

Senate Engrossed

tax omnibus

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

SENATE BILL 1108

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)

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

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

4 28-5606.01. Electric and hybrid vehicles; tax

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

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

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

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

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

19 41-1276. Truth in taxation levy for equalization assistance
20 to school districts

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

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

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

29 B. The truth in taxation rates consist of the qualifying tax rate
30 for a high school district or a common school district within a high
31 school district that does not offer instruction in high school subjects
32 pursuant to section 15-971, subsection B, paragraph 1, a qualifying tax
33 rate for a unified district, a common school district not within a high
34 school district or a common school district within a high school district
35 that offers instruction in high school subjects pursuant to section
36 15-971, subsection B, paragraph 2 and a state equalization assistance
37 property tax rate pursuant to section 15-994 that will offset the change
38 in net assessed valuation of property that was subject to tax in the prior
39 year.

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

42 1. Determine the statewide net assessed value for the preceding tax
43 year as provided in section 42-17151, subsection A, paragraph 3.

1 2. Determine the statewide net assessed value for the current tax
2 year, excluding the net assessed value of property that was not subject to
3 tax in the preceding year.

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

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

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

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

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

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

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

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

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

41 Truth in Taxation Hearing
42 Notice of Tax Increase

43 In compliance with section 41-1276, Arizona Revised
44 Statutes, the state legislature is notifying property

1 taxpayers in Arizona of the legislature's intention to raise
2 the property tax levy over last year's level.

3 The proposed tax increase will cause the taxes on a
4 \$100,000 home to be \$(total proposed taxes including the tax
5 increase). Without the proposed tax increase, the total taxes
6 that would be owed on a \$100,000 home would have been
7 \$_____.

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

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

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

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

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

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

44 I. Pursuant to subsection C of this section, the qualifying tax
45 rate in tax year 2020 for a high school district or a common school

1 district within a high school district that does not offer instruction in
2 high school subjects as provided in section 15-447 is \$1.8371 and for a
3 unified school district, a common school district not within a high school
4 district or a common school district within a high school district that
5 offers instruction in high school subjects as provided in section 15-447
6 is \$3.6742. The state equalization assistance property tax rate in tax
7 year 2020 is \$0.4426.

8 J. THE STATE EQUALIZATION ASSISTANCE PROPERTY TAX RATE:

9 1. IN TAX YEAR 2021 IS \$0.4263.

10 2. IN TAX YEAR 2022 IS \$0.3430.

11 3. IN TAX YEAR 2023 IS \$0.2745.

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

14 41-1544. Arizona job training fund; definitions

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

21 B. The chief executive officer may accept and expend federal monies
22 and private grants, gifts and contributions to assist in carrying out the
23 purposes of this article. All monies for the program shall be expended
24 only for the costs related to training. Monies in the fund are exempt
25 from the provisions of section 35-190 relating to lapsing of
26 appropriations, except that:

27 1. Monies in the fund may not be encumbered from and after
28 December 31, ~~2020~~ 2022.

29 2. Monies in the fund that are unencumbered on January 1, ~~2021~~ 2023
30 revert to the state general fund.

31 3. All monies remaining in the fund on June 30, ~~2022~~ 2024 revert to
32 the state general fund.

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

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

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

42 F. If a business receives monies for training from the fund and the
43 business employs fewer than one hundred employees and is located in a
44 rural area of this state, the business shall be included in the minimum
45 percentages prescribed in subsections D and E of this section.

1 G. Not more than fifty percent of the monies in the fund shall be
2 used to provide incumbent worker training.

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

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

7 1. Fringe benefits, food and beverages, recruitment and signing
8 bonuses for trainees and trainers.

9 2. Employer costs to complete a program application.

10 3. Except for small businesses, training expenses for partners or
11 corporate officers.

12 4. Employee relocation expenses.

13 5. Training or course development costs that are not part of the
14 employer's approved training plan.

15 6. Costs for assessing the training needs of employees.

16 7. Drug or other testing costs for employee screening or
17 prescreening purposes.

18 8. Costs for trade shows and conferences or seminars that do not
19 result in a skill certificate that is earned by an employee.

20 9. Other costs prohibited by rule.

21 J. For the purposes of this section:

22 1. "Rural area" means either:

23 (a) A county with a population of less than seven hundred fifty
24 thousand persons.

25 (b) A census county division with less than fifty thousand persons
26 in a county with a population of seven hundred fifty thousand or more
27 persons.

28 2. "Small business" means a concern, including its affiliates, that
29 employs fewer than one hundred employees.

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

32 42-15001. Assessed valuation of class one property

33 The assessed valuation of class one property described in section
34 42-12001 is the following percentage of its full cash value or limited
35 valuation, as applicable:

36 1. Twenty-five ~~per cent~~ PERCENT through December 31, 2005.

37 2. Twenty-four and one-half ~~per cent~~ PERCENT beginning from and
38 after December 31, 2005 through December 31, 2006.

39 3. Twenty-four ~~per cent~~ PERCENT beginning from and after December
40 31, 2006 through December 31, 2007.

41 4. Twenty-three ~~per cent~~ PERCENT beginning from and after December
42 31, 2007 through December 31, 2008.

43 5. Twenty-two ~~per cent~~ PERCENT beginning from and after December
44 31, 2008 through December 31, 2009.

1 6. Twenty-one ~~per cent~~ PERCENT beginning from and after December
2 31, 2009 through December 31, 2010.

3 7. Twenty ~~per cent~~ PERCENT beginning from and after December 31,
4 2010 through December 31, 2012.

5 8. Nineteen and one-half ~~per cent~~ PERCENT beginning from and after
6 December 31, 2012 through December 31, 2013.

7 9. Nineteen ~~per cent~~ PERCENT beginning from and after December 31,
8 2013 through December 31, 2014.

9 10. Eighteen and one-half ~~per cent~~ PERCENT beginning from and after
10 December 31, 2014 through December 31, 2015.

11 11. Eighteen ~~per cent~~ PERCENT beginning from and after December 31,
12 2015 THROUGH DECEMBER 31, 2021.

13 12. SEVENTEEN AND ONE-HALF PERCENT BEGINNING FROM AND AFTER
14 DECEMBER 31, 2021 THROUGH DECEMBER 31, 2022.

15 13. SEVENTEEN PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2022.

16 Sec. 5. Section 43-1021, Arizona Revised Statutes, is amended to
17 read:

18 43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

1 7. The amount by which the depreciation or amortization computed
2 under the internal revenue code with respect to property for which a
3 credit was taken under either section 43-1081 or 43-1081.01 exceeds the
4 amount of depreciation or amortization computed pursuant to the internal
5 revenue code on the Arizona adjusted basis of the property.

6 8. The amount by which the adjusted basis computed under the
7 internal revenue code with respect to property for which a credit was
8 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
9 or otherwise disposed of during the taxable year exceeds the adjusted
10 basis of the property computed under section 43-1074.02, 43-1081 or
11 43-1081.01, as applicable.

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

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

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

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

26 ~~13.~~ 12. The amount of a nonqualified withdrawal, as defined in
27 section 15-1871, from a college savings plan established pursuant to
28 section 529 of the internal revenue code that is made to a distributee to
29 the extent the amount is not included in computing federal adjusted gross
30 income, except that the amount added under this paragraph shall not exceed
31 the difference between the amount subtracted under section 43-1022 in
32 prior taxable years and the amount added under this section in any prior
33 taxable years.

34 ~~14.~~ 13. If a subtraction is or has been taken by the taxpayer
35 under section 43-1024, in the current or a prior taxable year for the full
36 amount of eligible access expenditures paid or incurred to comply with the
37 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
38 or title 41, chapter 9, article 8, any amount of eligible access
39 expenditures that is recognized under the internal revenue code, including
40 any amount that is amortized according to federal amortization schedules,
41 and that is included in computing taxable income for the current taxable
42 year.

43 ~~15.~~ 14. For taxable years beginning from and after December 31,
44 2017, the amount of any net capital loss included in Arizona gross income
45 for the taxable year that is derived from the exchange of one kind of

1 legal tender for another kind of legal tender. For the purposes of this
2 paragraph:

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

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

7 Sec. 6. Section 43-1022, Arizona Revised Statutes, is amended to
8 read:

9 43-1022. Subtractions from Arizona gross income

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

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

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

15 (a) The United States government service retirement and disability
16 fund, the United States foreign service retirement and disability system
17 and any other retirement system or plan established by federal law, except
18 retired or retainer pay of the uniformed services of the United States
19 that qualifies for a subtraction under paragraph ~~27~~ 26 of this section.

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

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

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

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

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

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

42 8. The portion of any wages or salaries paid or incurred by the
43 taxpayer for the taxable year that is equal to the amount of the federal
44 work opportunity credit, the empowerment zone employment credit, the
45 credit for employer paid social security taxes on employee cash tips and

1 the Indian employment credit that the taxpayer received under sections
2 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

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

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

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

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

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

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

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

43 ~~18. For property placed in service:~~

44 ~~(a) In taxable years beginning before December 31, 2012, an amount~~
45 ~~equal to the depreciation allowable pursuant to section 167(a) of the~~

1 ~~internal revenue code for the taxable year computed as if the election~~
2 ~~described in section 168(k) of the internal revenue code had been made for~~
3 ~~each applicable class of property in the year the property was placed in~~
4 ~~service.~~

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

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

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

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

33 ~~19. With respect to property that is sold or otherwise disposed of~~
34 ~~during the taxable year by a taxpayer that complied with section 43-1021,~~
35 ~~paragraph 12 with respect to that property, the amount of depreciation~~
36 ~~that has been allowed pursuant to section 167(a) of the internal revenue~~
37 ~~code to the extent that the amount has not already reduced Arizona taxable~~
38 ~~income in the current or prior taxable years.~~

39 ~~20.~~ 18. The amount contributed during the taxable year to college
40 savings plans established pursuant to section 529 of the internal revenue
41 code to the extent that the contributions were not deducted in computing
42 federal adjusted gross income. The amount subtracted shall not exceed:

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

44 (b) \$4,000 for a married couple filing a joint return. In the case
45 of a husband and wife who file separate returns, the subtraction may be

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

3 ~~21.~~ 19. The portion of the net operating loss carryforward that
4 would have been allowed as a deduction in the current year pursuant to
5 section 172 of the internal revenue code if the election described in
6 section 172(b)(1)(H) of the internal revenue code had not been made in the
7 year of the loss that exceeds the actual net operating loss carryforward
8 that was deducted in arriving at federal adjusted gross income. This
9 subtraction only applies to taxpayers who made an election under section
10 172(b)(1)(H) of the internal revenue code as amended by section 1211 of
11 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as
12 amended by section 13 of the worker, homeownership, and business
13 assistance act of 2009 (P.L. 111-92).

14 ~~22.~~ 20. For taxable years beginning from and after December 31,
15 2013, the amount of any net capital gain included in federal adjusted
16 gross income for the taxable year derived from investment in a qualified
17 small business as determined by the Arizona commerce authority pursuant to
18 section 41-1518.

19 ~~23.~~ 21. An amount of any net long-term capital gain included in
20 federal adjusted gross income for the taxable year that is derived from an
21 investment in an asset acquired after December 31, 2011 AND BEFORE JANUARY
22 1, 2021, as follows:

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

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

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

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

39 ~~24.~~ 23. If an individual is not claiming itemized deductions
40 pursuant to section 43-1042, the amount of premium costs for long-term
41 care insurance, as defined in section 20-1691.

42 ~~25.~~ 24. The amount of eligible access expenditures paid or
43 incurred during the taxable year to comply with the requirements of the
44 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
45 chapter 9, article 8 as provided by section 43-1024.

1 ~~26.~~ 25. For taxable years beginning from and after December 31,
2 2017, the amount of any net capital gain included in Arizona gross income
3 for the taxable year that is derived from the exchange of one kind of
4 legal tender for another kind of legal tender. For the purposes of this
5 paragraph:

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

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

10 ~~27.~~ 26. Benefits, annuities and pensions received as retired or
11 retainer pay of the uniformed services of the United States in amounts as
12 follows:

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

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

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

19 43-1024. Americans with disabilities act access expenditures

20 A. For taxable years beginning from and after December 31, 2017, in
21 computing Arizona adjusted gross income, a subtraction is allowed under
22 section 43-1022, paragraph ~~25~~ 24 for eligible business access expenditures
23 paid or incurred by the taxpayer during the taxable year in order to
24 comply with the requirements of the Americans with disabilities act of
25 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting
26 developed real property that was originally placed in service at least ten
27 years before the current taxable year.

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

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

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

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

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

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

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

1 Sec. 8. Section 43-1073.01, Arizona Revised Statutes, is amended to
2 read:

3 43-1073.01. Dependent tax credit

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

7 B. For taxpayers whose federal adjusted gross income is less than
8 \$200,000 for a taxpayer who is a single person, a married person filing
9 separately or a head of household or is less than \$400,000 for a married
10 couple filing a joint return, the amount of the credit is:

11 1. ~~\$100~~ \$120 for each dependent who is under seventeen years of age
12 at the end of the taxable year.

13 2. ~~\$25~~ \$30 for each dependent who is at least seventeen years of
14 age at the end of the taxable year.

15 C. For taxpayers whose federal adjusted gross income is \$200,000 or
16 more for a taxpayer who is a single person, a married person filing
17 separately or a head of household or is \$400,000 or more for a married
18 couple filing a joint return, the amount of the credit is:

19 1. ~~\$100~~ \$120 minus five percent for each \$1,000, or fraction
20 thereof, by which the taxpayer's federal adjusted gross income exceeds the
21 applicable threshold provided in this subsection for each dependent who is
22 under seventeen years of age at the end of the taxable year.

23 2. ~~\$25~~ \$30 minus five percent for each \$1,000, or fraction thereof,
24 by which the taxpayer's federal adjusted gross income exceeds the
25 applicable threshold provided in this subsection for each dependent who is
26 at least seventeen years of age at the end of the taxable year.

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

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

32 43-1121. Additions to Arizona gross income; corporations

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

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

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

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

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

7 ~~5.~~ 4. The amount of dividend income received from corporations and
8 allowed as a deduction pursuant to sections 243, 245, 245A and
9 250(a)(1)(B) of the internal revenue code.

10 ~~6.~~ 5. Taxes that are based on income paid to states, local
11 governments or foreign governments and that were deducted in computing
12 federal taxable income.

13 ~~7.~~ 6. Expenses and interest relating to tax-exempt income on
14 indebtedness incurred or continued to purchase or carry obligations the
15 interest on which is wholly exempt from the tax imposed by this title.
16 Financial institutions, as defined in section 6-101, shall be governed by
17 section 43-961, paragraph 2.

18 ~~8.~~ 7. Commissions, rentals and other amounts paid or accrued to a
19 domestic international sales corporation controlled by the payor
20 corporation if the domestic international sales corporation is not
21 required to report its taxable income to this state because its income is
22 not derived from or attributable to sources within this state. If the
23 domestic international sales corporation is subject to article 4 of this
24 chapter, the department shall prescribe by rule the method of determining
25 the portion of the commissions, rentals and other amounts that are paid or
26 accrued to the controlled domestic international sales corporation and
27 that shall be deducted by the payor. For the purposes of this paragraph,
28 "control" means direct or indirect ownership or control of fifty percent
29 or more of the voting stock of the domestic international sales
30 corporation by the payor corporation.

31 ~~9.~~ 8. The amount of net operating loss taken pursuant to section
32 172 of the internal revenue code.

33 ~~10.~~ 9. The amount of exploration expenses determined pursuant to
34 section 617 of the internal revenue code to the extent that they exceed
35 \$75,000 and to the extent that the election is made to defer those
36 expenses not in excess of \$75,000.

37 ~~11.~~ 10. Amortization of costs incurred to install pollution
38 control devices and deducted pursuant to the internal revenue code or the
39 amount of deduction for depreciation taken pursuant to the internal
40 revenue code on pollution control devices for which an election is made
41 pursuant to section 43-1129.

42 ~~12.~~ 11. The amount of depreciation or amortization of costs of
43 child care facilities deducted pursuant to section 167 or 188 of the
44 internal revenue code for which an election is made to amortize pursuant
45 to section 43-1130.

1 ~~13.~~ 12. The loss of an insurance company that is exempt under
2 section 43-1201 to the extent that it is included in computing Arizona
3 gross income on a consolidated return pursuant to section 43-947.

4 ~~14.~~ 13. The amount by which the depreciation or amortization
5 computed under the internal revenue code with respect to property for
6 which a credit was taken under section 43-1169 exceeds the amount of
7 depreciation or amortization computed pursuant to the internal revenue
8 code on the Arizona adjusted basis of the property.

9 ~~15.~~ 14. The amount by which the adjusted basis computed under the
10 internal revenue code with respect to property for which a credit was
11 claimed under section 43-1169 and that is sold or otherwise disposed of
12 during the taxable year exceeds the adjusted basis of the property
13 computed under section 43-1169.

14 ~~16.~~ 15. The amount by which the depreciation or amortization
15 computed under the internal revenue code with respect to property for
16 which a credit was taken under section 43-1170 exceeds the amount of
17 depreciation or amortization computed pursuant to the internal revenue
18 code on the Arizona adjusted basis of the property.

19 ~~17.~~ 16. The amount by which the adjusted basis computed under the
20 internal revenue code with respect to property for which a credit was
21 claimed under section 43-1170 and that is sold or otherwise disposed of
22 during the taxable year exceeds the adjusted basis of the property
23 computed under section 43-1170.

24 ~~18.~~ 17. The deduction referred to in section 1341(a)(4) of the
25 internal revenue code for restoration of a substantial amount held under a
26 claim of right.

27 ~~19.~~ 18. The amount by which a capital loss carryover allowable
28 pursuant to section 1341(b)(5) of the internal revenue code exceeds the
29 capital loss carryover allowable pursuant to section 43-1130.01,
30 subsection F.

31 ~~20.~~ 19. Any wage expenses deducted pursuant to the internal
32 revenue code for which a credit is claimed under section 43-1175 and
33 representing net increases in qualified employment positions for
34 employment of temporary assistance for needy families recipients.

35 ~~21.~~ 20. Any amount of expenses that were deducted pursuant to the
36 internal revenue code and for which a credit is claimed under section
37 43-1178.

38 ~~22.~~ 21. Any amount deducted pursuant to section 170 of the
39 internal revenue code representing contributions to a school tuition
40 organization for which a credit is claimed under section 43-1183 or
41 43-1184.

42 ~~23.~~ 22. If a subtraction is or has been taken by the taxpayer
43 under section 43-1124, in the current or a prior taxable year for the full
44 amount of eligible access expenditures paid or incurred to comply with the
45 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)

1 or title 41, chapter 9, article 8, any amount of eligible access
2 expenditures that is recognized under the internal revenue code, including
3 any amount that is amortized according to federal amortization schedules,
4 and that is included in computing Arizona taxable income for the current
5 taxable year.

6 ~~24.~~ 23. For taxable years beginning from and after December 31,
7 2017, the amount of any net capital loss included in Arizona gross income
8 for the taxable year that is derived from the exchange of one kind of
9 legal tender for another kind of legal tender. For the purposes of this
10 paragraph:

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

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

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

17 43-1122. Subtractions from Arizona gross income; corporations

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

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

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

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

28 4. The portion of any wages or salaries paid or incurred by the
29 taxpayer for the taxable year that is equal to the amount of the federal
30 work opportunity credit, the empowerment zone employment credit, the
31 credit for employer paid social security taxes on employee cash tips and
32 the Indian employment credit that the taxpayer received under sections
33 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

40 ~~6.~~ 5. With respect to a financial institution as defined in
41 section 6-101, expenses and interest relating to tax-exempt income
42 disallowed pursuant to section 265 of the internal revenue code.

43 ~~7.~~ 6. Dividends received from another corporation owned or
44 controlled directly or indirectly by a recipient corporation. For the
45 purposes of this paragraph, "control" means direct or indirect ownership

1 or control of fifty percent or more of the voting stock of the payor
2 corporation by the recipient corporation. Dividends shall have the
3 meaning provided in section 316 of the internal revenue code. This
4 subtraction shall apply without regard to section 43-961, paragraph 2 and
5 article 4 of this chapter.

6 ~~8.~~ 7. Interest income received on obligations of the United
7 States.

8 ~~9.~~ 8. The amount of dividend income from foreign corporations.
9 For the purposes of this paragraph, gross up income as described in
10 section 78 of the internal revenue code, global intangible low-taxed
11 income as defined in section 951A of the internal revenue code and subpart
12 F income as defined in section 952 of the internal revenue code shall be
13 considered foreign dividends.

14 ~~10.~~ 9. The amount of net operating loss allowed by section
15 43-1123.

16 ~~11.~~ 10. The amount of any state income tax refunds received that
17 were included as income in computing federal taxable income.

18 ~~12.~~ 11. The amount of expense recapture included in income
19 pursuant to section 617 of the internal revenue code for mine exploration
20 expenses.

21 ~~13.~~ 12. The amount of deferred exploration expenses allowed by
22 section 43-1127.

23 ~~14.~~ 13. The amount of exploration expenses related to the
24 exploration of oil, gas or geothermal resources, computed in the same
25 manner and on the same basis as a deduction for mine exploration pursuant
26 to section 617 of the internal revenue code. This computation is subject
27 to the adjustments contained in section 43-1121, paragraph ~~10~~ 9 and
28 paragraphs 11 AND 12 ~~and 13~~ of this section relating to exploration
29 expenses.

30 ~~15.~~ 14. The amortization of pollution control devices allowed by
31 section 43-1129.

32 ~~16.~~ 15. The amount of amortization of the cost of child care
33 facilities pursuant to section 43-1130.

34 ~~17.~~ 16. The amount of income from a domestic international sales
35 corporation required to be included in the income of its shareholders
36 pursuant to section 995 of the internal revenue code.

37 ~~18.~~ 17. The income of an insurance company that is exempt under
38 section 43-1201 to the extent that it is included in computing Arizona
39 gross income on a consolidated return pursuant to section 43-947.

40 ~~19.~~ 18. The amount by which a capital loss carryover allowable
41 pursuant to section 43-1130.01, subsection F exceeds the capital loss
42 carryover allowable pursuant to section 1341(b)(5) of the internal revenue
43 code.

1 ~~20.~~ 19. An amount equal to the depreciation allowable pursuant to
2 section 167(a) of the internal revenue code for the taxable year computed
3 as if the election described in section 168(k)(7) of the internal revenue
4 code had been made for each applicable class of property in the year the
5 property was placed in service.

6 ~~21.~~ 20. The amount of eligible access expenditures paid or
7 incurred during the taxable year to comply with the requirements of the
8 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
9 chapter 9, article 8 as provided by section 43-1124.

10 ~~22.~~ 21. For taxable years beginning from and after December 31,
11 2017, the amount of any net capital gain included in Arizona gross income
12 for the taxable year that is derived from the exchange of one kind of
13 legal tender for another kind of legal tender. For the purposes of this
14 paragraph:

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

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

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

21 43-1123. Net operating loss; definition

22 A. For the purposes of this section, "net operating loss" means:

23 1. In the case of a taxpayer who has a net operating loss for the
24 taxable year within the meaning of section 172(c) of the internal revenue
25 code, the amount of the net operating loss increased by the subtractions
26 specified in section 43-1122, except the subtraction allowed in section
27 43-1122, paragraph ~~10~~ 9, and reduced by the additions specified in section
28 43-1121.

29 2. In the case of a taxpayer not described in paragraph 1 of this
30 subsection, any excess of the subtractions specified in section 43-1122,
31 except the subtraction allowed in section 43-1122, paragraph ~~10~~ 9, over
32 the sum of the Arizona gross income plus the additions specified in
33 section 43-1121.

34 B. If for any taxable year the taxpayer has a net operating loss:

35 1. Such net operating loss shall be a net operating loss carryover
36 for:

37 (a) Each of the five succeeding taxable years for net operating
38 losses arising in taxable periods through December 31, 2011.

39 (b) Each of the twenty succeeding taxable years for net operating
40 losses arising in taxable periods beginning from and after December 31,
41 2011.

42 2. The carryover in the case of each such succeeding taxable year,
43 other than the first succeeding taxable year, shall be the excess, if any,
44 of the amount of such net operating loss over the sum of the taxable
45 income for each of the intervening years computed by determining the net

1 operating loss subtraction for each intervening taxable year, without
2 regard to such net operating loss or to the net operating loss for any
3 succeeding taxable year.

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

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

8 43-1124. Americans with disabilities act access expenditures

9 A. For taxable years beginning from and after December 31, 2017, in
10 computing Arizona taxable income, a subtraction is allowed under section
11 43-1122, paragraph ~~21~~ 20 for eligible business access expenditures paid or
12 incurred by the taxpayer during the taxable year in order to comply with
13 the requirements of the Americans with disabilities act of 1990
14 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed
15 real property that was originally placed in service at least ten years
16 before the current taxable year.

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

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

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

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

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

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

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

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

37 43-1127. Deferred exploration expenses

38 The amount of exploration expenses added to Arizona gross income
39 pursuant to section 43-1121, paragraph ~~10~~ 9 may be subtracted on a ratable
40 basis as the units of produced ores or minerals discovered or explored by
41 reason of such expenditures are sold. An election made for any taxable
42 year ~~shall be~~ IS binding for that year.

1 Sec. 14. Section 43-1130.01, Arizona Revised Statutes, is amended
2 to read:

3 43-1130.01. Restoration of a substantial amount held under
4 claim of right; computation of tax

5 A. This section applies if:

6 1. An item of income was included in gross income for a prior
7 taxable year or years because it appeared that the taxpayer had an
8 unrestricted right to the item.

9 2. A deduction would be allowable under the internal revenue code
10 or this title for the taxable year, without application of section
11 1341(b)(3) of the internal revenue code or section 43-1121, paragraph ~~18~~
12 17, because after the close of the prior taxable year or years it was
13 established that the taxpayer did not have an unrestricted right to all or
14 part of the item.

15 3. The amount of the deduction exceeds \$3,000.

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

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

27 D. Subsection B of this section does not apply to any deduction
28 that is allowable with respect to an item that was included in gross
29 income by reason of the sale or other disposition of stock in trade of the
30 taxpayer, or other property of a kind that would properly have been
31 included in the inventory of the taxpayer on hand at the close of the
32 prior taxable year, or property that is held by the taxpayer primarily for
33 sale to customers in the ordinary course of the taxpayer's trade or
34 business. This subsection does not apply if the deduction arises out of
35 refunds or repayments with respect to rates made by a regulated public
36 utility that is listed in section 7701(a)(33)(A) through (H) of the
37 internal revenue code, if the refunds or repayments are:

38 1. Required to be made by the government, political subdivision,
39 agency or instrumentality referred to in that section.

40 2. Required to be made by an order of a court.

41 3. Made in settlement of litigation or under threat or imminence of
42 litigation.

1 E. If the exclusion under subsection B of this section results in:

2 1. A net operating loss for the prior taxable year or years for
3 purposes of computing the decrease in tax for the prior year or years
4 under subsection B of this section:

5 (a) The loss shall be carried over under this chapter to the same
6 extent and in the same manner as provided under section 43-1123, and under
7 prior law.

8 (b) A carryover beyond the taxable year may not be taken into
9 account.

10 2. A capital loss for the prior taxable year or years, for purposes
11 of computing the decrease in tax for the prior taxable year or years under
12 subsection B of this section:

13 (a) The loss shall be:

14 (i) Carried over under this chapter to the same extent and in the
15 same manner as was provided under prior law for taxable years beginning on
16 or before December 31, 1987.

17 (ii) Carried back and carried over to the same extent and in the
18 same manner as provided under section 1212 of the internal revenue code
19 for taxable years beginning from and after December 31, 1987.

20 (b) A carryover beyond the taxable year may not be taken into
21 account.

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

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

29 48-807. County fire district assistance tax; annual budget;
30 override; monthly financial reports

31 A. The board of supervisors of a county shall levy, at the time of
32 levying other property taxes, a county fire district assistance tax on the
33 taxable property in the county of not more than \$.10 per \$100 of assessed
34 valuation. The tax levy provided for in this subsection shall be a levy
35 of secondary property taxes and shall not be subject to title 42, chapter
36 17, article 2. The county treasurer shall pay to each fire district,
37 including a fire district formed pursuant to section 48-851, in the county
38 from the proceeds of the tax an amount equal to twenty percent of the
39 property tax levy adopted by the district for the fiscal year in which the
40 tax will be levied, except that:

41 1. The amount of assistance from the county to a fire district
42 shall be reduced as follows:

43 (a) Through the fiscal year that ends June 30, 2012, by the dollar
44 amount that the fire district receives from the fire district assistance
45 tax that exceeds \$300,000 from and after June 30 of each fiscal year.

1 (b) Beginning with the fiscal year that starts July 1, 2012, by the
2 dollar amount that the fire district receives from the fire district
3 assistance tax that exceeds \$400,000 from and after June 30 of each fiscal
4 year, without regard to whether the district is located in more than one
5 county.

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

16 2. For fiscal years beginning from and after July 1, 1992, the
17 amount of assistance from the county to a fire district shall not be less
18 than the assistance provided from and after June 30, 1991 through June 30,
19 1992, if, for the fiscal year in which the tax will be levied, the
20 district levies a tax, in addition to any tax levied under section 48-806,
21 of \$3 per \$100 of assessed valuation and the assessed valuation is at
22 least ninety percent of the assessed valuation for the 1991 tax year.
23 This paragraph does not apply to fire districts subject to paragraph 1,
24 subdivision (a) or (b) of this subsection.

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

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

35 D. Beginning with the fiscal year that starts July 1, 2016, for any
36 two or more fire districts that merge or consolidate to form a
37 consolidated district on or after July 1, 2014, the consolidated district
38 may continue to receive monies in an amount not to exceed the sum of the
39 average of the amount of fire district assistance tax monies received by
40 each of the consolidating or merging districts in the five fiscal years
41 immediately preceding the merger or consolidation as prescribed in
42 subsection A of this section, without regard to whether the consolidated
43 district is located in more than one county.

1 E. For a consolidated district that is formed in any fiscal year
2 beginning July 1, 2014 or later and that is receiving fire district
3 assistance tax monies that are reduced as prescribed in subsection A,
4 paragraph 1, subdivision (c) of this section, if the total amount of fire
5 district assistance tax monies that would be paid to all districts in the
6 county pursuant to subsection A of this section is less than the amount of
7 monies that would be raised by the levy of \$.10 per \$100 assessed
8 valuation, the county treasurer shall pay the consolidated district the
9 amount of fire district assistance tax monies prescribed by subsection A
10 of this section that would have been paid to the districts at the time the
11 districts merged or consolidated.

12 F. The board, based on the budget submitted by the district, shall
13 levy, in addition to any tax levied as provided in section 48-806, a tax
14 not to exceed \$3.25 per \$100 of assessed valuation THROUGH TAX YEAR 2021,
15 \$3.375 PER \$100 OF ASSESSED VALUATION FOR TAX YEAR 2022 AND \$3.50 PER \$100
16 OF ASSESSED VALUATION FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER, or
17 the amount of the levy in the preceding tax year multiplied by 1.08,
18 whichever levy is less, and minus any amounts required to reduce the levy
19 pursuant to subsection I of this section, against all property situated
20 within the district boundaries and appearing on the last assessment roll.
21 The levy shall be made and the taxes collected in the manner, at the time
22 and by the officers provided by law for the collection of general county
23 taxes.

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

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

37 2. If the net assessed valuation of all property in the district
38 declines by a combined total of twenty percent or more over two
39 consecutive valuation years, the electors voting at the next regularly
40 scheduled general election held on the first Tuesday following the first
41 Monday in November as prescribed by section 16-204, subsection F may
42 authorize an override for five consecutive tax years allowing annual
43 levies that are exempt from the tax rate limit of \$3.25 THROUGH TAX YEAR
44 2021, \$3.375 FOR TAX YEAR 2022 AND \$3.50 FOR TAX YEAR 2023 AND EACH TAX
45 YEAR THEREAFTER, but subject to an annual levy limit of the amount of the

1 levy in the preceding tax year multiplied by 1.05. After the fifth tax
2 year, the district is again subject to the limits prescribed by subsection
3 F of this section, computed by multiplying the levy beginning in the year
4 preceding the override by 1.08 for each year through the current tax year.

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

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

9 2. If the voters approve the levy:

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

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

16 I. If the district annexes additional territory, the limit under
17 subsection F of this section shall be adjusted by applying the district's
18 tax rate to the assessed valuation of the annexed property in the
19 preceding tax year. If districts are merged or consolidated under this
20 chapter, the limitation under this subsection in the first year after the
21 districts are merged or consolidated is the total of the levies of the
22 merged or consolidated districts in the preceding tax year multiplied by
23 1.08 or the amount of the levies allowed by the maximum rate prescribed by
24 subsection F of this section, whichever is less.

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

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

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

42 M. A fire district may maintain separate accounts with a financial
43 institution that is authorized to do business in this state for the
44 purpose of operating a payroll account or for holding special revenues or

1 ambulance revenues, or both, as necessary to fulfill the district's
2 fiduciary responsibilities.

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

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

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

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

1 the findings of the study to the county treasurer and county board of
2 supervisors.

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

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

32 Sec. 16. Retroactivity

33 A. Sections 43-1021, 43-1022, 43-1024, 43-1073.01, 43-1121,
34 43-1122, 43-1123, 42-1124, 43-1127 and 43-1130.01, Arizona Revised
35 Statutes, as amended by this act, apply retroactively to taxable years
36 beginning from and after December 31, 2020.

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