

House Engrossed Senate Bill

contributions in aid of construction

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

CHAPTER 430

SENATE BILL 1124

AN ACT

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)

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

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

4 20-224. Premium tax; reports

5 A. On or before March 1 of each year, each authorized domestic
6 insurer, each other insurer and each formerly authorized insurer referred
7 to in section 20-206, subsection B shall file with the director a report
8 in a form prescribed by the director showing total direct premium income
9 including policy membership and other fees and all other considerations
10 for insurance from all classes of business whether designated as a premium
11 or otherwise received by it during the preceding calendar year on account
12 of policies and contracts covering property, subjects or risks located,
13 resident or to be performed in this state, after deducting from such total
14 direct premium income applicable cancellations, returned premiums, the
15 amount of reduction in or refund of premiums allowed to industrial life
16 policyholders for payment of premiums direct to an office of the insurer
17 and all policy dividends, refunds, savings coupons and other similar
18 returns paid or credited to policyholders within this state and not
19 reapplied as premiums for new, additional or extended insurance. No
20 deduction shall be made of the cash surrender values of policies or
21 contracts. Considerations received on annuity contracts, as well as the
22 unabsorbed portion of any premium deposit, shall not be included in total
23 direct premium income, and neither shall be subject to tax. The report
24 shall separately indicate the total direct fire insurance premium income
25 received from property located in the incorporated cities and towns
26 certified by the office of the state fire marshal pursuant to section
27 9-951, subsection B, as procuring the services of a private fire company.

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

31 1. For fire insurance:

32 (a) On property located in a city or town certified by the office
33 of the state fire marshal pursuant to section 9-951, subsection B, as
34 procuring the services of a private fire company, .66 percent.

35 (b) On all other property, 2.2 percent.

36 2. For disability insurance, 2.0 percent.

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

39 4. For other insurance:

40 (a) For premiums received in calendar year 2016, 1.95 percent.

41 (b) For premiums received in calendar year 2017, 1.90 percent.

42 (c) For premiums received in calendar year 2018, 1.85 percent.

43 (d) For premiums received in calendar year 2019, 1.80 percent.

1 (e) For premiums received in calendar year 2020, 1.75 percent.

2 (f) For premiums received in calendar year 2021 and for each
3 subsequent calendar year, 1.70 percent.

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

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

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

37 F. Any insurer that paid or is required to pay a tax of \$50,000 or
38 more on net premiums received during the preceding calendar year, pursuant
39 to subsection B of this section and sections 20-224.01, 20-837, 20-1010,
40 20-1060 and 20-1097.07, shall file on or before the fifteenth day of each
41 month from March through August a report for that month, on a form
42 prescribed by the director, accompanied by a payment in an amount equal to
43 fifteen percent of the amount paid or required to be paid during the
44 preceding calendar year pursuant to subsection B of this section and
45 sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments

1 are due and payable on or before the fifteenth day of each month and shall
2 be made to the director for deposit, pursuant to sections 35-146 and
3 35-147.

4 G. Except for the tax paid on fire insurance premiums pursuant to
5 subsections B and D of this section, an insurer may claim a premium tax
6 credit if the insurer qualifies for a credit pursuant to section
7 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

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

13 I. On or before September 30 of each year, the director of the
14 department of insurance and financial institutions shall report to the
15 directors of the joint legislative budget committee and the governor's
16 office of strategic planning and budgeting on the amount of insurance
17 premium tax credits established by sections 20-224.03, 20-224.04,
18 20-224.05, 20-224.06 and 20-224.07 that were used during the previous
19 fiscal year.

20 J. For the purposes of:

21 1. Subsection B of this section, fire insurance is one hundred
22 percent of fire lines, forty percent of commercial multiple peril
23 nonliability lines, thirty-five percent of homeowners' multiple peril
24 lines, twenty-five percent of farm owners' multiple peril lines and twenty
25 percent of allied lines.

26 2. Section 20-416, fire insurance is eighty-five percent of fire
27 and allied lines.

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

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

36 20-224.04. Affordable housing premium tax credit

37 A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE PREMIUM TAX INCURRED
38 PURSUANT TO SECTION 20-224, 20-837, 20-1010, 20-1060 OR 20-1097.07 IF THE
39 ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT FOR A
40 QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE CREDIT:

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

43 2. ON NOTICE TO THE DEPARTMENT OF INSURANCE AND FINANCIAL
44 INSTITUTIONS, MAY BE ALLOCATED AMONG THE PARTNERS, MEMBERS OR
45 SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES, REGARDLESS OF THE SIZE

1 OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE TOTAL OF THE ALLOCATED
2 CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED THE AMOUNT OF THE
3 CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF HOUSING. THIS PARAGRAPH DOES
4 NOT PROHIBIT A PARTNER, MEMBER OR SHAREHOLDER FROM HOLDING AN INVESTMENT
5 EXCLUSIVELY IN EITHER THE STATE CREDITS OR FEDERAL CREDITS ALLOCATED TO
6 THE QUALIFIED PROJECT.

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

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

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

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

28 F. THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS, WITH THE
29 COOPERATION OF THE DEPARTMENT OF REVENUE AND THE ARIZONA DEPARTMENT OF
30 HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
31 AS NECESSARY TO ADMINISTER THIS SECTION.

32 Sec. 3. Delayed repeal

33 Section 20-224.04, Arizona Revised Statutes, as added by this act,
34 is repealed from and after December 31, 2025.

35 Sec. 4. Section 41-1518, Arizona Revised Statutes, is amended to
36 read:

37 41-1518. Capital investment incentives; evaluation;
38 certification; definitions

39 A. The Arizona commerce authority shall receive and evaluate
40 applications that are submitted by qualified investors to receive a tax
41 credit pursuant to section 43-1074.02 for qualified investments made in a
42 qualified small business and shall certify to the department of revenue
43 the names, amounts and other relevant information relating to the
44 applicants.

1 B. To be eligible for a tax credit pursuant to this section and
2 section 43-1074.02, a qualified investor shall file an application with
3 the authority within ninety days after making a qualified investment. The
4 application, on a form prescribed by the authority, shall include:

5 1. The name, address and federal income tax identification number
6 of the applicant.

7 2. The name and federal employer identification number of the
8 qualified small business that received a qualified investment made by the
9 applicant.

10 3. The date the qualified investment was made.

11 4. Any additional information that the authority requires.

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

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

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

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

1 the investment is made and eleven percent of the amount of the investment
2 for the third taxable year after the year in which the investment is made.

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

7 F. The authority shall not authorize tax credits under this section
8 after June 30, ~~2021~~ 2031. Through June 30, 2017, the authority shall not
9 certify tax credits under this section exceeding ~~twenty million~~
10 ~~dollars~~ \$20,000,000. From and after June 30, 2017 through June 30, 2021,
11 the authority may certify additional tax credits under this section not
12 exceeding ~~two million five hundred thousand dollars~~ \$2,500,000 each fiscal
13 year, plus any unused credit capacity, ~~which~~ THAT carries over from the
14 preceding fiscal year or years. FROM AND AFTER JUNE 30, 2021 THROUGH
15 JUNE 30, 2031, THE AUTHORITY MAY CERTIFY ADDITIONAL TAX CREDITS UNDER THIS
16 SECTION NOT EXCEEDING \$2,500,000 EACH FISCAL YEAR, PLUS ANY UNUSED CREDIT
17 CAPACITY THAT CARRIES OVER FROM THE PRECEDING FISCAL YEAR OR YEARS. Tax
18 credits that expire after certification or that are otherwise not timely
19 used by the qualified investor for whom they were originally authorized
20 shall also be included in the applicable dollar limit. If qualifying
21 applications exceed the dollar limit, the authority shall authorize
22 credits in the order of the date and time that the applications are
23 received by the authority, as evidenced by the time and date stamped on
24 the application when received by the authority. All applications shall be
25 filed on a form and in the manner prescribed by the ~~Arizona commerce~~
26 authority. If an application is received that, if authorized, would
27 require the authority to exceed the applicable dollar limit, the authority
28 shall only grant the applicant the remaining amount of tax credits that
29 would not exceed the dollar limit. After the authority authorizes the
30 allowable amount of tax credits, the authority shall deny any subsequent
31 applications that are received. The authority shall certify to the
32 qualified investor and to the department of revenue the amount of the tax
33 credit that is authorized for THE purposes of section 43-1074.02 for each
34 taxable year described in subsection E of this section.

35 G. The total of all qualified investments in any calendar year by a
36 qualified investor and its affiliates in qualified small businesses that
37 are eligible for a tax credit pursuant to this section and section
38 43-1074.02 shall not exceed ~~five hundred thousand dollars~~ \$500,000. The
39 maximum amount of qualified investments in a single qualified small
40 business for which the authority may authorize tax credits under this
41 section shall not exceed an aggregate of ~~two million dollars~~ \$2,000,000 in
42 investments for all taxable years. If applications for tax credits are
43 received for investments that exceed the limits prescribed by this
44 subsection for any qualified small business, the authority shall authorize
45 credits in the order of the date and time that the applications are

1 received by the authority. If an application is received that, if
2 authorized, would require the authority to authorize tax credits for any
3 investment in a qualified small business that would cause the total
4 qualified investments in the business to exceed the limits prescribed by
5 this subsection, the authority shall only grant the applicant the
6 remaining amount of tax credits that would not exceed the limits
7 prescribed by this subsection.

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

25 I. On receiving an application for a tax credit from a qualified
26 investor, or a written request for certification as a qualified small
27 business from a corporation, limited liability company, partnership or
28 other business entity, the authority shall determine whether the
29 corporation, limited liability company, partnership or other business
30 entity that is named in the application or written request is a qualified
31 small business. The authority shall determine if the business is a
32 bioscience enterprise and if the business maintains its principal place of
33 business in a rural county in this state. After determining the
34 qualifications, the authority shall certify the qualified small business
35 as being eligible to receive qualified investments for purposes of this
36 section. The certification is valid for one year, but the authority may
37 revoke the certification at any time or refuse to renew the certification
38 if the business fails to maintain the required qualifications. If a
39 qualified small business fails to maintain the qualifications, the
40 business shall notify the authority within five business days after
41 failing to meet the qualifications. The authority shall revoke the
42 certification of the business and may assess a penalty against the
43 business entity equal to the amount of the tax credits authorized after
44 the business failed to meet the qualifications. The penalty shall be
45 deposited ~~into~~ IN the state general fund. If the certification is revoked

1 or expires, subsequent investments in the business do not qualify for a
2 tax credit pursuant to this section and section 43-1074.02. All tax
3 credits that are issued before any expiration or revocation of the
4 certification shall remain valid. Any application for a tax credit shall
5 not be denied on the basis of the expiration or revocation of the
6 certification if the investment was made before the date of the expiration
7 or revocation.

8 J. The authority shall provide to the department of revenue
9 necessary information required to administer this section and section
10 43-1074.02. If the authority subsequently discovers that an applicant who
11 received a tax credit misrepresented information on the application, the
12 authority shall immediately notify the department of revenue and provide
13 the department of revenue all information that relates to that
14 applicant. If the department of revenue determines that there has been a
15 misrepresentation on the application, the department of revenue shall deny
16 the credit if the misrepresentation relates to whether the applicant was a
17 qualified investor or made a qualified investment. If the
18 misrepresentation relates to whether the investment was made to:

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

22 2. A bioscience enterprise or a business that maintains its
23 principal place of business in a rural county in this state, the
24 department of revenue shall decrease the amount of the credit that would
25 have been allowed under subsection E, paragraph 1 of this section to the
26 amount allowed under subsection E, paragraph 2 of this section only if the
27 applicant knew or should have known at any time before the certification
28 that the representation was false.

29 K. For the purposes of this section:

30 1. "Affiliate" means any person or entity that controls, that is
31 controlled by or that is under common control with another person or
32 entity. For the purposes of this paragraph, "control" means the power to
33 determine the policies of an entity whether through ownership of voting
34 securities, by contract or otherwise.

35 2. "Asset" means any owned property that has value, including
36 financial assets and physical assets. Intellectual property shall not be
37 included when determining total assets.

38 3. "Bioscience enterprise" means a business whose activity is
39 related to bioscience as determined by the authority or any corporation,
40 partnership, limited liability company or other business entity that is
41 primarily engaged in a business that conducts research, development,
42 manufacturing, marketing, sales and licensing of products, services and
43 solutions relating to either of the following:

44 (a) Medical, pharmaceutical, nutraceutical, bioengineering,
45 biomechanical, bioinformatics or other life-science based applications.

1 (b) Applications of modern biological, bioengineering,
2 biomechanical or bioinformatics technologies in the fields of human, plant
3 or animal health, agriculture, defense, homeland security or the
4 environment.

5 4. "Qualified investment" means an investment in an equity security
6 that meets all of the following requirements:

7 (a) The equity security shall be common stock, preferred stock, an
8 interest in a partnership or limited liability company, a security that is
9 convertible into an equity security or any other equity security as
10 determined by the authority.

11 (b) The investment shall be at least ~~twenty-five thousand dollars~~
12 ~~\$25,000.~~

13 (c) The qualified investor and its affiliates do not hold, of
14 record or beneficially, immediately before making an investment, equity
15 securities possessing more than thirty percent of the total voting power
16 of all equity securities of the qualified small business.

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

22 6. "Qualified small business" means a corporation, limited
23 liability company, partnership or other business entity that:

24 (a) Maintains at least a portion of its operations at an office or
25 manufacturing or research facility located in this state.

26 (b) Has at least two principal full-time equivalent employees who
27 are residents in this state. For the purposes of this subdivision,
28 "principal" means a person whose sole responsibility is not
29 administrative.

30 (c) Does not engage in any activities that involve human cloning or
31 embryonic stem cell research.

32 (d) Has total assets not exceeding ~~two million dollars~~ ~~\$2,000,000~~
33 ~~through December 31, 2011 or ten million dollars~~ ~~\$10,000,000~~ beginning
34 from and after December 31, 2011, excluding any investment made under this
35 section.

36 (e) Has not exceeded the limit on qualified investments prescribed
37 by subsection G of this section.

38 (f) Does not have a principal business involving activities
39 excluded by the authority. The authority shall provide a list of excluded
40 businesses to any person on request.

41 7. "Rural county" means a county that has a population of seven
42 hundred fifty thousand or fewer persons.

1 Sec. 5. Title 41, chapter 37, article 2, Arizona Revised Statutes,
2 is amended by adding section 41-3954, to read:

3 41-3954. Affordable housing tax credit; limit; eligibility
4 statement; rules; public hearings; annual report;
5 definitions

6 A. THE AFFORDABLE HOUSING TAX CREDIT IS ESTABLISHED. THE
7 DEPARTMENT SHALL ADMINISTER THE CREDIT AS PROVIDED BY THIS SECTION.

8 B. ON APPLICATION, THE DEPARTMENT SHALL ALLOCATE TAX CREDITS UNDER
9 THIS SECTION FOR PROJECTS IN THIS STATE THAT QUALIFY FOR THE FEDERAL
10 LOW-INCOME HOUSING TAX CREDIT UNDER SECTION 42 OF THE INTERNAL REVENUE
11 CODE AND THAT ARE PLACED IN SERVICE, FOR PURPOSES OF THE FEDERAL CREDIT,
12 FROM AND AFTER JUNE 30, 2022, IN AN AMOUNT EQUAL TO AT LEAST FIFTY PERCENT
13 OF THE AMOUNT OF THE FEDERAL CREDIT ALLOWED IN EACH TAXABLE YEAR DURING
14 THE FEDERAL CREDIT PERIOD. THE DEPARTMENT SHALL ALLOCATE TAX CREDITS
15 UNDER THIS SECTION ACCORDING TO THE DEPARTMENT'S CURRENT QUALIFIED
16 ALLOCATION PLAN ADOPTED PURSUANT TO SECTION 42(m) OF THE INTERNAL REVENUE
17 CODE.

18 C. THE DEPARTMENT SHALL PRESCRIBE FORMS, PROCEDURES AND CRITERIA
19 FOR APPLYING, EVALUATING AND QUALIFYING FOR THE CREDIT UNDER THIS SECTION.
20 THE DEPARTMENT SHALL ISSUE AN ELIGIBILITY STATEMENT FOR EACH QUALIFIED
21 PROJECT THAT IDENTIFIES THE QUALIFIED PROJECT, THE ALLOCATION YEAR AND THE
22 AMOUNT OF THE CREDITS ALLOCATED TO THE PROJECT.

23 D. THE DEPARTMENT SHALL ALLOCATE A TOTAL OF \$4,000,000 OF TAX
24 CREDITS UNDER THIS SECTION IN ANY CALENDAR YEAR ACCORDING TO THE DATE OF
25 THE ALLOCATION OF THE CREDIT. AN APPROVED AMOUNT APPLIES AGAINST THE
26 DOLLAR LIMIT FOR THE YEAR IN WHICH THE APPLICATION IS SUBMITTED. IF, AT
27 THE END OF THE CALENDAR YEAR, AN UNUSED BALANCE OCCURS UNDER THE DOLLAR
28 LIMIT PRESCRIBED BY THIS SUBSECTION, THE BALANCE SHALL BE REALLOCATED FOR
29 THE PURPOSES OF THIS SUBSECTION IN THE FOLLOWING YEAR.

30 E. ANY TAXPAYER THAT OWNS AN INTEREST IN AN INVESTMENT IN A
31 QUALIFIED PROJECT THAT RECEIVES AN ELIGIBILITY STATEMENT FROM THE
32 DEPARTMENT IS ALLOWED A TAX CREDIT UNDER THIS SECTION FOR TAXABLE YEARS
33 BEGINNING FROM AND AFTER DECEMBER 31, 2021 IF THE TAXPAYER ACQUIRES THE
34 INTEREST BEFORE FILING A TAX RETURN CLAIMING THE TAX CREDIT. THE TAXPAYER
35 SHALL APPLY THE CREDIT AGAINST THE TAXPAYER'S INSURANCE PREMIUM OR INCOME
36 TAX LIABILITY AS PROVIDED BY AND SUBJECT TO THE PROCEDURES, TERMS AND
37 CONDITIONS PRESCRIBED BY SECTION 20-224.04, 43-1075 OR 43-1163, AS
38 APPLICABLE.

39 F. A QUALIFIED PROJECT THAT IS APPROVED FOR THE PURPOSES OF THE
40 CREDIT UNDER THIS SECTION IS NOT ELIGIBLE FOR ANY ABATEMENT, EXEMPTION OR
41 OTHER REDUCTION IN STATE OR LOCAL AD VALOREM PROPERTY TAXES OTHERWISE
42 ALLOWED BY STATUTE.

43 G. THE ARIZONA DEPARTMENT OF HOUSING, WITH THE COOPERATION OF THE
44 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE DEPARTMENT OF
45 REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES

1 AS NECESSARY TO ADMINISTER THIS SECTION, INCLUDING CRITERIA ON WHICH
2 ELIGIBILITY STATEMENTS ARE ISSUED UNDER THIS SECTION.

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

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

18 J. FOR THE PURPOSES OF THIS SECTION:

19 1. "INTERNAL REVENUE CODE" HAS THE SAME MEANING PRESCRIBED BY
20 SECTION 43-105.

21 2. "QUALIFIED PROJECT" MEANS A QUALIFIED LOW-INCOME BUILDING AS
22 DEFINED IN SECTION 42(c)(2) OF THE INTERNAL REVENUE CODE.

23 3. "TAXPAYER" MEANS A PERSON, FIRM OR CORPORATION THAT IS SUBJECT
24 TO TAXATION UNDER TITLE 20 OR UNDER TITLE 43, CHAPTER 10 OR 11.

25 Sec. 6. Delayed repeal

26 Section 41-3954, Arizona Revised Statutes, as added by this act, is
27 repealed from and after December 31, 2025.

28 Sec. 7. Title 43, chapter 2, article 2, Arizona Revised Statutes,
29 is amended by adding section 43-225, to read:

30 43-225. Affordable housing tax credit review committee;
31 reports

32 A. THE AFFORDABLE HOUSING TAX CREDIT REVIEW COMMITTEE IS
33 ESTABLISHED CONSISTING OF THE FOLLOWING MEMBERS:

34 1. THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR, NOT MORE THAN
35 TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.

36 2. THREE MEMBERS WHO ARE APPOINTED BY THE PRESIDENT OF THE SENATE,
37 NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.

38 3. THREE MEMBERS WHO ARE APPOINTED BY THE SPEAKER OF THE HOUSE OF
39 REPRESENTATIVES, NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME
40 POLITICAL PARTY.

41 B. APPOINTED MEMBERS SERVE AT THE PLEASURE OF THE PERSON WHO MADE
42 THE APPOINTMENT.

43 C. COMMITTEE MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT
44 ARE ELIGIBLE TO RECEIVE REIMBURSEMENT FOR EXPENSES PURSUANT TO TITLE 38,
45 CHAPTER 4, ARTICLE 2.

1 D. THE COMMITTEE SHALL REVIEW THE AFFORDABLE HOUSING TAX CREDITS
2 ALLOWED UNDER SECTIONS 20-224.04, 41-3954, 43-1075 AND 43-1163 ON THE
3 THIRD YEAR AFTER THE EFFECTIVE DATE OF THE CREDIT AND EVERY THREE YEARS
4 THEREAFTER. THE COMMITTEE'S REVIEW SHALL INCLUDE THE FOLLOWING:

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

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

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

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

15 E. ON OR BEFORE DECEMBER 15 OF THE YEAR THE COMMITTEE REVIEWS THE
16 CREDIT, THE COMMITTEE SHALL REPORT ITS FINDINGS AND RECOMMENDATIONS TO THE
17 PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND
18 THE GOVERNOR AND SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF
19 STATE.

20 Sec. 8. Delayed repeal

21 Section 43-225, Arizona Revised Statutes, as added by this act, is
22 repealed from and after December 31, 2025.

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

25 43-1074.02. Credit for investment in qualified small
26 businesses

27 A. For taxable years beginning from and after December 31, 2006
28 through December 31, ~~2024~~ 2034, a credit is allowed against the taxes
29 imposed by this title for investment made after June 30, 2006 in qualified
30 small businesses. The amount of the credit is the amount determined and
31 authorized by the Arizona commerce authority as provided by section
32 41-1518.

33 B. To claim the credit under this section, the taxpayer shall
34 attach to its tax return a copy of the Arizona commerce authority
35 certification provided pursuant to section 41-1518. ~~No~~ A credit is ~~NOT~~
36 allowed under this section unless the taxpayer provides the certification.

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

40 D. If the allowable tax credit exceeds the taxes due under this
41 title on the claimant's income, or if there are no taxes due under this
42 title, the amount of the claim not used to offset the taxes under this
43 title may be carried forward to the next three consecutive taxable years
44 as a credit against subsequent years' income tax liability.

1 E. Individuals who are co-owners of a business, including partners
2 in a partnership and shareholders of an S corporation as defined in
3 section 1361 of the internal revenue code, may each claim only their
4 individual pro rata shares of the credit allowed under this section based
5 on their ownership interests. The total of the credits allowed all such
6 owners may not exceed the amount that would have been allowed a sole
7 owner.

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

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

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

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

24 43-1075. Affordable housing tax credit

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

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

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

39 B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT
40 THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING
41 UNDER SECTION 41-3954 TO THE DEPARTMENT OF REVENUE WITH THE TAXPAYER'S
42 INCOME TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE
43 TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.

1 C. IF THE AMOUNT OF THE CREDIT FOR A TAXABLE YEAR EXCEEDS THE
2 AMOUNT OF TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME,
3 OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE
4 AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD
5 FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

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

13 E. THE DEPARTMENT OF REVENUE, WITH THE COOPERATION OF THE
14 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE ARIZONA
15 DEPARTMENT OF HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
16 AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION.

17 Sec. 11. Delayed repeal

18 Section 43-1075, Arizona Revised Statutes, as added by this act, is
19 repealed from and after December 31, 2025.

20 Sec. 12. Section 43-1122, Arizona Revised Statutes, is amended to
21 read:

22 43-1122. Subtractions from Arizona gross income; corporations

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

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

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

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

33 4. The portion of any wages or salaries paid or incurred by the
34 taxpayer for the taxable year that is equal to the amount of the federal
35 work opportunity credit, the empowerment zone employment credit, the
36 credit for employer paid social security taxes on employee cash tips and
37 the Indian employment credit that the taxpayer received under sections
38 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

1 6. With respect to a financial institution as defined in section
2 6-101, expenses and interest relating to tax-exempt income disallowed
3 pursuant to section 265 of the internal revenue code.

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

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

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

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

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

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

24 13. The amount of deferred exploration expenses allowed by section
25 43-1127.

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

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

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

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

39 18. The income of an insurance company that is exempt under section
40 43-1201 to the extent that it is included in computing Arizona gross
41 income on a consolidated return pursuant to section 43-947.

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

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

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

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

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

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

19 23. WITH RESPECT TO A PUBLIC SERVICE CORPORATION OPERATING A WATER
20 SYSTEM OR SEWAGE DISPOSAL FACILITY, THE AMOUNT OF MONIES OR PROPERTY
21 RECEIVED AS A CONTRIBUTION IN AID OF CONSTRUCTION. FOR THE PURPOSES OF
22 THIS PARAGRAPH:

23 (a) "CONTRIBUTION IN AID OF CONSTRUCTION" MEANS ANY AMOUNT OF
24 MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION THAT
25 PROVIDES WATER OR SEWAGE DISPOSAL SERVICES TO THE EXTENT THAT THE PURPOSE
26 OF THE CONTRIBUTION IS TO PROVIDE FOR EXPANDING, IMPROVING OR REPLACING
27 THE PUBLIC SERVICE CORPORATION'S WATER SYSTEM OR SEWAGE DISPOSAL
28 FACILITIES, INCLUDING ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED
29 TO A PUBLIC SERVICE CORPORATION FOR A WATER SYSTEM OR SEWAGE DISPOSAL
30 FACILITY SUBJECT TO A CONTINGENT OBLIGATION TO REPAY THE AMOUNT, IN WHOLE
31 OR IN PART, TO THE CONTRIBUTOR.

32 (b) "PUBLIC SERVICE CORPORATION" MEANS A PUBLIC SERVICE CORPORATION
33 AS DEFINED IN ARTICLE XV, SECTION 2, CONSTITUTION OF ARIZONA, THAT IS
34 REGULATED BY THE CORPORATION COMMISSION.

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

37 43-1163. Affordable housing tax credit

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

42 1. IS EQUAL TO AT LEAST FIFTY PERCENT OF THE AMOUNT OF THE FEDERAL
43 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 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. 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.

1 Sec. 17. Distribution of revenues for certain Indian tribal
2 postsecondary educational institutions

3 For a single community college with a full-time student equivalent
4 enrollment of at least five hundred students for fiscal year 2019-2020, in
5 lieu of the distribution required by section 42-5031.01, subsection C,
6 paragraph 1, Arizona Revised Statutes, the state treasurer shall transmit
7 \$3,500,000 of transaction privilege tax revenues received pursuant to
8 title 42, chapter 5, article 1, Arizona Revised Statutes, from all sources
9 located on the reservation in fiscal year 2020-2021.

10 Sec. 18. Retroactivity

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

14 Sec. 19. Saving clause

15 The repeal of sections 20-224.04, 41-3954, 43-225, 43-1075 and
16 43-1163, Arizona Revised Statutes, by this act does not:

17 1. Limit or impair the issuance of premium tax credits or income
18 tax credits for qualified projects that receive a reservation from the
19 Arizona department of housing pursuant to section 41-3954, Arizona Revised
20 Statutes, as added by this act, before December 31, 2025 or a taxpayer's
21 ability to redeem such tax credits in accordance with sections 20-224.04,
22 41-3954, 43-1075 and 43-1163, Arizona Revised Statutes, as added by this
23 act.

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

APPROVED BY THE GOVERNOR JULY 9, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 9, 2021.