SENATE BILL 1124

AMENDING SECTIONS 20-224, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.04; REPEALING SECTION 20-224.04, ARIZONA REVISED STATUTES; AMENDING SECTION 41-1518, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 37, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3954; REPEALING SECTION 41-3954, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-225; REPEALING SECTION 43-225, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1074.02, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; REPEALING SECTION 43-1075, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1122, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1163; REPEALING SECTION 43-1163, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO TAX.

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

Section 1. Section 20-224, Arizona Revised Statutes, is amended to read:

20-224. Premium tax; reports
A. On or before March 1 of each year, each authorized domestic insurer, each other insurer and each formerly authorized insurer referred to in section 20-206, subsection B shall file with the director a report in a form prescribed by the director showing total direct premium income including policy membership and other fees and all other considerations for insurance from all classes of business whether designated as a premium or otherwise received by it during the preceding calendar year on account of policies and contracts covering property, subjects or risks located, resident or to be performed in this state, after deducting from such total direct premium income applicable cancellations, returned premiums, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer and all policy dividends, refunds, savings coupons and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance. No deduction shall be made of the cash surrender values of policies or contracts. Considerations received on annuity contracts, as well as the unabsorbed portion of any premium deposit, shall not be included in total direct premium income, and neither shall be subject to tax. The report shall separately indicate the total direct fire insurance premium income received from property located in the incorporated cities and towns certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company.

B. Coincident with the filing of the tax report, each insurer shall pay to the director for deposit, pursuant to sections 35-146 and 35-147, a tax on such net premiums at the following rates:

1. For fire insurance:
   (a) On property located in a city or town certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company, .66 percent.
   (b) On all other property, 2.2 percent.

2. For disability insurance, 2.0 percent.

3. For health care service plans, the rates prescribed under sections 20-837, 20-1010 and 20-1060.

4. For other insurance:
   (a) For premiums received in calendar year 2016, 1.95 percent.
   (b) For premiums received in calendar year 2017, 1.90 percent.
   (c) For premiums received in calendar year 2018, 1.85 percent.
   (d) For premiums received in calendar year 2019, 1.80 percent.
(e) For premiums received in calendar year 2020, 1.75 percent.
(f) For premiums received in calendar year 2021 and for each subsequent calendar year, 1.70 percent.

C. Any payments of tax pursuant to subsection F of this section shall be deducted from the tax payable pursuant to subsection B of this section. Each insurer shall reflect the cost savings attributable to the lower tax in fire insurance premiums charged on property located in an incorporated city or town certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company. No insurer shall be liable to the state or to any other person, or shall be subject to regulatory action, relating to the calculation or submittal of fire insurance premium taxes based in good faith on the office of the state fire marshal’s certification.

D. Eighty-five percent of the tax paid under this section by an insurer on account of premiums received for fire insurance shall be separately specified in the report and shall be apportioned in the manner provided by sections 9-951, 9-952 and 9-972, except that all of the tax so allocated to a fund of a municipality or fire district that has no volunteer firefighters or pension obligations to volunteer firefighters shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system and all of the tax so allocated to a fund of a municipality or fire district that has both full-time paid firefighters and volunteer firefighters or pension obligations to full-time paid firefighters or volunteer firefighters shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system where it shall be reallocated by actuarial procedures proportionately to the municipality or fire district for the account of the full-time paid firefighters and to the municipality or fire district for the account of the volunteer firefighters. A municipality or fire district shall provide to the public safety personnel retirement system all information that the system deems necessary to perform the reallocation prescribed by this section. A full accounting of the reallocation shall be forwarded to the municipality or fire district and its local boards.

E. This section does not apply to title insurance. Title insurers shall be taxed as provided in section 20-1566.

F. Any insurer that paid or is required to pay a tax of $50,000 or more on net premiums received during the preceding calendar year, pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of each month from March through August a report for that month, on a form prescribed by the director, accompanied by a payment in an amount equal to fifteen percent of the amount paid or required to be paid during the preceding calendar year pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments
are due and payable on or before the fifteenth day of each month and shall be made to the director for deposit, pursuant to sections 35-146 and 35-147.

G. Except for the tax paid on fire insurance premiums pursuant to subsections B and D of this section, an insurer may claim a premium tax credit if the insurer qualifies for a credit pursuant to section 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

H. On receipt of a properly documented claim, a refund shall be provided to an insurer from available funds for the excess amount of any fire insurance premium improperly paid by the insurer. The insurer shall reflect the refund in the fire insurance premiums charged on the property that was charged the excessive amount.

I. On or before September 30 of each year, the director of the department of insurance and financial institutions shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount of insurance premium tax credits established by sections 20-224.03, 20-224.04, 20-224.05, 20-224.06 and 20-224.07 that were used during the previous fiscal year.

J. For the purposes of:
   1. Subsection B of this section, fire insurance is one hundred percent of fire lines, forty percent of commercial multiple peril nonliability lines, thirty-five percent of homeowners' multiple peril lines, twenty-five percent of farm owners' multiple peril lines and twenty percent of allied lines.
   2. Section 20-416, fire insurance is eighty-five percent of fire and allied lines.

K. From and after December 31, 2017, the director may require that reports and payments under this section be submitted electronically. If the director requires electronic submission, the director shall include on the department's official website a list of one or more acceptable third-party services through which an insurer must submit reports and payments.

Sec. 2. Title 20, chapter 2, article 1, Arizona Revised Statutes, is amended by adding section 20-224.04, to read:

20-224.04. Affordable housing premium tax credit
   A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE PREMIUM TAX INCURRED PURSUANT TO SECTION 20-224, 20-837, 20-1010, 20-1060 OR 20-1097.07 IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT FOR A QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE CREDIT:
       1. IS EQUAL TO AT LEAST FIFTY PERCENT OF THE AMOUNT OF THE FEDERAL LOW-INCOME HOUSING CREDIT FOR THE QUALIFIED PROJECT.
       2. ON NOTICE TO THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS, MAY BE ALLOCATED AMONG THE PARTNERS, MEMBERS OR SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES, REGARDLESS OF THE SIZE
OF SUCH PARTICIPANT’S OWNERSHIP INTEREST. THE TOTAL OF THE ALLOCATED CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED THE AMOUNT OF THE CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF HOUSING. THIS PARAGRAPH DOES NOT PROHIBIT A PARTNER, MEMBER OR SHAREHOLDER FROM HOLDING AN INVESTMENT EXCLUSIVELY IN EITHER THE STATE CREDITS OR FEDERAL CREDITS ALLOCATED TO THE QUALIFIED PROJECT.

B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING UNDER SECTION 41-3954 TO THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS WITH THE TAXPAYER’S PREMIUM TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.

C. IF THE AMOUNT OF THE CREDIT UNDER THIS SECTION EXCEEDS THE TAXPAYER’S STATE PREMIUM TAX LIABILITY, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS’ PREMIUM TAX LIABILITY.

D. IF ALL OR PART OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT WITH RESPECT TO THE QUALIFIED PROJECT IS SUBJECT TO RECAPTURE UNDER SECTION 42 OF THE INTERNAL REVENUE CODE DURING THE FIRST TEN TAXABLE YEARS AFTER THE PROJECT IS PLACED IN SERVICE, THE CREDIT UNDER THIS SECTION IS ALSO SUBJECT TO RECAPTURE IN A PROPORTIONAL AMOUNT FROM ALL TAXPAYERS THAT CLAIMED THE CREDIT. THE RECAPTURE IS CALCULATED BY INCREASING THE AMOUNT OF TAXES IMPOSED IN THE FOLLOWING YEAR BY THE AMOUNT RECAPTURED.

E. A TAXPAYER THAT CLAIMS A TAX CREDIT AGAINST STATE PREMIUM TAX LIABILITY IS NOT REQUIRED TO PAY ANY ADDITIONAL RETALIATORY TAX IMPOSED PURSUANT TO SECTION 20-230 AS A RESULT OF CLAIMING THAT TAX CREDIT. THE CREDIT MAY FULLY OFFSET ANY RETALIATORY TAX IMPOSED BY SECTION 20-230.


Sec. 3. Delayed repeal
Section 20-224.04, Arizona Revised Statutes, as added by this act, is repealed from and after December 31, 2025.

Sec. 4. Section 41-1518, Arizona Revised Statutes, is amended to read:
41-1518. Capital investment incentives; evaluation; certification; definitions
A. The Arizona commerce authority shall receive and evaluate applications that are submitted by qualified investors to receive a tax credit pursuant to section 43-1074.02 for qualified investments made in a qualified small business and shall certify to the department of revenue the names, amounts and other relevant information relating to the applicants.
B. To be eligible for a tax credit pursuant to this section and section 43-1074.02, a qualified investor shall file an application with the authority within ninety days after making a qualified investment. The application, on a form prescribed by the authority, shall include:

1. The name, address and federal income tax identification number of the applicant.
2. The name and federal employer identification number of the qualified small business that received a qualified investment made by the applicant.
3. The date the qualified investment was made.
4. Any additional information that the authority requires.

C. As part of the application, the applicant and the qualified small business that receives the investment shall each provide written authorization pursuant to section 42-2003 designating the authority as eligible to receive tax information from the department of revenue for the purpose of determining if any misrepresentations exist on the application. The authorization shall limit disclosure to income tax information for the latest two years for which returns were filed with the department of revenue preceding the date the application is filed and for all tax years through the year in which the investment was made for which a return was not filed as of the date of the application. The applicant shall also provide in the written authorization income tax information for all tax years in which the applicant could claim or carry forward the credit pursuant to this section, but limited to the tax years in which the applicant actually claims a credit or carries forward a credit on a return filed with the department of revenue. An applicant who has an individual ownership interest as a co-owner of a business who may be entitled to a pro rata share of the credit pursuant to section 43-1074.02, subsection E shall provide a written authorization with content similar to the authorization, and in the same manner as, any other applicant is required to provide.

D. The authority shall review and make a determination with respect to each application within ninety days after receiving the application. The authority may request additional information from the applicant in order to make an informed decision regarding the eligibility of the qualified investor or qualified small business.

E. Subject to subsection F of this section, the authority shall authorize tax credits for each qualified investor who makes a qualified investment in a qualified small business. The amount of the credit shall be:

1. If the qualified investment is made in a qualified small business that maintains its principal place of business in a rural county of this state or is a bioscience enterprise, twelve percent of the amount of the investment per year for the first and second taxable years after
the investment is made and eleven percent of the amount of the investment for the third taxable year after the year in which the investment is made.

2. If the qualified investment is made in a qualified small business other than a business described in paragraph 1 of this subsection, ten percent of the amount of the investment for each of the three taxable years after the year in which the investment is made.

F. The authority shall not authorize tax credits under this section after June 30, 2021. Through June 30, 2017, the authority shall not certify tax credits under this section exceeding twenty million dollars $20,000,000. From and after June 30, 2017 through June 30, 2021, the authority may certify additional tax credits under this section not exceeding two million five hundred thousand dollars $2,500,000 each fiscal year, plus any unused credit capacity which THAT carries over from the preceding fiscal year or years. From and after June 30, 2021 through June 30, 2031, the authority may certify additional tax credits under this section not exceeding $2,500,000 each fiscal year, plus any unused credit capacity that carries over from the preceding fiscal year or years. Tax credits that expire after certification or that are otherwise not timely used by the qualified investor for whom they were originally authorized shall also be included in the applicable dollar limit. If qualifying applications exceed the dollar limit, the authority shall authorize credits in the order of the date and time that the applications are received by the authority, as evidenced by the time and date stamped on the application when received by the authority. All applications shall be filed on a form and in the manner prescribed by the Arizona commerce authority. If an application is received that, if authorized, would require the authority to exceed the applicable dollar limit, the authority shall only grant the applicant the remaining amount of tax credits that would not exceed the dollar limit. After the authority authorizes the allowable amount of tax credits, the authority shall deny any subsequent applications that are received. The authority shall certify to the qualified investor and to the department of revenue the amount of the tax credit that is authorized for the purposes of section 43-1074.02 for each taxable year described in subsection E of this section.

G. The total of all qualified investments in any calendar year by a qualified investor and its affiliates in qualified small businesses that are eligible for a tax credit pursuant to this section and section 43-1074.02 shall not exceed five hundred thousand dollars $500,000. The maximum amount of qualified investments in a single qualified small business for which the authority may authorize tax credits under this section shall not exceed an aggregate of two million dollars $2,000,000 in investments for all taxable years. If applications for tax credits are received for investments that exceed the limits prescribed by this subsection for any qualified small business, the authority shall authorize credits in the order of the date and time that the applications are
received by the authority. If an application is received that, if
authorized, would require the authority to authorize tax credits for any
investment in a qualified small business that would cause the total
qualified investments in the business to exceed the limits prescribed by
this subsection, the authority shall only grant the applicant the
remaining amount of tax credits that would not exceed the limits
prescribed by this subsection.

H. The qualified investor shall file a return claiming the tax
credit with the department of revenue for application against income tax
pursuant to section 43-1074.02 by the due date of the return, including
extensions, for the tax year in which the credit is available. If the
qualified investor fails to timely file a return claiming the credit for a
taxable year, the credit expires for that taxable year and there shall be
no carryforward of the expired credit. If a qualified investor includes
co-owners of a business who qualify for individual pro rata shares of the
credit pursuant to section 43-1074.02, subsection E, each individual owner
shall file a return claiming the tax credit with the department of revenue
by the due date of the return, including extensions, for the tax year in
which the credit is available. If an individual co-owner fails to timely
file a return claiming the credit for a taxable year, the credit expires
for that taxable year and there shall be no carryforward of the expired
credit. Credits that expire or that otherwise are not timely used by the
qualified investor or by the individual co-owner of a business for whom
the credits were originally authorized shall not be reissued.

I. On receiving an application for a tax credit from a qualified
investor, or a written request for certification as a qualified small
business from a corporation, limited liability company, partnership or
other business entity, the authority shall determine whether the
corporation, limited liability company, partnership or other business
entity that is named in the application or written request is a qualified
small business. The authority shall determine if the business is a
bioscience enterprise and if the business maintains its principal place of
business in a rural county in this state. After determining the
qualifications, the authority shall certify the qualified small business
as being eligible to receive qualified investments for purposes of this
section. The certification is valid for one year, but the authority may
revoke the certification at any time or refuse to renew the certification
if the business fails to maintain the required qualifications. If a
qualified small business fails to maintain the qualifications, the
business shall notify the authority within five business days after
failing to meet the qualifications. The authority shall revoke the
certification of the business and may assess a penalty against the
business entity equal to the amount of the tax credits authorized after
the business failed to meet the qualifications. The penalty shall be
deposited into the state general fund. If the certification is revoked
or expires, subsequent investments in the business do not qualify for a
tax credit pursuant to this section and section 43-1074.02. All tax
credits that are issued before any expiration or revocation of the
certification shall remain valid. Any application for a tax credit shall
not be denied on the basis of the expiration or revocation of the
certification if the investment was made before the date of the expiration
or revocation.

J. The authority shall provide to the department of revenue
necessary information required to administer this section and section
43-1074.02. If the authority subsequently discovers that an applicant who
received a tax credit misrepresented information on the application, the
authority shall immediately notify the department of revenue and provide
the department of revenue all information that relates to that
applicant. If the department of revenue determines that there has been a
misrepresentation on the application, the department of revenue shall deny
the credit if the misrepresentation relates to whether the applicant was a
qualified investor or made a qualified investment. If the
misrepresentation relates to whether the investment was made to:
1. A qualified small business, the department of revenue shall deny
the credit only if the applicant knew or should have known at any time
before the certification that the representation was false.
2. A bioscience enterprise or a business that maintains its
principal place of business in a rural county in this state, the
department of revenue shall decrease the amount of the credit that would
have been allowed under subsection E, paragraph 1 of this section to the
amount allowed under subsection E, paragraph 2 of this section only if the
applicant knew or should have known at any time before the certification
that the representation was false.

K. For the purposes of this section:
1. "Affiliate" means any person or entity that controls, that is
controlled by or that is under common control with another person or
entity. For the purposes of this paragraph, "control" means the power to
determine the policies of an entity whether through ownership of voting
securities, by contract or otherwise.
2. "Asset" means any owned property that has value, including
financial assets and physical assets. Intellectual property shall not be
included when determining total assets.
3. "Bioscience enterprise" means a business whose activity is
related to bioscience as determined by the authority or any corporation,
partnership, limited liability company or other business entity that is
primarily engaged in a business that conducts research, development,
manufacturing, marketing, sales and licensing of products, services and
solutions relating to either of the following:
   (a) Medical, pharmaceutical, nutraceutical, bioengineering,
biomechanical, bioinformatics or other life-science based applications.
(b) Applications of modern biological, bioengineering, biomechanical or bioinformatics technologies in the fields of human, plant or animal health, agriculture, defense, homeland security or the environment.

4. "Qualified investment" means an investment in an equity security that meets all of the following requirements:
   (a) The equity security shall be common stock, preferred stock, an interest in a partnership or limited liability company, a security that is convertible into an equity security or any other equity security as determined by the authority.
   (b) The investment shall be at least twenty-five thousand dollars $25,000.
   (c) The qualified investor and its affiliates do not hold, of record or beneficially, immediately before making an investment, equity securities possessing more than thirty percent of the total voting power of all equity securities of the qualified small business.

5. "Qualified investor" means an individual, limited liability company, partnership, S corporation as defined in section 1361 of the internal revenue code or other business entity that makes a qualified investment in a qualified small business. Qualified investor does not mean a corporation that is subject to tax under title 43, chapter 11.

6. "Qualified small business" means a corporation, limited liability company, partnership or other business entity that:
   (a) Maintains at least a portion of its operations at an office or manufacturing or research facility located in this state.
   (b) Has at least two principal full-time equivalent employees who are residents in this state. For the purposes of this subdivision, "principal" means a person whose sole responsibility is not administrative.
   (c) Does not engage in any activities that involve human cloning or embryonic stem cell research.
   (d) Has total assets not exceeding two million dollars $2,000,000 through December 31, 2011 or ten million dollars $10,000,000 beginning from and after December 31, 2011, excluding any investment made under this section.
   (e) Has not exceeded the limit on qualified investments prescribed by subsection G of this section.
   (f) Does not have a principal business involving activities excluded by the authority. The authority shall provide a list of excluded businesses to any person on request.

7. "Rural county" means a county that has a population of seven hundred fifty thousand or fewer persons.
Sec. 5. Title 41, chapter 37, article 2, Arizona Revised Statutes, is amended by adding section 41-3954, to read:

41-3954. Affordable housing tax credit; limit; eligibility statement; rules; public hearings; annual report; definitions

A. The affordable housing tax credit is established. The department shall administer the credit as provided by this section.

B. On application, the department shall allocate tax credits under this section for projects in this state that qualify for the federal low-income housing tax credit under section 42 of the Internal Revenue Code and that are placed in service, for purposes of the federal credit, from and after June 30, 2022, in an amount equal to at least fifty percent of the amount of the federal credit allowed in each taxable year during the federal credit period. The department shall allocate tax credits under this section according to the department's current qualified allocation plan adopted pursuant to section 42(m) of the Internal Revenue Code.

C. The department shall prescribe forms, procedures and criteria for applying, evaluating and qualifying for the credit under this section. The department shall issue an eligibility statement for each qualified project that identifies the qualified project, the allocation year and the amount of the credits allocated to the project.

D. The department shall allocate a total of $4,000,000 of tax credits under this section in any calendar year according to the date of the allocation of the credit. An approved amount applies against the dollar limit for the year in which the application is submitted. If, at the end of the calendar year, an unused balance occurs under the dollar limit prescribed by this subsection, the balance shall be reallocated for the purposes of this subsection in the following year.

E. Any taxpayer that owns an interest in an investment in a qualified project that receives an eligibility statement from the department is allowed a tax credit under this section for taxable years beginning from and after December 31, 2021 if the taxpayer acquires the interest before filing a tax return claiming the tax credit. The taxpayer shall apply the credit against the taxpayer's insurance premium or income tax liability as provided by and subject to the procedures, terms and conditions prescribed by section 20-224.04, 43-1075 or 43-1163, as applicable.

F. A qualified project that is approved for the purposes of the credit under this section is not eligible for any abatement, exemption or other reduction in state or local ad valorem property taxes otherwise allowed by statute.

G. The Arizona Department of Housing, with the cooperation of the Department of Insurance and Financial Institutions and the Department of Revenue, shall adopt rules and publish and prescribe forms and procedures...
AS NECESSARY TO ADMINISTER THIS SECTION, INCLUDING CRITERIA ON WHICH
ELIGIBILITY STATEMENTS ARE ISSUED UNDER THIS SECTION.

H. ON OR BEFORE JULY 30 OF EACH YEAR, THE DEPARTMENT SHALL HOLD A
PUBLIC HEARING TO SOLICIT AND ACCEPT PUBLIC COMMENTS RELATING TO THE
AMOUNT OF THE CREDIT UNDER THIS SECTION TO BE USED FOR QUALIFIED PROJECTS
THAT ARE FINANCED THROUGH TAX-EXEMPT BOND ISSUANCE AS PART OF THE
QUALIFIED ALLOCATION PLAN PROCESS AND OTHER AFFORDABLE HOUSING TAX CREDIT
ISSUES. THE DEPARTMENT SHALL POST A COPY OF ALL COMMENTS SUBMITTED DURING
EACH PUBLIC HEARING ON THE DEPARTMENT'S WEBSITE BEFORE SEPTEMBER 15 OF THE
YEAR IN WHICH THE PUBLIC HEARING IS HELD.

I. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE DEPARTMENT SHALL
SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
REPRESENTATIVES A REPORT THAT ADDRESSES WHETHER THE CREDITS APPROVED UNDER
THIS SECTION PRODUCED A SIGNIFICANT NUMBER OF ADDITIONAL AFFORDABLE
HOUSING UNITS IN THIS STATE AND THAT ANALYZES THE ECONOMIC IMPACT OF THE
CREDITS APPROVED UNDER THIS SECTION ON THIS STATE. THE DEPARTMENT SHALL
PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE.

J. FOR THE PURPOSES OF THIS SECTION:
1. "INTERNAL REVENUE CODE" HAS THE SAME MEANING PRESCRIBED BY
SECTION 43-105.
2. "QUALIFIED PROJECT" MEANS A QUALIFIED LOW-INCOME BUILDING AS
DEFINED IN SECTION 42(c)(2) OF THE INTERNAL REVENUE CODE.
3. "TAXPAYER" MEANS A PERSON, FIRM OR CORPORATION THAT IS SUBJECT
TO TAXATION UNDER TITLE 20 OR UNDER TITLE 43, CHAPTER 10 OR 11.

Sec. 6. Delayed repeal
Section 41-3954, Arizona Revised Statutes, as added by this act, is
repealed from and after December 31, 2025.
Sec. 7. Title 43, chapter 2, article 2, Arizona Revised Statutes,
is amended by adding section 43-225, to read:
43-225. Affordable housing tax credit review committee;
reports
A. THE AFFORDABLE HOUSING TAX CREDIT REVIEW COMMITTEE IS
ESTABLISHED CONSISTING OF THE FOLLOWING MEMBERS:
1. THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR, NOT MORE THAN
TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.
2. THREE MEMBERS WHO ARE APPOINTED BY THE PRESIDENT OF THE SENATE,
NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.
3. THREE MEMBERS WHO ARE APPOINTED BY THE SPEAKER OF THE HOUSE OF
REPRESENTATIVES, NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME
POLITICAL PARTY.
B. APPOINTED MEMBERS SERVE AT THE PLEASURE OF THE PERSON WHO MADE
THE APPOINTMENT.
C. COMMITTEE MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT
ARE ELIGIBLE TO RECEIVE REIMBURSEMENT FOR EXPENSES PURSUANT TO TITLE 38,
CHAPTER 4, ARTICLE 2.

1. THE HISTORY, RATIONALE AND ESTIMATED REVENUE IMPACT OF THE CREDIT.

2. WHETHER THE CREDIT HAS PROVIDED A BENEFIT TO THIS STATE THAT INCLUDES, FOR CORPORATE TAX CREDITS, MEASURABLE ECONOMIC DEVELOPMENT, NEW INVESTMENTS, CREATION OF NEW JOBS OR RETENTION OF EXISTING JOBS IN THIS STATE.

3. WHETHER THE CREDIT IS UNNECESSARILY COMPLEX IN THE APPLICATION, ADMINISTRATION AND APPROVAL PROCESSES.

4. THE NUMBER OF HOUSING UNITS GENERATED AS A RESULT OF THE TAX CREDIT AND THE AVERAGE INCOME OF RESIDENTS OFFERED HOUSING UNITS.


Sec. 8. Delayed repeal
Section 43-225, Arizona Revised Statutes, as added by this act, is repealed from and after December 31, 2025.

Sec. 9. Section 43-1074.02, Arizona Revised Statutes, is amended to read:

43-1074.02. Credit for investment in qualified small businesses

A. For taxable years beginning from and after December 31, 2006 through December 31, 2024, a credit is allowed against the taxes imposed by this title for investment made after June 30, 2006 in qualified small businesses. The amount of the credit is the amount determined and authorized by the Arizona commerce authority as provided by section 41-1518.

B. To claim the credit under this section, the taxpayer shall attach to its tax return a copy of the Arizona commerce authority certification provided pursuant to section 41-1518. A credit is NOT allowed under this section unless the taxpayer provides the certification.

C. The basis of any investment with respect to which the taxpayer has claimed a credit under this section shall be reduced by the amount of the credit claimed with respect to that investment.

D. If the allowable tax credit exceeds the taxes due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the claim not used to offset the taxes under this title may be carried forward to the next three consecutive taxable years as a credit against subsequent years' income tax liability.
E. Individuals who are co-owners of a business, including partners in a partnership and shareholders of an S corporation as defined in section 1361 of the internal revenue code, may each claim only their individual pro rata shares of the credit allowed under this section based on their ownership interests. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

F. If the department of revenue determines that there has been a misrepresentation on an application submitted to the Arizona commerce authority under section 41-1518, the department of revenue shall deny the credit if the misrepresentation relates to whether the applicant was a qualified investor or made a qualified investment. If the misrepresentation relates to whether the investment was made to:

1. A qualified small business, the department of revenue shall deny the credit only if the applicant knew or should have known at any time before the certification that the representation was false.

2. A bioscience enterprise or a business that maintains its principal place of business in a rural county in this state, the department of revenue shall decrease the amount of the credit that would have been allowed only if the applicant knew or should have known at any time before the certification that the representation was false.

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

43-1075. Affordable housing tax credit

A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS TITLE IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT FOR A QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE CREDIT:

1. IS EQUAL TO AT LEAST FIFTY PERCENT OF THE AMOUNT OF THE FEDERAL LOW-INCOME HOUSING CREDIT FOR THE QUALIFIED PROJECT.

2. ON NOTICE TO THE DEPARTMENT OF REVENUE, MAY BE AlLOCATED AMONG THE PARTNERS, MEMBERS OR SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES REGARDLESS OF THE SIZE OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE TOTAL OF THE ALLOCATED CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED THE AMOUNT OF THE CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF HOUSING. THIS PARAGRAPH DOES NOT PROHIBIT A PARTNER, MEMBER OR SHAREHOLDER FROM HOLDING AN INVESTMENT EXCLUSIVELY IN EITHER THE STATE CREDITS OR FEDERAL CREDITS AlLOCATED TO THE QUALIFIED PROJECT.

B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING UNDER SECTION 41-3954 TO THE DEPARTMENT OF REVENUE WITH THE TAXPAYER'S INCOME TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.
C. If the amount of the credit for a taxable year exceeds the amount of taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

D. If all or part of the federal low-income housing tax credit with respect to the qualified project is subject to recapture under section 42 of the internal revenue code during the first ten taxable years after the project is placed in service, the credit under this section is also subject to recapture in a proportional amount from all taxpayers who claimed the credit. The recapture is calculated by increasing the amount of taxes imposed in the following year by the amount recaptured.

E. The department of revenue, with the cooperation of the department of insurance and financial institutions and the Arizona department of housing, shall adopt rules and publish and prescribe forms and procedures as necessary to administer this section.

Sec. 11. Delayed repeal
Section 43-1075, Arizona Revised Statutes, as added by this act, is repealed from and after December 31, 2025.

Sec. 12. 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.

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

9. 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.

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

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

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

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

14. 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 10 and paragraphs 12 and 13 of this section relating to exploration expenses.

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

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

17. 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.

18. 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.

19. 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.

23. WITH RESPECT TO A PUBLIC SERVICE CORPORATION OPERATING A WATER SYSTEM OR SEWAGE DISPOSAL FACILITY, THE AMOUNT OF MONIES OR PROPERTY RECEIVED AS A CONTRIBUTION IN AID OF CONSTRUCTION. FOR THE PURPOSES OF THIS PARAGRAPH:
   (a) "CONTRIBUTION IN AID OF CONSTRUCTION" MEANS ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION THAT PROVIDES WATER OR SEWAGE DISPOSAL SERVICES TO THE EXTENT THAT THE PURPOSE OF THE CONTRIBUTION IS TO PROVIDE FOR EXPANDING, IMPROVING OR REPLACING THE PUBLIC SERVICE CORPORATION'S WATER SYSTEM OR SEWAGE DISPOSAL FACILITIES, INCLUDING ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION FOR A WATER SYSTEM OR SEWAGE DISPOSAL FACILITY SUBJECT TO A CONTINGENT OBLIGATION TO REPAY THE AMOUNT, IN WHOLE OR IN PART, TO THE CONTRIBUTOR.
   (b) "PUBLIC SERVICE CORPORATION" MEANS A PUBLIC SERVICE CORPORATION AS DEFINED IN ARTICLE XV, SECTION 2, CONSTITUTION OF ARIZONA, THAT IS REGULATED BY THE CORPORATION COMMISSION.

Sec. 13. Title 43, chapter 11, article 6, Arizona Revised Statutes, is amended by adding section 43-1163, to read:

43-1163. Affordable housing tax credit

A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS TITLE IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT FOR A QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE CREDIT:
   1. IS EQUAL TO AT LEAST FIFTY PERCENT OF THE AMOUNT OF THE FEDERAL LOW-INCOME HOUSING CREDIT FOR THE QUALIFIED PROJECT.
2. ON NOTICE TO THE DEPARTMENT OF REVENUE, MAY BE ALLOCATED AMONG
THE PARTNERS, MEMBERS OR SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES
REGARDLESS OF THE SIZE OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE
TOTAL OF THE ALLOCATED CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED
THE AMOUNT OF THE CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF
HOUSING. THIS PARAGRAPH DOES NOT PROHIBIT A PARTNER, MEMBER OR
SHAREHOLDER FROM HOLDING AN INVESTMENT EXCLUSIVELY IN EITHER THE STATE
CREDITS OR FEDERAL CREDITS ALLOCATED TO THE QUALIFIED PROJECT.
B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT
THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING
UNDER SECTION 41-3954 TO THE DEPARTMENT OF REVENUE WITH THE TAXPAYER'S
INCOME TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE
TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.
C. IF THE AMOUNT OF THE CREDIT FOR A TAXABLE YEAR EXCEEDS THE
AMOUNT OF TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME,
OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE
AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD
FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.
D. IF ALL OR PART OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT WITH
RESPECT TO THE QUALIFIED PROJECT IS SUBJECT TO RECAPTURE UNDER SECTION 42
OF THE INTERNAL REVENUE CODE DURING THE FIRST TEN TAXABLE YEARS AFTER THE
PROJECT IS PLACED IN SERVICE, THE CREDIT UNDER THIS SECTION IS ALSO
SUBJECT TO RECAPTURE IN A PROPORTIONAL AMOUNT FROM ALL TAXPAYERS THAT
CLAIMED THE CREDIT. THE RECAPTURE IS CALCULATED BY INCREASING THE AMOUNT
OF TAXES IMPOSED IN THE FOLLOWING YEAR BY THE AMOUNT RECAPPED.
E. THE DEPARTMENT OF REVENUE, WITH THE COOPERATION OF THE
DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE ARIZONA
DEPARTMENT OF HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION.
Sec. 14. Delayed repeal
Section 43-1163, Arizona Revised Statutes, as added by this act, is
repealed from and after December 31, 2025."
Sec. 15. Implementation and administration
The Arizona department of housing shall implement and administer
section 41-3954, Arizona Revised Statutes, as added by this act, for
Arizona's 2022 qualified allocation plan for the low-income housing tax
credit and for future qualified allocation plans for the low-income
housing tax credits authorized by this act.
Sec. 16. Purpose
Pursuant to section 43-223, Arizona Revised Statutes, the
legislature enacts sections 43-1075 and 43-1163, Arizona Revised Statutes,
as added by this act, to support the construction of new affordable
housing projects in this state.
Sec. 17. Distribution of revenues for certain Indian tribal postsecondary educational institutions

For a single community college with a full-time student equivalent enrollment of at least five hundred students for fiscal year 2019-2020, in lieu of the distribution required by section 42-5031.01, subsection C, paragraph 1, Arizona Revised Statutes, the state treasurer shall transmit $3,500,000 of transaction privilege tax revenues received pursuant to title 42, chapter 5, article 1, Arizona Revised Statutes, from all sources located on the reservation in fiscal year 2020-2021.

Sec. 18. Retroactivity

Section 43-1122, Arizona Revised Statutes, as amended by this act, and section 17 of this act apply retroactively to taxable years beginning from and after December 31, 2020.

Sec. 19. Saving clause

The repeal of sections 20-224.04, 41-3954, 43-225, 43-1075 and 43-1163, Arizona Revised Statutes, by this act does not:

1. Limit or impair the issuance of premium tax credits or income tax credits for qualified projects that receive a reservation from the Arizona department of housing pursuant to section 41-3954, Arizona Revised Statutes, as added by this act, before December 31, 2025 or a taxpayer's ability to redeem such tax credits in accordance with sections 20-224.04, 41-3954, 43-1075 and 43-1163, Arizona Revised Statutes, as added by this act.

2. Affect any act done or right accruing or accrued or any suit or proceeding had or commenced in any civil cause of action before the repeal. All rights and liabilities under such acts continue and may be enforced in the same manner as allowed before the repeal.