State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

SB 1108

Introduced by
Senator Mesnard

AN ACT

AMENDING TITLE 28, CHAPTER 16, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 28-5606.01; AMENDING SECTIONS 41-1276, 41-1544, 42-15001,
43-1021, 43-1022, 43-1024, 43-1073.01, 43-1121, 43-1122, 43-1123, 43-1124,
43-1127, 43-1130.01 AND 48-807, ARIZONA REVISED STATUTES; RELATING TO
TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 28, chapter 16, article 1, Arizona Revised Statutes, is amended by adding section 28-5606.01, to read:

28-5606.01. Electric and hybrid vehicles; tax

IN ADDITION TO ALL OTHER TAXES PROVIDED BY LAW, A TAX IS IMPOSED ON EACH VEHICLE THAT ACCESSES A STREET OR HIGHWAY AND THAT IS PROPELLED BY ELECTRICITY, NATURAL GAS OR PROPANE OR BY A COMBINATION OF ELECTRICITY AND FUEL TAXED PURSUANT TO SECTION 28-5606, NATURAL GAS OR PROPANE OR BY A COMBINATION OF FUEL TAXED PURSUANT TO SECTION 28-5606 AND NATURAL GAS OR PROPANE AS FOLLOWS:

1. FOR A VEHICLE THAT IS PROPELLED ONLY BY ELECTRICITY, NATURAL GAS OR PROPANE, $110 PER YEAR.

2. FOR A VEHICLE THAT IS PROPELLED BY A COMBINATION OF ELECTRICITY AND OTHER FUELS, $44 PER YEAR.

3. FOR A VEHICLE THAT IS PROPELLED BY A COMBINATION OF FUEL TAXED PURSUANT TO SECTION 28-5606 AND NATURAL GAS OR PROPANE, $44 PER YEAR.

Sec. 2. Section 41-1276, Arizona Revised Statutes, is amended to read:

41-1276. Truth in taxation levy for equalization assistance to school districts

A. On or before February 15 of each year, the joint legislative budget committee shall compute and transmit the truth in taxation rates for equalization assistance for school districts for the following fiscal year to:

1. The chairmen of the house of representatives ways and means committee and the senate finance committee, or their successor committees.

2. The chairmen of the appropriations committees of the senate and the house of representatives, or their successor committees.

B. The truth in taxation rates consist of the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 1, a qualifying tax rate for a unified district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 2 and a state equalization assistance property tax rate pursuant to section 15-994 that will offset the change in net assessed valuation of property that was subject to tax in the prior year.

C. The joint legislative budget committee shall compute the truth in taxation rates as follows:

1. Determine the statewide net assessed value for the preceding tax year as provided in section 42-17151, subsection A, paragraph 3.
2. Determine the statewide net assessed value for the current tax year, excluding the net assessed value of property that was not subject to tax in the preceding year.

3. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 2 of this subsection.

4. Adjust the qualifying tax rates and the state equalization assistance property tax rate for the current fiscal year by the percentage determined in paragraph 3 of this subsection in order to offset the change in net assessed value.

D. Except as provided in subsections E and G of this section, the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects, the qualifying tax rate for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects and the state equalization assistance property tax rate for the following fiscal year shall be the rate determined by the joint legislative budget committee pursuant to subsection C of this section. The committee shall transmit the rates to the superintendent of public instruction and the county boards of supervisors by March 15 each year.

E. If the legislature proposes either qualifying tax rates or a state equalization assistance property tax rate that exceeds the truth in taxation rate:

1. The house of representatives ways and means committee and the senate finance committee, or their successor committees, shall hold a joint hearing on or before February 28 and publish a notice of a truth in taxation hearing subject to the following requirements:

   (a) The notice shall be published twice in a newspaper of general circulation in this state that is published at the state capital. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

   (b) The notice shall be published in a location other than the classified or legal advertising section of the newspaper.

   (c) The notice shall be at least one-fourth page in size and shall be surrounded by a solid black border at least one-eighth inch in width.

   (d) The notice shall be in the following form, with the "truth in taxation hearing—notice of tax increase" headline in at least eighteen-point type:

       Truth in Taxation Hearing
       Notice of Tax Increase

       In compliance with section 41-1276, Arizona Revised Statutes, the state legislature is notifying property
taxpayers in Arizona of the legislature's intention to raise the property tax levy over last year's level.

The proposed tax increase will cause the taxes on a $100,000 home to be $(total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a $100,000 home would have been $______.

All interested citizens are invited to attend a public hearing on the tax increase that is scheduled to be held (date and time) at (location).

(e) For purposes of computing the tax increase on a $100,000 home as required by the notice, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider the difference between the truth in taxation rate and the proposed increased rate.

2. The joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider any motion to recommend the proposed tax rates to the full legislature by roll call vote.

F. In addition to publishing the truth in taxation notice under subsection E, paragraph 1 of this section, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall issue a press release containing the truth in taxation notice.

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a state equalization assistance property tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

H. Notwithstanding subsection C of this section and if approved by the qualified electors voting at a statewide general election, the legislature shall not set a qualifying tax rate that exceeds $2.1265 for a common or high school district or $4.253 for a unified school district. The legislature shall not set a county equalization assistance for education rate that exceeds $0.5123.

I. Pursuant to subsection C of this section, the qualifying tax rate in tax year 2020 for a high school district or a common school
district within a high school district that does not offer instruction in high school subjects as provided in section 15-447 is $1.8371 and for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447 is $3.6742. The state equalization assistance property tax rate in tax year 2020 is $0.4426.

J. THE STATE EQUALIZATION ASSISTANCE PROPERTY TAX RATE:
1. IN TAX YEAR 2021 IS $0.3520.
2. IN TAX YEAR 2022 IS $0.2776.
3. IN TAX YEAR 2023 IS $______.

Sec. 3. Section 41-1544, Arizona Revised Statutes, is amended to read:

41-1544. Arizona job training fund; definitions
A. The Arizona job training fund is established consisting of legislative appropriations, gifts, grants and other monies. The authority shall administer the fund. On notice from the chief executive officer, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

B. The chief executive officer may accept and expend federal monies and private grants, gifts and contributions to assist in carrying out the purposes of this article. All monies for the program shall be expended only for the costs related to training. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations, except that:
1. Monies in the fund may not be encumbered from and after December 31, 2020.
2. Monies in the fund that are unencumbered on January 1, 2021 revert to the state general fund.
3. All monies remaining in the fund on June 30, 2022 revert to the state general fund.

C. The fund monies shall be spent on approval of the authority at the direction of the chief executive officer in accordance with the guidelines and procedures adopted by the workforce Arizona council.

D. A minimum of twenty-five percent of the monies appropriated to the fund shall be used to provide training to small businesses employing fewer than one hundred employees.

E. A minimum of twenty-five percent of the monies appropriated to the fund shall be used to provide training to businesses located in rural areas of this state.

F. If a business receives monies for training from the fund and the business employs fewer than one hundred employees and is located in a rural area of this state, the business shall be included in the minimum percentages prescribed in subsections D and E of this section.
G. Not more than fifty percent of the monies in the fund shall be used to provide incumbent worker training.

H. A single grant awarded pursuant to this article may not be more than one million three hundred thousand dollars $1,300,000.

I. The authority may not approve grant monies for reimbursement of the following employer costs:

1. Fringe benefits, food and beverages, recruitment and signing bonuses for trainees and trainers.
2. Employer costs to complete a program application.
3. Except for small businesses, training expenses for partners or corporate officers.
4. Employee relocation expenses.
5. Training or course development costs that are not part of the employer's approved training plan.
6. Costs for assessing the training needs of employees.
7. Drug or other testing costs for employee screening or prescreening purposes.
8. Costs for trade shows and conferences or seminars that do not result in a skill certificate that is earned by an employee.
9. Other costs prohibited by rule.

J. For the purposes of this section:
   (a) A county with a population of less than seven hundred fifty thousand persons.
   (b) A census county division with less than fifty thousand persons in a county with a population of seven hundred fifty thousand or more persons.
   2. "Small business" means a concern, including its affiliates, that employs fewer than one hundred employees.

Sec. 4. Section 42-15001, Arizona Revised Statutes, is amended to read:

42-15001. Assessed valuation of class one property
The assessed valuation of class one property described in section 42-12001 is the following percentage of its full cash value or limited valuation, as applicable:

1. Twenty-five percent through December 31, 2005.
2. Twenty-four and one-half percent beginning from and after December 31, 2005 through December 31, 2006.
3. Twenty-four percent beginning from and after December 31, 2006 through December 31, 2007.
5. Twenty-two percent beginning from and after December 31, 2008 through December 31, 2009.
6. Twenty-one percent beginning from and after December 31, 2009 through December 31, 2010.
8. Nineteen and one-half percent beginning from and after December 31, 2012 through December 31, 2013.
10. Eighteen and one-half percent beginning from and after December 31, 2014 through December 31, 2015.
12. Seventeen and one-half percent beginning from and after December 31, 2021 through December 31, 2022.

Sec. 5. 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 amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

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

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

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

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

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

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

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

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

Sec. 6. 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 2. 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 deducted in arriving at Arizona gross income, that were incurred or continued to purchase or carry such obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

18. For property placed in service:
   (a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the
internal revenue code for the taxable year computed as if the election
described in section 168(k) of the internal revenue code had been made for
each applicable class of property in the year the property was placed in
service.
(b) In taxable years beginning from and after December 31, 2012
through December 31, 2013, an amount determined in the year the asset was
placed in service based on the calculation in subdivision (a) of this
paragraph. In the first taxable year beginning from and after
December 31, 2013, the taxpayer may elect to subtract the amount necessary
to make the depreciation claimed to date for the purposes of this title
the same as it would have been if subdivision (c) of this paragraph had
applied for the entire time the asset was in service. Subdivision (c) of
this paragraph applies for the remainder of the asset's life. If the
taxpayer does not make the election under this subdivision, subdivision
(a) of this paragraph applies for the remainder of the asset's life.
(c) In taxable years beginning from and after December 31, 2013
through December 31, 2015, an amount equal to the depreciation allowable
pursuant to section 167(a) of the internal revenue code for the taxable
year as computed as if the additional allowance for depreciation had been
ten percent of the amount allowed pursuant to section 168(k) of the
internal revenue code.
(d) In taxable years beginning from and after December 31, 2015
through December 31, 2016, an amount equal to the depreciation allowable
pursuant to section 167(a) of the internal revenue code for the taxable
year as computed as if the additional allowance for depreciation had been
fifty-five percent of the amount allowed pursuant to section 168(k) of the
internal revenue code.
(e) In taxable years beginning from and after December 31, 2016, an
amount equal to the depreciation allowable pursuant to section 167(a) of
the internal revenue code for the taxable year as computed as if the
additional allowance for depreciation had been the full amount allowed
pursuant to section 168(k) of the internal revenue code.
19. With respect to property that is sold or otherwise disposed of
during the taxable year by a taxpayer that complied with section 43-1021,
paragraph 12 with respect to that property, the amount of depreciation
that has been allowed pursuant to section 167(a) of the internal revenue
code to the extent that the amount has not already reduced Arizona taxable
income in the current or prior taxable years.
20. The amount contributed during the taxable year to college
savings plans established pursuant to section 529 of the internal revenue
code to the extent that the contributions were not deducted in computing
federal adjusted gross income. The amount subtracted shall not exceed:
(a) $2,000 for a single individual or a head of household.
(b) $4,000 for a married couple filing a joint return. In the case
of a husband and wife who file separate returns, the subtraction may be

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taken by either taxpayer or may be divided between them, but the total
subtractions allowed both husband and wife shall not exceed $4,000.

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

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

23. An amount of any net long-term capital gain included in
federal adjusted gross income for the taxable year that is derived from an
investment in an asset acquired after December 31, 2011 AND BEFORE JANUARY
1, 2021, as follows:
   (a) For taxable years beginning from and after December 31, 2012
through December 31, 2013, ten percent of the net long-term capital gain
included in federal adjusted gross income.
   (b) For taxable years beginning from and after December 31, 2013
through December 31, 2014, twenty percent of the net long-term capital
gain included in federal adjusted gross income.
   (c) For taxable years beginning from and after December 31, 2014,
twenty-five percent of the net long-term capital gain included in federal
adjusted gross income. For the purposes of this paragraph, a transferee
that receives an asset by gift or at the death of a transferor is
considered to have acquired the asset when the asset was acquired by the
transferor. If the date an asset is acquired cannot be verified, a
subtraction under this paragraph is not allowed.

24. AN AMOUNT OF FIFTY PERCENT OF THE NET LONG-TERM CAPITAL GAIN
INCLUDED IN FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR THAT IS
DERIVED FROM AN INVESTMENT ACQUIRED AFTER DECEMBER 31, 2020.

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

26. The amount of eligible access expenditures paid or
incurred during the taxable year to comply with the requirements of the
Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
chapter 9, article 8 as provided by section 43-1024.
For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this 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.

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

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

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

Sec. 7. Section 43-1024, Arizona Revised Statutes, is amended to read:

43-1024. Americans with disabilities act access expenditures

A. For taxable years beginning from and after December 31, 2017, in computing Arizona adjusted gross income, a subtraction is allowed under section 43-1022, paragraph 24 for eligible business access expenditures paid or incurred by the taxpayer during the taxable year in order to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year.

B. For the purposes of this section, eligible business access expenditures include reasonable and necessary amounts paid or incurred to:

1. Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.

2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.

3. Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.

4. Acquire or modify equipment or devices for individuals with disabilities.

5. Provide other similar services, modifications, materials or equipment.

C. A taxpayer who has been cited for noncompliance with the Americans with disabilities act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.
Sec. 8. Section 43-1073.01, Arizona Revised Statutes, is amended to read:

43-1073.01. Dependent tax credit

A. A credit is allowed against the taxes imposed by this title for a taxable year for each dependent of a taxpayer as provided by this section.

B. For taxpayers whose federal adjusted gross income is less than $200,000 for a taxpayer who is a single person, a married person filing separately or a head of household or is less than $400,000 for a married couple filing a joint return, the amount of the credit is:
   1. $120 for each dependent who is under seventeen years of age at the end of the taxable year.
   2. $30 for each dependent who is at least seventeen years of age at the end of the taxable year.

C. For taxpayers whose federal adjusted gross income is $200,000 or more for a taxpayer who is a single person, a married person filing separately or a head of household or is $400,000 or more for a married couple filing a joint return, the amount of the credit is:
   1. $120 minus five percent for each $1,000, or fraction thereof, by which the taxpayer's federal adjusted gross income exceeds the applicable threshold provided in this subsection for each dependent who is under seventeen years of age at the end of the taxable year.
   2. $30 minus five percent for each $1,000, or fraction thereof, by which the taxpayer's federal adjusted gross income exceeds the applicable threshold provided in this subsection for each dependent who is at least seventeen years of age at the end of the taxable year.

D. In the case of a nonresident or part-year resident taxpayer, the credit allowed under this section is allowed in the percentage that the taxpayer's Arizona gross income is of the federal adjusted gross income.

Sec. 9. Section 43-1121, Arizona Revised Statutes, is amended to read:

43-1121. Additions to Arizona gross income; corporations

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

1. 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 this state, 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.

2. 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.
3. 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.

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

5. The amount of dividend income received from corporations and allowed as a deduction pursuant to sections 243, 245, 245A and 250(a)(1)(B) of the internal revenue code.

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

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

8. Commissions, rentals and other amounts paid or accrued to a domestic international sales corporation controlled by the payor corporation if the domestic international sales corporation is not required to report its taxable income to this state because its income is not derived from or attributable to sources within this state. If the domestic international sales corporation is subject to article 4 of this chapter, the department shall prescribe by rule the method of determining the portion of the commissions, rentals and other amounts that are paid or accrued to the controlled domestic international sales corporation and that shall be deducted by the payor. For the purposes of this paragraph, "control" means direct or indirect ownership or control of fifty percent or more of the voting stock of the domestic international sales corporation by the payor corporation.

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

10. The amount of exploration expenses determined pursuant to section 617 of the internal revenue code to the extent that they exceed $75,000 and to the extent that the election is made to defer those expenses not in excess of $75,000.

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

12. The amount of depreciation or amortization of costs of child care facilities deducted pursuant to section 167 or 188 of the internal revenue code for which an election is made to amortize pursuant to section 43-1130.
13. The loss of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

14. 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 section 43-1169 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

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

16. 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 section 43-1170 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

17. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1170 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1170.

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

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

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

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

22. If a subtraction is or has been taken by the taxpayer under section 43-1124, in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
or title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing Arizona taxable income for the current taxable year.

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

Sec. 10. Section 43-1122, Arizona Revised Statutes, is amended to read:

43-1122. Subtractions from Arizona gross income; corporations

In computing Arizona taxable income for a corporation, the following amounts shall be subtracted from Arizona gross income:

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

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

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

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

5. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1121, paragraph 4 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current taxable year or prior taxable years.

6. With respect to a financial institution as defined in section 6-101, expenses and interest relating to tax-exempt income disallowed pursuant to section 265 of the internal revenue code.

7. Dividends received from another corporation owned or controlled directly or indirectly by a recipient corporation. For the purposes of this paragraph, "control" means direct or indirect ownership
or control of fifty percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in section 316 of the internal revenue code. This subtraction shall apply without regard to section 43-961, paragraph 2 and article 4 of this chapter.

7. Interest income received on obligations of the United States.

8. The amount of dividend income from foreign corporations. For the purposes of this paragraph, gross up income as described in section 78 of the internal revenue code, global intangible low-taxed income as defined in section 951A of the internal revenue code and subpart F income as defined in section 952 of the internal revenue code shall be considered foreign dividends.

9. The amount of net operating loss allowed by section 43-1123.

10. The amount of any state income tax refunds received that were included as income in computing federal taxable income.

11. The amount of expense recapture included in income pursuant to section 617 of the internal revenue code for mine exploration expenses.

12. The amount of deferred exploration expenses allowed by section 43-1127.

13. The amount of exploration expenses related to the exploration of oil, gas or geothermal resources, computed in the same manner and on the same basis as a deduction for mine exploration pursuant to section 617 of the internal revenue code. This computation is subject to the adjustments contained in section 43-1121, paragraph 9 and paragraphs 11 AND 12 and 13 of this section relating to exploration expenses.

14. The amortization of pollution control devices allowed by section 43-1129.

15. The amount of amortization of the cost of child care facilities pursuant to section 43-1130.

16. The amount of income from a domestic international sales corporation required to be included in the income of its shareholders pursuant to section 995 of the internal revenue code.

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

18. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.
20. An amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(7) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.

21. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1124.

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

Sec. 11. Section 43-1123, Arizona Revised Statutes, is amended to read:

43-1123. Net operating loss; definition

A. For the purposes of this section, "net operating loss" means:
   1. In the case of a taxpayer who has a net operating loss for the taxable year within the meaning of section 172(c) of the internal revenue code, the amount of the net operating loss increased by the subtractions specified in section 43-1122, except the subtraction allowed in section 43-1122, paragraph 9, and reduced by the additions specified in section 43-1121.
   2. In the case of a taxpayer not described in paragraph 1 of this subsection, any excess of the subtractions specified in section 43-1122, except the subtraction allowed in section 43-1122, paragraph 9, over the sum of the Arizona gross income plus the additions specified in section 43-1121.

B. If for any taxable year the taxpayer has a net operating loss:
   1. Such net operating loss shall be a net operating loss carryover for:
      (a) Each of the five succeeding taxable years for net operating losses arising in taxable periods through December 31, 2011.
      (b) Each of the twenty succeeding taxable years for net operating losses arising in taxable periods beginning from and after December 31, 2011.
   2. The carryover in the case of each such succeeding taxable year, other than the first succeeding taxable year, shall be the excess, if any, of the amount of such net operating loss over the sum of the taxable income for each of the intervening years computed by determining the net
operating loss subtraction for each intervening taxable year, without regard to such net operating loss or to the net operating loss for any succeeding taxable year.

C. The amount of the net operating loss subtraction shall be the aggregate of the net operating loss carryovers to the taxable year.

Sec. 12. Section 43-1124, Arizona Revised Statutes, is amended to read:

43-1124. Americans with disabilities act access expenditures

A. For taxable years beginning from and after December 31, 2017, in computing Arizona taxable income, a subtraction is allowed under section 43-1122, paragraph 20 for eligible business access expenditures paid or incurred by the taxpayer during the taxable year in order to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year.

B. For the purposes of this section, eligible business access expenditures include reasonable and necessary amounts paid or incurred to:

1. Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.
2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
3. Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.
4. Acquire or modify equipment or devices for individuals with disabilities.
5. Provide other similar services, modifications, materials or equipment.

C. A taxpayer that has been cited for noncompliance with the Americans with disabilities act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

Sec. 13. Section 43-1127, Arizona Revised Statutes, is amended to read:

43-1127. Deferred exploration expenses

The amount of exploration expenses added to Arizona gross income pursuant to section 43-1121, paragraph 9 may be subtracted on a ratable basis as the units of produced ores or minerals discovered or explored by reason of such expenditures are sold. An election made for any taxable year shall be binding for that year.
Sec. 14. Section 43-1130.01, Arizona Revised Statutes, is amended to read:

43-1130.01. Restoration of a substantial amount held under claim of right; computation of tax

A. This section applies if:
1. An item of income was included in gross income for a prior taxable year or years because it appeared that the taxpayer had an unrestricted right to the item.
2. A deduction would be allowable under the internal revenue code or this title for the taxable year, without application of section 1341(b)(3) of the internal revenue code or section 43-1121, paragraph 17, because after the close of the prior taxable year or years it was established that the taxpayer did not have an unrestricted right to all or part of the item.
3. The amount of the deduction exceeds $3,000.

B. If all of the conditions in subsection A of this section apply, the tax imposed by this chapter for the taxable year is an amount equal to the tax for the taxable year computed without the deduction, minus the decrease in tax under this chapter for the prior taxable year or years that would result solely from excluding the item or portion of the item from gross income for the prior taxable year or years.

C. If the decrease in tax exceeds the tax imposed by this chapter for the taxable year, computed without the deduction, the excess is considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year and shall be refunded or credited in the same manner as if it were an overpayment for the taxable year.

D. Subsection B of this section does not apply to any deduction that is allowable with respect to an item that was included in gross income by reason of the sale or other disposition of stock in trade of the taxpayer, or other property of a kind that would properly have been included in the inventory of the taxpayer on hand at the close of the prior taxable year, or property that is held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business. This subsection does not apply if the deduction arises out of refunds or repayments with respect to rates made by a regulated public utility that is listed in section 7701(a)(33)(A) through (H) of the internal revenue code, if the refunds or repayments are:
1. Required to be made by the government, political subdivision, agency or instrumentality referred to in that section.
2. Required to be made by an order of a court.
3. Made in settlement of litigation or under threat or imminence of litigation.
E. If the exclusion under subsection B of this section results in:

1. A net operating loss for the prior taxable year or years for purposes of computing the decrease in tax for the prior year or years under subsection B of this section:
   (a) The loss shall be carried over under this chapter to the same extent and in the same manner as provided under section 43-1123, and under prior law.
   (b) A carryover beyond the taxable year may not be taken into account.

2. A capital loss for the prior taxable year or years, for purposes of computing the decrease in tax for the prior taxable year or years under subsection B of this section:
   (a) The loss shall be:
      (i) Carried over under this chapter to the same extent and in the same manner as was provided under prior law for taxable years beginning on or before December 31, 1987.
      (ii) Carried back and carried over to the same extent and in the same manner as provided under section 1212 of the internal revenue code for taxable years beginning from and after December 31, 1987.
   (b) A carryover beyond the taxable year may not be taken into account.

F. In computing Arizona taxable income for taxable years subsequent to the current taxable year, the net operating loss or capital loss determined in subsection E of this section shall be taken into account to the same extent and in the same manner as a net operating loss or capital loss sustained for prior taxable years.

Sec. 15. Section 48-807, Arizona Revised Statutes, is amended to read:

48-807. **County fire district assistance tax; annual budget; override; monthly financial reports**

A. The board of supervisors of a county shall levy, at the time of levying other property taxes, a county fire district assistance tax on the taxable property in the county of not more than $.10 per $100 of assessed valuation. The tax levy provided for in this subsection shall be a levy of secondary property taxes and shall not be subject to title 42, chapter 17, article 2. The county treasurer shall pay to each fire district, including a fire district formed pursuant to section 48-851, in the county from the proceeds of the tax an amount equal to twenty percent of the property tax levy adopted by the district for the fiscal year in which the tax will be levied, except that:

1. The amount of assistance from the county to a fire district shall be reduced as follows:
   (a) Through the fiscal year that ends June 30, 2012, by the dollar amount that the fire district receives from the fire district assistance tax that exceeds $300,000 from and after June 30 of each fiscal year.
(b) Beginning with the fiscal year that starts July 1, 2012, by the dollar amount that the fire district receives from the fire district assistance tax that exceeds $400,000 from and after June 30 of each fiscal year, without regard to whether the district is located in more than one county.

(c) Except as provided in paragraph 2 of this subsection, if the total amount to be paid to all districts in the county under this paragraph exceeds the amount to be raised by the levy of $.10 per $100 assessed valuation, then the county treasurer shall pay an amount less than twenty percent of the property tax levy of each district. The amount to be paid by the county treasurer to each district shall be determined by multiplying the proceeds of the county fire district assistance tax against the proportion that twenty percent of the property tax levy of each district bears to the total of twenty percent of the property tax levies of all fire districts in the county.

2. For fiscal years beginning from and after July 1, 1992, the amount of assistance from the county to a fire district shall not be less than the assistance provided from and after June 30, 1991 through June 30, 1992, if, for the fiscal year in which the tax will be levied, the district levies a tax, in addition to any tax levied under section 48-806, of $3 per $100 of assessed valuation and the assessed valuation is at least ninety percent of the assessed valuation for the 1991 tax year. This paragraph does not apply to fire districts subject to paragraph 1, subdivision (a) or (b) of this subsection.

B. For the purpose of subsection A of this section, the property tax levy of the fire district shall include in lieu contributions pursuant to chapter 1, article 8 of this title but shall not include property tax levies to be applied to the payment of principal and interest on bonds issued pursuant to section 48-806.

C. Beginning with the fiscal year that starts July 1, 2016, a consolidated district shall not receive more than the maximum allowable amount in fire district assistance tax monies as prescribed in subsection D of this section, without regard to whether the consolidated district is located in more than one county.

D. Beginning with the fiscal year that starts July 1, 2016, for any two or more fire districts that merge or consolidate to form a consolidated district on or after July 1, 2014, the consolidated district may continue to receive monies in an amount not to exceed the sum of the average of the amount of fire district assistance tax monies received by each of the consolidating or merging districts in the five fiscal years immediately preceding the merger or consolidation as prescribed in subsection A of this section, without regard to whether the consolidated district is located in more than one county.
E. For a consolidated district that is formed in any fiscal year beginning July 1, 2014 or later and that is receiving fire district assistance tax monies that are reduced as prescribed in subsection A, paragraph 1, subdivision (c) of this section, if the total amount of fire district assistance tax monies that would be paid to all districts in the county pursuant to subsection A of this section is less than the amount of monies that would be raised by the levy of $.10 per $100 assessed valuation, the county treasurer shall pay the consolidated district the amount of fire district assistance tax monies prescribed by subsection A of this section that would have been paid to the districts at the time the districts merged or consolidated.

F. The board, based on the budget submitted by the district, shall levy, in addition to any tax levied as provided in section 48-806, a tax not to exceed $3.25 per $100 of assessed valuation THROUGH TAX YEAR 2021, $3.375 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2022 AND $3.50 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER, or the amount of the levy in the preceding tax year multiplied by 1.08, whichever levy is less, and minus any amounts required to reduce the levy pursuant to subsection I of this section, against all property situated within the district boundaries and appearing on the last assessment roll. The levy shall be made and the taxes collected in the manner, at the time and by the officers provided by law for the collection of general county taxes.

G. The qualified electors of the district, voting in an election as prescribed by subsection H of this section, may authorize the board to levy a tax exceeding the limits prescribed by subsection F of this section under one, but not both, of the following options:

1. The electors may authorize a permanent override allowing annual levies without reference to the levy in the preceding tax year, but remaining subject to the tax rate limit of $3.25 per $100 of assessed valuation THROUGH TAX YEAR 2021, $3.375 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2022 AND $3.50 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER. An election for the purposes of this paragraph must be held at a regularly scheduled general election held on the first Tuesday following the first Monday in November as prescribed by section 16-204, subsection F.

2. If the net assessed valuation of all property in the district declines by a combined total of twenty percent or more over two consecutive valuation years, the electors voting at the next regularly scheduled general election held on the first Tuesday following the first Monday in November as prescribed by section 16-204, subsection F may authorize an override for five consecutive tax years allowing annual levies that are exempt from the tax rate limit of $3.25 THROUGH TAX YEAR 2021, $3.375 FOR TAX YEAR 2022 AND $3.50 FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER, but subject to an annual levy limit of the amount of the
levy in the preceding tax year multiplied by 1.05. After the fifth tax year, the district is again subject to the limits prescribed by subsection F of this section, computed by multiplying the levy beginning in the year preceding the override by 1.08 for each year through the current tax year.

H. The call for an override election held for the purposes of subsection G of this section must state:

1. The purpose for requesting additional secondary property tax revenue for the district.

2. If the voters approve the levy:

   (a) The maximum dollar amount of secondary property tax that may be collected in the first year compared to the existing maximum secondary property tax levy prescribed in subsection F of this section.

   (b) The estimated secondary property tax rate to fund the proposed levy under subdivision (a) of this paragraph in the first tax year compared to the secondary property tax rate levied in the current year.

I. If the district annexes additional territory, the limit under subsection F of this section shall be adjusted by applying the district's tax rate to the assessed valuation of the annexed property in the preceding tax year. If districts are merged or consolidated under this chapter, the limitation under this subsection in the first year after the districts are merged or consolidated is the total of the levies of the merged or consolidated districts in the preceding tax year multiplied by 1.08 or the amount of the levies allowed by the maximum rate prescribed by subsection F of this section, whichever is less.

J. The district shall maintain any property tax revenues collected in excess of the sum of the amounts of taxes collectible pursuant to section 42-17054 and the allowable levy determined under subsection F of this section in a separate fund and used to reduce the property tax levy in the following tax year.

K. The levy limit under this section is considered to be increased each year to the maximum limit permissible under subsection F of this section regardless of whether the district actually levies taxes up to the maximum permissible amount in that year.

L. The county treasurer shall keep the money received from taxes levied pursuant to subsection F of this section in a separate fund known as the "fire district general fund" of the district for which collected. Any surplus remaining in the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for which it was collected for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the property tax levy in the following tax year.

M. A fire district may maintain separate accounts with a financial institution that is authorized to do business in this state for the purpose of operating a payroll account or for holding special revenues or
ambulance revenues, or both, as necessary to fulfill the district's fiduciary responsibilities.

N. A fire district, through the county treasurer, shall establish the relevant governmental funds necessary for the proper management and fiscal accountability of district monies from property taxes, grants, contributions and donations, as defined by the government accounting standards board. Unless the monies received are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the fire district.

O. A fire district shall reconcile all balance sheet accounts for accounts for each calendar month of the fiscal year within thirty days after the end of that calendar month. The fire district board shall review the reconciled balance sheet accounts monthly, except that for a fire district that is governed by a three-member board, the board may review the reconciled balance sheet accounts every two months.

P. A fire district shall produce monthly financial reports to include a register of checks, substitute checks, warrants and deposits, a record of electronic funds transfers, a statement of financial activities and a statement of net assets for each calendar month. A fire district shall produce a cash flow projection report for each fiscal year. The cash flow projection report shall be updated monthly with the actual revenues and expenditures from the preceding month. Each month, the fire district board shall review the financial reports, the updated cash flow projections report and all month-end fund statements and reports of the preceding month to include those reports provided by the county treasurer and each of the financial institutions in which the district maintains an account, except that for a fire district that is governed by a three-member board, the board may review the reports and statements prescribed by this subsection every two months. Any financial report or cash flow projection report that would indicate that the district is likely to violate section 48-805.02, subsection D, paragraph 1 or that would indicate an adverse impact on the ongoing operations or liquidity of the district shall be reported by the fire district board chairman in writing and delivered by certified mail to the county treasurer and the county board of supervisors within ten days after the discovery.

Q. Within sixty days after submittal of a written report pursuant to subsection P of this section by the fire district board chairman to the county treasurer and the county board of supervisors that states the fire district is likely to violate section 48-805.02, subsection D, paragraph 1 or that indicates an adverse impact on the ongoing operations or liquidity of the fire district, the district shall complete a study of merger, consolidation or joint operating alternatives. The fire district shall hold a special public meeting as prescribed in section 48-805.02, subsection D to present the findings of the study. Within five days after the special public meeting, the fire district board chairman shall submit
the findings of the study to the county treasurer and county board of supervisors.

R. Notwithstanding section 11-605, a fire district may register or record warrants, substitute checks or electronic funds transfers only if separate accounts are maintained by the county treasurer for each governmental fund of a fire district. Warrants, substitute checks or electronic funds transfers may be registered or recorded only on the maintenance and operation account, the unrestricted capital outlay account and the special revenue account, and only if the total cash balance of all three accounts is insufficient to pay the warrants, substitute checks or electronic funds transfers and after any revolving line of credit has been expended as prescribed in section 11-635.

S. When a fire district has adopted a budget and the board of supervisors has levied a fire district tax as provided in subsection F of this section and the district has insufficient money in the district's general fund with the county treasurer to operate the district, the chairman of the board, on or after August 1 of each year, may draw warrants, substitute checks or electronic funds transfers for the purposes prescribed in section 48-805 on the county treasurer, payable on November 1 of that year or on April 1 of the succeeding year. The aggregate amounts of the warrants, substitute checks or electronic funds transfers may not exceed ninety percent of the taxes levied by the county for the district's current fiscal year. If the treasurer cannot pay a warrant, substitute check or electronic funds transfer for lack of funds in the fire district general fund, the warrant or substitute check shall be endorsed and registered, or the electronic funds transfer shall be recorded, and the warrant, substitute check or electronic funds transfer shall bear interest and be redeemed as provided by law for county warrants, substitute checks or electronic funds transfers, except that the warrants, substitute checks or electronic funds transfers are payable only from the fire district general fund.

Sec. 16. Retroactivity

A. Sections 43-1021, 43-1022, 43-1024, 43-1073.01, 43-1121, 43-1122, 43-1123, 42-1124, 43-1127 and 43-1130.01, Arizona Revised Statutes, as amended by this act, apply retroactively to taxable years beginning from and after December 31, 2020.

B. Section 28-5606.01, Arizona Revised Statutes, as added by this act, applies retroactively to from and after June 30, 2021.