on January 1, 2016,
3 including those provisions that became effective during 2015 with the
4 specific adoption of all federal retroactive effective dates, and
5 including those provisions of the United States appreciation for olympians
6 and paralympians act of 2016 (P.L. 114-239), the tax cuts and jobs act
7 (P.L. 115-97), the consolidated appropriations act, 2018 (P.L. 115-141)
8 and the further consolidated appropriations act, 2020 (P.L. 116-94) that
9 are retroactively effective during taxable years beginning from and after
10 December 31, 2015 through December 31, 2016.

11 ~~F.~~ G. For the purposes of computing income tax pursuant to this
12 title, for taxable years beginning from and after December 31, 2014
13 through December 31, 2015, "internal revenue code" means the United States
14 internal revenue code of 1986, as amended, in effect on January 1, 2015,
15 including those provisions that became effective during 2014 with the
16 specific adoption of all federal retroactive effective dates, and
17 including those provisions of the slain officer family support act of 2015
18 (P.L. 114-7), the don't tax our fallen public safety heroes act
19 (P.L. 114-14), the surface transportation and veterans health care choice
20 improvement act of 2015 (P.L. 114-41), the consolidated appropriations
21 act, 2016 (P.L. 114-113) and the consolidated appropriations act, 2018
22 (P.L. 115-141) that are retroactively effective during taxable years
23 beginning from and after December 31, 2014 through December 31, 2015.

24 ~~G.~~ H. For the purposes of computing income tax pursuant to this
25 title, for taxable years beginning from and after December 31, 2013
26 through December 31, 2014, "internal revenue code" means the United States
27 internal revenue code of 1986, as amended, in effect on January 1, 2014,
28 including those provisions that became effective during 2013 with the
29 specific adoption of all federal retroactive effective dates, and
30 including those provisions of the Philippines charitable giving assistance
31 act (P.L. 113-92), the Gabriella Miller kids first research act
32 (P.L. 113-94), the cooperative and small employer charity pension
33 flexibility act (P.L. 113-97), the highway and transportation funding act
34 of 2014 (P.L. 113-159), the tribal general welfare exclusion act of 2014
35 (P.L. 113-168), the consolidated and further continuing appropriations
36 act, 2015 (P.L. 113-235), the 2014 airline bankruptcy payments rollover
37 act (P.L. 113-243), the tax increase prevention act of 2014
38 (P.L. 113-295), the slain officer family support act of 2015 (P.L. 114-7)
39 and the consolidated appropriations act, 2016 (P.L. 114-113) that are
40 retroactively effective during taxable years beginning from and after
41 December 31, 2013 through December 31, 2014.

42 ~~H.~~ I. For the purposes of computing income tax pursuant to this
43 title, for taxable years beginning from and after December 31, 2012
44 through December 31, 2013, "internal revenue code" means the United States
45 internal revenue code of 1986, as amended, in effect on January 3, 2013,

1 including those provisions that became effective during 2012 with the
2 specific adoption of all federal retroactive effective dates, and
3 including those provisions of the Philippines charitable giving assistance
4 act (P.L. 113-92), the highway and transportation funding act of 2014
5 (P.L. 113-159), the tribal general welfare exclusion act of 2014
6 (P.L. 113-168), the 2014 airline bankruptcy payments rollover act
7 (P.L. 113-243), the tax technical corrections act of 2014 (P.L. 113-295,
8 division A, title II) and the consolidated appropriations act, 2016
9 (P.L. 114-113) that are retroactively effective during taxable years
10 beginning from and after December 31, 2012 through December 31, 2013.

11 ~~+~~ J. For the purposes of computing income tax pursuant to this
12 title, for taxable years beginning from and after December 31, 2011
13 through December 31, 2012, "internal revenue code" means the United States
14 internal revenue code of 1986, as amended, in effect on January 1, 2012,
15 including those provisions that became effective during 2011 with the
16 specific adoption of all federal retroactive effective dates, and
17 including those provisions of the FAA modernization and reform act of 2012
18 (P.L. 112-95), the moving ahead for progress in the 21st century act
19 (P.L. 112-141), the American taxpayer relief act of 2012 (P.L. 112-240),
20 the 2014 airline bankruptcy payments rollover act (P.L. 113-243), the
21 tribal general welfare exclusion act of 2014 (P.L. 113-168), the tax
22 technical corrections act of 2014 (P.L. 113-295, division A, title II) and
23 the consolidated appropriations act, 2016 (P.L. 114-113) that are
24 retroactively effective during taxable years beginning from and after
25 December 31, 2011 through December 31, 2012.

26 ~~+~~ K. For the purposes of computing income tax pursuant to this
27 title, for taxable years beginning from and after December 31, 2010
28 through December 31, 2011, "internal revenue code" means the United States
29 internal revenue code of 1986, as amended, in effect on January 1, 2011,
30 including those provisions that became effective during 2010 with the
31 specific adoption of all federal retroactive effective dates, and
32 including those provisions of Public Law 112-40, the moving ahead for
33 progress in the 21st century act (P.L. 112-141), the American taxpayer
34 relief act of 2012 (P.L. 112-240), the tribal general welfare exclusion
35 act of 2014 (P.L. 113-168) and the tax technical corrections act of 2014
36 (P.L. 113-295, division A, title II) that are retroactively effective
37 during taxable years beginning from and after December 31, 2010 through
38 December 31, 2011.

39 ~~K. For the purposes of computing income tax pursuant to this title,~~
40 ~~for taxable years beginning from and after December 31, 2009 through~~
41 ~~December 31, 2010, "internal revenue code" means the United States~~
42 ~~internal revenue code of 1986, as amended, in effect on January 1, 2010,~~
43 ~~including those provisions that became effective during 2009 with the~~
44 ~~specific adoption of all federal retroactive effective dates, and~~
45 ~~including those provisions of the temporary extension act of 2010~~

~~(P.L. 111-144), the hiring incentives to restore employment act (P.L. 111-147), the patient protection and affordable care act (P.L. 111-148), the health care and education reconciliation act of 2010 (P.L. 111-152), the preservation of access to care for medicare beneficiaries and pension relief act of 2010 (P.L. 111-192), the Dodd-Frank Wall Street reform and consumer protection act (P.L. 111-203), the small business jobs act of 2010 (P.L. 111-240), the claims resolution act of 2010 (P.L. 111-291), the tax relief, unemployment insurance reauthorization, and job creation act of 2010 (P.L. 111-312), the regulated investment company modernization act of 2010 (P.L. 111-325) and the tax technical corrections act of 2014 (P.L. 113-295, division A, title II) that are retroactively effective during taxable years beginning from and after December 31, 2009 through December 31, 2010.~~

Sec. 3. Section 43-1021, Arizona Revised Statutes, is amended to read:

43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

7. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under either section 43-1081 or 43-1081.01 exceeds the

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

3 8. 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 43-1074.02, 43-1081 or 43-1081.01 and that is sold
6 or otherwise disposed of during the taxable year exceeds the adjusted
7 basis of the property computed under section 43-1074.02, 43-1081 or
8 43-1081.01, as applicable.

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

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

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

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

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

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

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

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

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

16. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017 THROUGH DECEMBER 31, 2020, THE SUM OF THE FOLLOWING:

(a) THE AMOUNT OF ANY NET OPERATING LOSS CARRYBACK INCLUDED IN THE COMPUTATION OF THE NET OPERATING LOSS DEDUCTION CLAIMED ON THE TAXPAYER'S FEDERAL RETURN EXCEPT FOR FARMING LOSSES CARRIED BACK FOR NOT MORE THAN TWO YEARS.

(b) THE PORTION OF THE NET OPERATING LOSS DEDUCTION CLAIMED ON THE TAXPAYER'S FEDERAL RETURN REMAINING AFTER SUBTRACTING THE AMOUNT DETERMINED UNDER SUBDIVISION (a) OF THIS PARAGRAPH THAT EXCEEDS EIGHTY PERCENT OF THE FEDERAL TAXABLE INCOME COMPUTED WITHOUT REGARD TO THE NET OPERATING LOSS DEDUCTION.

17. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017 THROUGH DECEMBER 31, 2020, ANY AMOUNT OF EXCESS BUSINESS LOSS ALLOWED TO OFFSET INCOME ON THE TAXPAYER'S FEDERAL RETURN. FOR THE PURPOSES OF THIS PARAGRAPH, "EXCESS BUSINESS LOSS" HAS THE SAME MEANING PRESCRIBED IN SECTION 461(1)(3) OF THE INTERNAL REVENUE CODE.

Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:

43-1022. Subtractions from Arizona gross income

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

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

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

(a) The United States government service retirement and disability fund, the United States foreign service retirement and disability system and any other retirement system or plan established by federal law, except retired or retainer pay of the uniformed services of the United States that qualifies for a subtraction under paragraph 27 of this section.

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

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

4. Interest income received on obligations of the United States, minus any interest on indebtedness, or other related expenses, and

1 deducted in arriving at Arizona gross income, that were incurred or
2 continued to purchase or carry such obligations.

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

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

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

11 8. The portion of any wages or salaries paid or incurred by the
12 taxpayer for the taxable year that is equal to the amount of the federal
13 work opportunity credit, the empowerment zone employment credit, the
14 credit for employer paid social security taxes on employee cash tips and
15 the Indian employment credit that the taxpayer received under sections
16 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

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

31 12. The amount of unreimbursed medical and hospital costs, adoption
32 counseling, legal and agency fees and other nonrecurring costs of adoption
33 not to exceed \$3,000. In the case of a husband and wife who file separate
34 returns, the subtraction may be taken by either taxpayer or may be divided
35 between them, but the total subtractions allowed both husband and wife
36 shall not exceed \$3,000. The subtraction under this paragraph may be
37 taken for the costs that are described in this paragraph and that are
38 incurred in prior years, but the subtraction may be taken only in the year
39 during which the final adoption order is granted.

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

43 14. The amount by which a net operating loss carryover or capital
44 loss carryover allowable pursuant to section 43-1029, subsection F exceeds

1 the net operating loss carryover or capital loss carryover allowable
2 pursuant to section 1341(b)(5) of the internal revenue code.

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

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

11 17. The amount authorized by section 43-1030 relating to holocaust
12 survivors.

13 18. For property placed in service:

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

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

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

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

43 (e) In taxable years beginning from and after December 31, 2016, an
44 amount equal to the depreciation allowable pursuant to section 167(a) of
45 the internal revenue code for the taxable year as computed as if the

1 additional allowance for depreciation had been the full amount allowed
2 pursuant to section 168(k) of the internal revenue code.

3 19. With respect to property that is sold or otherwise disposed of
4 during the taxable year by a taxpayer that complied with section 43-1021,
5 paragraph 12 with respect to that property, the amount of depreciation
6 that has been allowed pursuant to section 167(a) of the internal revenue
7 code to the extent that the amount has not already reduced Arizona taxable
8 income in the current or prior taxable years.

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

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

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

18 21. The portion of the net operating loss carryforward that would
19 have been allowed as a deduction in the current year pursuant to section
20 172 of the internal revenue code if the election described in section
21 172(b)(1)(H) of the internal revenue code had not been made in the year of
22 the loss that exceeds the actual net operating loss carryforward that was
23 deducted in arriving at federal adjusted gross income. This subtraction
24 only applies to taxpayers who made an election under section 172(b)(1)(H)
25 of the internal revenue code as amended by section 1211 of the American
26 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
27 section 13 of the worker, homeownership, and business assistance act of
28 2009 (P.L. 111-92).

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

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

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

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

43 (c) For taxable years beginning from and after December 31, 2014,
44 twenty-five percent of the net long-term capital gain included in federal
45 adjusted gross income. For the purposes of this paragraph, a transferee

1 that receives an asset by gift or at the death of a transferor is
2 considered to have acquired the asset when the asset was acquired by the
3 transferor. If the date an asset is acquired cannot be verified, a
4 subtraction under this paragraph is not allowed.

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

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

12 26. For taxable years beginning from and after December 31, 2017,
13 the amount of any net capital gain 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 to pay
19 debts, public charges, taxes and dues.

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

21 27. Benefits, annuities and pensions received as retired or
22 retainer pay of the uniformed services of the United States in amounts as
23 follows:

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

26 (b) For taxable years beginning from and after December 31, 2018,
27 an amount totaling not more than \$3,500.

28 28. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017
29 THROUGH DECEMBER 31, 2020, THE AMOUNT OF NET OPERATING LOSS CARRYFORWARD
30 ALLOWED BY SECTION 43-1022.01.

31 Sec. 5. Title 43, chapter 10, article 3, Arizona Revised Statutes,
32 is amended by adding section 43-1022.01, to read:

33 43-1022.01. Subtraction net operating loss carryforward

34 A. AN ARIZONA NET OPERATING LOSS CARRYFORWARD SUBTRACTION IS
35 ALLOWED ON THE ARIZONA TAX RETURN FOR LOSSES GENERATED ON THE FEDERAL
36 RETURN TO THE EXTENT THAT THE LOSSES WERE NOT ALLOWED IN A PRIOR YEAR FOR
37 ARIZONA PURPOSES DUE TO THIS STATE NOT CONFORMING TO SECTIONS 2303 AND
38 2304 OF THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT
39 (P.L. 116-136). THE CARRYFORWARD AMOUNTS SHALL BE USED TO OFFSET THE
40 ARIZONA ADJUSTED GROSS INCOME OF THE TAXPAYER DETERMINED WITHOUT REGARD TO
41 THIS SUBTRACTION. THE AMOUNT DETERMINED UNDER THIS SECTION IS ALLOWED AS
42 A CARRYFORWARD FOR EACH OF THE SEVEN SUCCEEDING TAXABLE YEARS AFTER THE
43 TAXABLE YEAR THE NET OPERATING LOSS WAS GENERATED.

44 B. THIS SECTION DOES NOT ALLOW THE SAME SUBTRACTION TWICE.

1 C. THE ARIZONA NET OPERATING LOSS CARRYFORWARD SUBTRACTION SHALL BE
2 DETERMINED AS FOLLOWS:

3 1. THE AMOUNT OF THE NET OPERATING LOSS GENERATED IN TAXABLE YEARS
4 BEGINNING FROM AND AFTER DECEMBER 31, 2017 THROUGH DECEMBER 31, 2020 THAT
5 WAS CARRIED BACK FOR FEDERAL PURPOSES TO TAXABLE YEARS BEGINNING BEFORE
6 JANUARY 1, 2018 AND THAT WAS NOT PREVIOUSLY ALLOWED FOR ARIZONA PURPOSES.

7 2. PLUS THE AMOUNTS REQUIRED TO BE ADDED BACK IN PRIOR YEARS UNDER
8 SECTION 43-1021, PARAGRAPHS 16 AND 17.

9 3. MINUS THE CARRYOVER AMOUNTS ALLOWED AS A SUBTRACTION UNDER THIS
10 SECTION IN A PRIOR TAXABLE YEAR AND CARRYOVER AMOUNTS FOR WHICH THE
11 SEVEN-YEAR CARRYFORWARD PERIOD HAS EXPIRED.

12 Sec. 6. Retroactivity

13 Sections 43-1021 and 43-1022, Arizona Revised Statutes, as amended
14 by this act, and section 43-1022.01, Arizona Revised Statutes, as added by
15 this act, apply retroactively to taxable periods beginning from and after
16 December 31, 2017.