AN ACT

AMENDING TITLE 23, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 11; AMENDING SECTION 42-5029, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5041, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES; AMENDING LAWS 2016, CHAPTER 125, SECTION 21, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 1; AMENDING LAWS 2016, CHAPTER 125, SECTION 22, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 2; AMENDING LAWS 2016, CHAPTER 125, SECTION 26, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 3; AMENDING LAWS 2016, CHAPTER 125, SECTION 28, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 4; APPROPRIATING MONIES; RELATING TO REVENUE BUDGET RECONCILIATION.

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

Section 1. Title 23, Arizona Revised Statutes, is amended by adding chapter 11, to read:

CHAPTER 11
MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT
ARTICLE 1. GENERAL PROVISIONS

23-1701. Definitions
IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:
1. "COMMISSION" MEANS THE INDUSTRIAL COMMISSION OF ARIZONA.
2. "FIREFIGHTER" HAS THE SAME MEANING PRESCRIBED IN SECTION 23-901.09.
3. "FIRE INVESTIGATOR" HAS THE SAME MEANING PRESCRIBED IN SECTION 23-901.09.
4. "FUND" MEANS THE MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT FUND.
5. "MUNICIPAL PAYOR" MEANS ANY OF THE FOLLOWING:
   (a) A WORKERS' COMPENSATION INSURER USED BY A CITY OR TOWN.
   (b) A SELF-INSURANCE PROGRAM APPROVED PURSUANT TO SECTION 23-961 USED BY A CITY OR TOWN.
   (c) A PUBLIC AGENCY POOL THAT IS ESTABLISHED PURSUANT TO SECTION 11-952.01 AND THAT IS USED BY A CITY OR TOWN.

23-1702. Municipal firefighter cancer reimbursement fund; exemption; rulemaking; annual report
A. THE MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT FUND IS ESTABLISHED CONSISTING OF MONIES DEPOSITED IN THE FUND PURSUANT TO SECTION 23-1703. THE COMMISSION SHALL ADMINISTER THE FUND. MONIES IN THE FUND SHALL BE USED TO REIMBURSE MUNICIPAL PAYORS FOR THE COMPENSATION AND BENEFITS PAID BY MUNICIPAL PAYORS TO MUNICIPAL FIREFIGHTERS AND MUNICIPAL FIRE INVESTIGATORS UNDER SECTION 23-901.09 FOR:
1. COMPENSATION FOR TEMPORARY PARTIAL DISABILITY, PERMANENT PARTIAL DISABILITY AND LOST EARNING CAPACITY AS PRESCRIBED IN SECTION 23-1044.
2. COMPENSATION FOR TEMPORARY TOTAL DISABILITY AND PERMANENT TOTAL DISABILITY AS PRESCRIBED IN SECTION 23-1045.
3. MEDICAL, SURGICAL AND HOSPITAL BENEFITS AS PRESCRIBED IN SECTION 23-1062.
4. DEATH BENEFITS AS PRESCRIBED IN SECTION 23-1046.
B. THE FUND CONSISTS OF THE FOLLOWING:
1. FEES FROM CITIES AND TOWNS DEPOSITED PURSUANT TO SECTION 23-1703.
2. MONIES RECEIVED FROM ANY OTHER SOURCE, INCLUDING FEDERAL MONIES, INVESTMENT INCOME AND PRIVATE GRANTS, GIFTS, CONTRIBUTIONS AND DEVISES.
C. THE COMMISSION SHALL ANNUALLY DISTRIBUTE THE MONIES IN THE FUND ON A PRORATED BASIS BASED ON THE AMOUNT OF THE INDIVIDUAL COMPENSATION AND BENEFITS PAID BY A MUNICIPAL PAYOR FOR COMPENSATION AND BENEFITS TO A MUNICIPAL FIREFIGHTER OR MUNICIPAL FIRE INVESTIGATOR FOR A DISEASE,
INFIRMITY OR IMPAIRMENT AS PRESCRIBED IN SECTION 23-901.09 IN PROPORTION TO THE STATEWIDE AGGREGATE OF ALL COMPENSATION AND BENEFITS PAID TO MUNICIPAL FIREFIGHTERS AND MUNICIPAL FIRE INVESTIGATORS PURSUANT TO SECTION 23-901.09 FOR THE FISCAL YEAR. THE COMMISSION MAY NOT REIMBURSE MONIES FOR EXPENSES RELATING TO CASE MANAGEMENT, VOCATIONAL REHABILITATION OR SIMILAR NONMEDICAL COSTS. THE PRORATED SHARE SHALL BE DISTRIBUTED TO THE MUNICIPAL PAYORS ENTITLED TO A SHARE WITHOUT REGARD TO THE ORDER IN WHICH THE RESPECTIVE COMPENSATION AND BENEFITS WERE PAID IN THE FISCAL YEAR.

D. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

E. ON OR BEFORE JANUARY 1, 2022, THE COMMISSION SHALL ADOPT RULES PURSUANT TO TITLE 41, CHAPTER 6 TO CARRY OUT THIS CHAPTER.

F. ON OR BEFORE APRIL 1 OF EACH YEAR, THE COMMISSION SHALL SUBMIT A REPORT TO THE LEGISLATURE AND THE MUNICIPAL PAYORS REIMBURSED FROM THE FUND ON THE FINANCIAL STATUS OF THE FUND. THE REPORT SHALL INCLUDE ALL OF THE FOLLOWING:

1. THE TOTAL NUMBER OF FUND REIMBURSEMENT CLAIMS THE COMMISSION RECEIVED IN THE IMMEDIATELY PRECEDING FISCAL YEAR.

2. FOR THE IMMEDIATELY PRECEDING FISCAL YEAR, THE NUMBER OF FUND REIMBURSEMENT CLAIMS APPROVED, THE TOTAL DOLLAR AMOUNT OF FUND REIMBURSEMENT CLAIMS PAID BY THE FUND AND THE AMOUNT PAID TO EACH MUNICIPAL PAYOR REIMBURSED BY THE FUND.

3. THE AMOUNT OF ANY ANTICIPATED SURPLUS IN THE FUND.

23-1703. Assessment

A. FROM AND AFTER JUNE 30, 2021, THE COMMISSION SHALL ASSESS AND COLLECT FEES FROM CITIES AND TOWNS FOR DEPOSIT IN THE FUND. THE FEE SHALL BE ASSESSED TO EACH CITY AND TOWN THAT RECEIVES STATE SHARED REVENUES PURSUANT TO SECTIONS 42-5029 AND 43-206. THE TOTAL AMOUNT OF FEES FOR ALL CITIES AND TOWNS MAY NOT EXCEED $15,000,000 IN EACH FISCAL YEAR. THE SHARE OF FEES ASSESSED IN EACH FISCAL YEAR TO EACH CITY AND TOWN SHALL BE BASED ON THE POPULATION OF THE CITY OR TOWN AS DETERMINED BY THE MOST RECENT POPULATION ESTIMATES OF THE UNITED STATES CENSUS BUREAU AS OF JULY 1 IN PROPORTION TO THE TOTAL POPULATION OF ALL INCORPORATED CITIES AND TOWNS.

B. THE COMMISSION SHALL ASSESS THE FEES UNDER THIS SECTION NOT LATER THAN JULY 31 OF EACH YEAR, AND THE FEES ARE PAYABLE IMMEDIATELY ON ASSESSMENT. IF A CITY OR TOWN FAILS TO PAY THE ASSESSMENT IN FULL ON OR BEFORE SEPTEMBER 30, THE COMMISSION SHALL NOTIFY THE STATE TREASURER WHO SHALL WITHHOLD THE DELINQUENT AMOUNT FROM THE DISTRIBUTION OF MONIES TO THE APPROPRIATE CITY OR TOWN PURSUANT TO SECTIONS 42-5029 AND 43-206 AND SHALL CONTINUE TO WITHHOLD MONIES UNTIL THE CITY OR TOWN HAS PAID THE ENTIRE AMOUNT OF THE ASSESSMENT.
C. ALL MONIES PAID TO THE COMMISSION OR WITHHELD BY THE STATE TREASURER FOR THE FEES ASSESSED PURSUANT TO THIS SECTION SHALL BE DEPOSITED IN THE FUND.

D. CITIES AND TOWNS MAY MEET THEIR OBLIGATION FOR THE ASSESSMENT FROM ANY SOURCE OF CITY OR TOWN REVENUE DESIGNATED BY THE APPROPRIATE CITY OR TOWN. CITY AND TOWN PAYMENTS MADE PURSUANT TO THIS SECTION ARE EXCLUDED FROM THE APPLICABLE EXPENDITURE LIMITATIONS.

Sec. 2. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. Remission and distribution of monies; withholding; definition

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5 and 8 of this chapter pursuant to section 42-1116, separately accounting for:

1. Payments of estimated tax under section 42-5014, subsection D.
2. Revenues collected pursuant to section 42-5070.
3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.
4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.
5. Revenues collected pursuant to section 42-5010.01 and section 42-5155, subsection E.

B. The department shall credit payments of estimated tax to an estimated tax clearing account and each month shall transfer all monies in the estimated tax clearing account to a fund designated as the transaction privilege and severance tax clearing account. The department shall credit all other payments to the transaction privilege and severance tax clearing account, separately accounting for the monies designated as distribution base under sections 42-5010, 42-5164 and 42-5205. Each month the department shall report to the state treasurer the amount of monies collected pursuant to this article and articles 4, 5 and 8 of this chapter.

C. On notification by the department, the state treasurer shall distribute the monies deposited in the transaction privilege and severance tax clearing account in the manner prescribed by this section and by sections 42-5164 and 42-5205, after deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

D. Of the monies designated as distribution base, and subject to the requirements of section 42-5041, the department shall:

1. Pay twenty-five percent to the various incorporated municipalities in this state in proportion to their population to be used by the municipalities for any municipal purpose.
2. Pay 38.08 percent to the counties in this state by averaging the following proportions:
   (a) The proportion that the population of each county bears to the total state population.
   (b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout the state for the calendar month.

3. Pay an additional 2.43 percent to the counties in this state as follows:
   (a) Average the following proportions:
      (i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.
      (ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout the state for the calendar month.
   (b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by
section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue sufficient monies to administer and enforce this article and articles 5 and 8 of this chapter.

(b) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(c) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be
distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For the purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:
   (a) In fiscal year 2001-2002, $15,305,900.
   (b) In fiscal year 2002-2003, $31,530,100.
   (c) In fiscal year 2003-2004, $48,727,700.
   (d) In fiscal year 2004-2005, $66,957,200.
   (e) In fiscal year 2005-2006 and each fiscal year thereafter, $86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one million five hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the failing schools tutoring fund established by section 15-241.

9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-five million dollars shall be transferred each fiscal year to the state general fund to reimburse the general fund for the cost of the income tax credit allowed by section 43-1072.01.

10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection, the remaining monies collected during the preceding month shall be transferred to the classroom site fund established by section 15-977. The monies shall be allocated as follows in the manner prescribed by section 15-977:
(a) Forty per cent shall be allocated for teacher compensation based on performance.

(b) Twenty per cent shall be allocated for increases in teacher base compensation and employee related expenses.

(c) Forty per cent shall be allocated for maintenance and operation purposes.

F. The department shall credit the remainder of the monies in the transaction privilege and severance tax clearing account to the state general fund, subject to any distribution required by section 42-5030.01.

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5 and 8 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten percent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the greater Arizona development authority certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

I. Except as provided by sections 42-5033 and 42-5033.01, the population of a county, city or town as determined by the most recent United States decennial census plus any revisions to the decennial census
certified by the United States bureau of the census shall be used as the basis for apportioning monies pursuant to subsection D of this section.

J. Except as otherwise provided by this subsection, on notice from the department of revenue pursuant to section 42-6010, subsection B, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city or town the amount of the penalty for business location municipal tax incentives provided by the city or town to a business entity that locates a retail business facility in the city or town. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount of the penalty has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section. The state treasurer shall not withhold any amount that the city or town certifies to the department of revenue and the state treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the city or town that were issued or incurred before the location incentives provided by the city or town.

K. On notice from the auditor general pursuant to section 9-626, subsection D, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city the amount computed pursuant to section 9-626, subsection D. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount specified in the notice has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section.

L. Except as otherwise provided by this subsection, on notice from the attorney general pursuant to section 41-194.01, subsection B, paragraph 1 that an ordinance, regulation, order or other official action adopted or taken by the governing body of a county, city or town violates state law or the Constitution of Arizona, the state treasurer shall withhold the distribution of monies pursuant to this section to the affected county, city or town and shall continue to withhold monies pursuant to this subsection until the attorney general certifies to the state treasurer that the violation has been resolved. The state treasurer shall redistribute the monies withheld pursuant to this subsection among all other counties, cities and towns in proportion to their population as provided by subsection D of this section. The state treasurer shall not withhold any amount that the county, city or town certifies to the attorney general and the state treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the county, city or town that were issued or incurred before committing the violation.
M. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state and, unless otherwise specified, includes a community college tuition financing district established pursuant to section 15-1409.

Sec. 3. Repeal
Section 42-5041, Arizona Revised Statutes, is repealed.

Sec. 4. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates
A. There shall be levied, collected and paid for each taxable year on the entire taxable income of every resident of this state and on the entire taxable income of every nonresident that is derived from sources within this state taxes determined in the following manner:

1. For taxable years beginning from and after December 31, 1996 through December 31, 1997:
   (a) In the case of a single person or a married person filing separately:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $10,000</td>
<td>2.90% of taxable income</td>
</tr>
<tr>
<td>$10,001 — $25,000</td>
<td>$290, plus 3.30% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 — $50,000</td>
<td>$785, plus 3.90% of the excess over $25,000</td>
</tr>
<tr>
<td>$50,001 — $150,000</td>
<td>$1,760, plus 4.80% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,560, plus 5.17% of the excess over $150,000</td>
</tr>
</tbody>
</table>

   (b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $20,000</td>
<td>2.90% of taxable income</td>
</tr>
<tr>
<td>$20,001 — $50,000</td>
<td>$580, plus 3.30% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 — $100,000</td>
<td>$1,570, plus 3.90% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 — $300,000</td>
<td>$3,520, plus 4.80% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$13,120, plus 5.17% of the excess over $300,000</td>
</tr>
</tbody>
</table>

2. For taxable years beginning from and after December 31, 1997 through December 31, 1998:
(a) In the case of a single person or a married person filing separately:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>2.88%</td>
</tr>
<tr>
<td>$10,001 - $25,000</td>
<td>$288, plus 3.24% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 - $50,000</td>
<td>$774, plus 3.82% of the excess over $25,000</td>
</tr>
<tr>
<td>$50,001 - $150,000</td>
<td>$1,729, plus 4.74% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,469, plus 5.10% of the excess over $150,000</td>
</tr>
</tbody>
</table>

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.88%</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$576, plus 3.24% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,548, plus 3.82% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 - $300,000</td>
<td>$3,458, plus 4.74% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$12,938, plus 5.10% of the excess over $300,000</td>
</tr>
</tbody>
</table>

3. For taxable years beginning from and after December 31, 1998 through December 31, 2005:

(a) In the case of a single person or a married person filing separately:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>2.87%</td>
</tr>
<tr>
<td>$10,001 - $25,000</td>
<td>$287, plus 3.20% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 - $50,000</td>
<td>$767, plus 3.74% of the excess over $25,000</td>
</tr>
<tr>
<td>$50,001 - $150,000</td>
<td>$1,702, plus 4.72% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,422, plus 5.04% of the excess over $150,000</td>
</tr>
</tbody>
</table>

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.87%</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$574, plus 3.20% of the excess over $20,000</td>
</tr>
</tbody>
</table>
4. For taxable years beginning from and after December 31, 2005 through December 31, 2006:

(a) In the case of a single person or a married person filing separately:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $10,000</td>
<td>$273</td>
</tr>
<tr>
<td>$10,01 — $25,000</td>
<td>$729</td>
</tr>
<tr>
<td>$25,001 — $50,000</td>
<td>$1,617</td>
</tr>
<tr>
<td>$50,001 — $150,000</td>
<td>$6,097</td>
</tr>
</tbody>
</table>

5. Subject to subsections B and C of this section, for taxable years beginning from and after December 31, 2006 through December 31, 2018:

(a) In the case of a single person or a married person filing separately:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $10,000</td>
<td>$259</td>
</tr>
<tr>
<td>$10,01 — $25,000</td>
<td>$691</td>
</tr>
<tr>
<td>$25,001 — $50,000</td>
<td>$1,531</td>
</tr>
</tbody>
</table>

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $20,000</td>
<td>$546</td>
</tr>
<tr>
<td>$20,01 — $50,000</td>
<td>$1,458</td>
</tr>
<tr>
<td>$50,001 — $100,000</td>
<td>$3,233</td>
</tr>
<tr>
<td>$100,001 — $300,000</td>
<td>$12,193</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$1,534</td>
</tr>
</tbody>
</table>

2.73% of taxable income
2.88% of taxable income
3.36% of taxable income
3.74% of taxable income
4.79% of taxable income
(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is:                      The tax is:

$0 — $20,000                           2.59% of taxable income

$20,001 — $50,000                      $518, plus 2.88% of the excess over $20,000

$50,001 — $100,000                    $1,382, plus 3.36% of the excess over $50,000

$100,001 — $300,000                   $3,062, plus 4.24% of the excess over $100,000

$300,001 and over                     $11,542, plus 4.54% of the excess over $300,000

6. Subject to subsection SUBSECTIONS D AND E of this section, for taxable years beginning from and after December 31, 2018:

(a) In the case of a single person or a married person filing separately:

If taxable income is:                      The tax is:

$0 — $26,500                           2.59% of taxable income

$26,501 — $53,000                      $686, plus 3.34% of the amount over $26,500

$53,001 — $159,000                    $1,571, plus 4.17% of the amount over $53,000

$159,001 and over                     $5,991, plus 4.50% of the amount over $159,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is:                      The tax is:

$0 — $53,000                           2.59% of taxable income

$53,001 — $106,000                     $1,373, plus 3.34% of the amount over $53,000

$106,001 — $318,000                   $3,143, plus 4.17% of the amount over $106,000

$318,001 and over                     $11,983, plus 4.50% of the amount over $318,000

B. For the taxable year beginning from and after December 31, 2014 through December 31, 2015, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.
C. For each taxable year beginning from and after December 31, 2015 through December 31, 2018, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

D. For each taxable year beginning from and after December 31, 2019, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraph 6 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

E. For each taxable year beginning from and after December 31, 2020, for taxable income that is subject to the income tax surcharge imposed by section 43-1013, the combined tax rate of the income tax surcharge imposed by section 43-1013 and the highest tax rate imposed by subsection A, paragraph 6, 7, 8 or 9 of this section may not exceed four and one-half percent. If the combined tax rate exceeds four and one-half percent, the highest tax rate imposed by subsection A, paragraph 6, 7, 8 or 9 of this section shall be reduced so that the combined tax rate is four and one-half percent. The department may adopt rules pursuant to Title 41, Chapter 6 to carry out this subsection.

Sec. 5. Laws 2016, chapter 125, section 21, as amended by Laws 2017, chapter 215, section 1, is amended to read:

Sec. 21. Veterans' income tax settlement fund; exemption from lapsing

A. The veterans' income tax settlement fund is established consisting of monies appropriated by the legislature and other monies donated or accruing to the fund. Monies in the fund are continuously appropriated to the department of revenue for the purposes of Laws 2016, chapter 125, sections 19 through 27.

B. The department of revenue shall administer the fund. On notice from the department, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, Arizona Revised Statutes, and monies earned from investment shall be credited to the fund. Monies in the fund are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that unexpended and unencumbered monies remaining in the fund on June 30, 2023 revert to the state general fund.
C. Five percent of the monies in the fund at the beginning of each fiscal year are appropriated separately to both the department of revenue and the department of veterans' services for administrative costs incurred under Laws 2016, chapter 125, sections 19 through 27 of this act during the fiscal year. Any unexpended and unencumbered balance of either appropriation remaining at the end of the fiscal year reverts to the fund.

Sec. 6. Laws 2016, chapter 125, section 22, as amended by Laws 2017, chapter 215, section 2, is amended to read:

Sec. 22. Income tax settlement claims; requirements; procedure; approval or denial of claim

A. A veteran or, if the veteran is deceased, the veteran's surviving spouse, personal representative, executor or other official representative of the estate, as designated pursuant to applicable state or tribal law or tradition, may file a claim for a settlement payment for any period of active duty in the armed forces of the United States during which the veteran:

1. Was an enrolled member of a tribe.
2. Maintained a domicile within the boundaries of the veteran's reservation or the reservation of the veteran's spouse or within the boundaries of lands held in trust by the United States for the benefit of the veteran, the veteran's spouse or the tribe of the veteran or spouse.
3. Had Arizona state income tax withheld from the veteran's active duty military pay on or after July 1, 1977 and before January 1, 2006, and the amount withheld:
   (a) Has not already been refunded to the veteran or the deceased veteran's estate.
   (b) Cannot be claimed as a refund by filing a state income tax return because the period for filing a claim for refund has lapsed under the applicable statute of limitations.

B. The claim for a settlement payment must include evidence of the veteran's eligibility for and the amount of the claim as follows:

1. The claimant must provide a copy of the veteran's certificate of release or discharge from active duty (DD Form 214) or other proof of service provided by the United States department of defense and approved by the department of veterans' services. If a claimant does not have a copy of the veteran's DD Form 214 or other proof of service, the claimant may request that the department of veterans' services request the veteran's DD Form 214 or other proof of service from the United States department of defense.
2. The claimant must provide a statement, signed by the claimant, that the veteran is or was duly registered on the tribal rolls of a tribe during the period or periods of the veteran's active duty in the armed forces.
3. The claimant must provide evidence of domicile within the boundaries of the veteran's reservation or the reservation of the veteran's spouse or within the boundaries of lands held in trust by the United States for the benefit of the veteran, the veteran's spouse or the tribe of the veteran or spouse during the taxable years the state income tax was withheld from active duty military pay. If the veteran's address shown on the veteran's DD Form 214 or other proof of service:
   (a) Is on the veteran's tribal land, that evidence is sufficient for the purposes of this paragraph.
   (b) Is not on the veteran's tribal land or if the veteran has no DD Form 214 and the claimant cannot otherwise establish that the veteran's domicile was on the veteran's tribal land, the claimant must provide a signed statement, under penalty of perjury, that the veteran was domiciled on tribal land during the period or periods the state income tax was withheld. The statement must include the veteran's address on the tribal land for each period, and an official designated by the tribe must attest that each address is on tribal land.

4. The claimant must provide evidence of the amount of state income tax withheld from active duty military pay by providing copies of the United States internal revenue service Form W-2 covering active duty military pay for the year or years during which state personal income tax was withheld. If the claimant does not have copies of the applicable Form W-2 for one or more of those years, the claimant may request that the department of revenue obtain the veteran's Form W-2, or other withholding information in a form approved by the department of revenue, from the United States department of defense.

5. The claimant must provide a signed statement attesting, under penalty of perjury, that the veteran has not received a refund of the state income tax withheld for the years for which the claimant is filing a claim for a settlement payment.

C. A claim for settlement payment under this section must be filed by the eligible veteran or, if the veteran is deceased, by the veteran's surviving spouse, successor or other personal representative. The following apply if the claim is made for a deceased veteran:
   1. The claimant must include a copy of the veteran's death certificate or other proof of death.
   2. If the veteran's estate exceeds thirty thousand dollars $30,000, only the surviving spouse, personal representative, executor or other official representative of the estate, as designated pursuant to applicable state or tribal law or tradition, may file the claim.
   3. If the claimant is a successor who is not the surviving spouse, personal representative, executor or other official representative of the estate, the claimant must include a dated and notarized statement, signed under penalty of perjury, that:
(a) The value of the entire probate estate of the deceased veteran, wherever located, minus liens and encumbrances, does not exceed thirty thousand dollars $30,000.

(b) At least thirty days have elapsed since the veteran's death.

(c) The successor is entitled to receive the settlement payment.

4. If the claimant is a personal representative, executor or other official representative of the estate, the claimant must include:

(a) A signed, dated and notarized statement that the claimant has been duly appointed as the personal representative, executor or other representative of the veteran's estate pursuant to applicable state or tribal law or tradition.

(b) A copy of the claimant's appointment.

D. A claim for a settlement payment shall be denied for any amount of withholding tax that can be claimed as a refund by filing a state income tax return pursuant to title 43, Arizona Revised Statutes. A state income tax return may be filed by a veteran to claim the refund by the later of December 31 of the year three years after:

1. The veteran separated from military service.
2. The year in which Arizona withholding tax was withheld from the veteran's active duty pay.

E. A claim for a settlement payment must be made on a claim form prescribed by the department of revenue and filed with the department of veterans' services.

F. The department of veterans' services shall not accept claims submitted from and after December 31, 2019 2022.

G. Within two hundred ten days after receiving a complete and correct claim form, the department of veterans' services shall determine whether the claim meets the requirements of subsection B, paragraphs 1, 2 and 3 of this section, transmit qualifying claim forms to the department of revenue and notify the claimant of the department's approval or denial. The failure of the department of veterans' services to respond within two hundred ten days after receiving a complete and correct claim form is considered to be a denial.

H. Within two hundred ten days after receiving the claim form from the department of veterans' services, the department of revenue shall determine whether the claim meets the requirements of subsection A, paragraph 3 and subsection B, paragraphs 4 and 5 of this section and notify the claimant and the department of veterans' services of its approval or denial. The failure of the department of revenue to respond within two hundred ten days after receiving the claim form is considered to be a denial.
Sec. 7. Laws 2016, chapter 125, section 26, as amended by Laws 2017, chapter 215, section 3, is amended to read:

Sec. 26. Veterans' income tax settlement; annual reports
The director of the department of revenue shall report the following information to the senate appropriations and finance committees and to the house of representatives appropriations and ways and means committees on or before October 1 in each of years 2017 through 2023:
1. Estimates of the amount of state income tax withholdings subject to payments under Laws 2016, chapter 125, sections 22 and 23.
2. The number of veterans affected by withholdings subject to payments under Laws 2016, chapter 125, sections 22 and 23.
3. Expenditures from the veterans' income tax settlement fund during the previous fiscal year.
4. Anticipated expenditures from the veterans' income tax settlement fund during the current fiscal year.
5. Anticipated appropriations to the fund necessary to meet expected payments in the next fiscal year.

Sec. 8. Laws 2016, chapter 125, section 28, as amended by Laws 2017, chapter 215, section 4, is amended to read:

Sec. 28. Repeal
Laws 2016, chapter 125, sections 19 through 26 THE FOLLOWING are repealed from and after December 31, 2023:
1. LAWS 2016, CHAPTER 125, SECTION 19.
2. LAWS 2016, CHAPTER 125, SECTION 20.
3. LAWS 2016, CHAPTER 125, SECTION 21, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 1 AND THIS ACT.
4. LAWS 2016, CHAPTER 125, SECTION 22, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 2 AND THIS ACT.
5. LAWS 2016, CHAPTER 125, SECTION 23.
6. LAWS 2016, CHAPTER 125, SECTION 24.
7. LAWS 2016, CHAPTER 125, SECTION 25.
8. LAWS 2016, CHAPTER 125, SECTION 26, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 3 AND THIS ACT.

Sec. 9. Department of gaming regulatory assessment; pari-mutuel pool
Notwithstanding any other law, in fiscal year 2021-2022, the department of gaming shall establish and collect a regulatory assessment from each commercial racing permittee, payable from amounts deducted from pari-mutuel pools by the permittee, in addition to the amounts the permittee is authorized to deduct pursuant to section 5-111, subsection B, Arizona Revised Statutes, from amounts wagered on live and simulcast races from in-state and out-of-state wagering handled by the permittee, in the amount of 0.5 percent of the amounts wagered.
Sec. 10. *Agricultural fees; continuation; intent; rulemaking exemption*

A. Notwithstanding any other law, the director of the Arizona department of agriculture, with the assistance of the department of agriculture advisory council, may continue, increase or lower existing fees from fiscal years 2019-2020 and 2020-2021 in fiscal year 2021-2022 for services provided in fiscal year 2021-2022.

B. The legislature intends that the additional revenue generated by the fees prescribed in subsection A of this section not exceed $218,000 to the state general fund, $113,000 to the pesticide trust fund established by section 3-350, Arizona Revised Statutes, and $26,000 to the dangerous plants, pests and diseases trust fund established by section 3-214.01, Arizona Revised Statutes, in fiscal year 2021-2022.

C. The Arizona department of agriculture is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, until July 1, 2022 for the purpose of establishing fees pursuant to this section.

Sec. 11. *County fiscal obligations; report*

A. Notwithstanding any other law, for fiscal year 2021-2022, a county with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census may meet any county fiscal obligation from any source of county revenue designated by the county, including monies of any countywide special taxing jurisdiction of which the board of supervisors serves as the board of directors. Under the authority provided in this subsection, a county may not use more than $1,250,000 for purposes other than the purposes of the revenue source.

B. On or before October 1, 2021, each county with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census shall report to the director of the joint legislative budget committee whether the county used a revenue source for purposes other than the purposes of the revenue source to meet a county fiscal obligation pursuant to subsection A of this section and, if so, the specific source and amount of revenues that the county intends to use in fiscal year 2021-2022.

Sec. 12. *City of Flagstaff; local minimum wage assessment; retroactivity*

A. Pursuant to section 35-121.01, Arizona Revised Statutes, the department of administration shall assess and collect the amount of $1,110,992 from the City of Flagstaff in fiscal year 2021-2022 to reimburse this state for costs attributable to the establishment of a minimum wage that exceeds the minimum wage established by this state pursuant to section 23-363, Arizona Revised Statutes.

B. This section applies retroactively to from and after June 30, 2021.
Sec. 13. Exemption from rulemaking

A. Notwithstanding any other law, for the purposes of title 23, chapter 11, Arizona Revised Statutes, as added by this act, the industrial commission of Arizona is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, for one year after the effective date of this act, except that the commission shall provide the public with a reasonable opportunity to comment on proposed rules and shall publish otherwise exempt rules.

B. Notwithstanding any other law, for the purposes of section 43-1011, subsection E, Arizona Revised Statutes, as added by this act, the department of revenue is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, for one year after the effective date of this act.

Sec. 14. Legislative intent

The legislature intends that:

1. Title 23, chapter 11, Arizona Revised Statutes, as added by this act, does not convey any responsibility of firefighter cancer compensation and benefits claims onto this state. All costs incurred shall be paid for by monies collected from cities and towns pursuant to section 23-1703, Arizona Revised Statutes, as added by this act.

2. Any monies in the municipal firefighter cancer reimbursement fund established by section 23-1702, Arizona Revised Statutes, as added by this act, are not subject to transfer from the municipal firefighter cancer reimbursement fund to the state general fund in any fiscal year.

Sec. 15. Retroactivity

A. Title 23, chapter 11, Arizona Revised Statutes, as added by this act, section 42-5029, Arizona Revised Statutes, as amended by this act, and section 42-5041, Arizona Revised Statutes, as repealed by this act, apply retroactively to from and after June 30, 2021.

B. The following apply retroactively to from and after December 31, 2019:

1. Laws 2016, chapter 125, section 21, as amended by Laws 2017, chapter 215, section 1 and this act.

2. Laws 2016, chapter 125, section 22, as amended by Laws 2017, chapter 215, section 2 and this act.

3. Laws 2016, chapter 125, section 26, as amended by Laws 2017, chapter 215, section 3 and this act.