



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: APPROP 6-3-2-0 | 3rd Read 16-14-0-0
House: APPROP DP 7-6-0-0 | 3rd Read 31-29-0-0

SB 1828: omnibus; taxation. (Substituted for HB 2900)

**Sponsor: Representative Toma (with permission of committee on Rules), LD 22
Transmitted to Governor**

Overview

Increases the additional state aid for education effective January 1, 2022.

Establishes the Healthy Forest Production Tax Credit (individual and corporate income tax):

Modifies, for unemployment compensation purposes, the definition of wages, the maximum weekly benefit amount and the duration of benefits. Additionally, it requires the Department of economic Security to prepare an annual report that details the any unemployment insurance fraud for the prior fiscal year.

Includes, as a deduction from the retail transaction privilege tax base and the use tax base, containment structures that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. Applies this retroactively to January 1, 2016 and limits the aggregate refund amount to \$10,000.

Reduces the assessed valuation of Class 1 property from 18% to 16% in ½% increments over two years beginning January 1, 2022.

Creates a two-tier individual income tax rate structure of 2.55% and 2.98% for Taxable Year (TY) 2022 depending on your filing status and taxable income and, if general fund revenue thresholds are met, a reduced two-tier individual income tax rate structure of 2.53% and 2.75% or a 2.5% tax rate beginning in TY 2023.

Indexes the allowed charitable deduction percentage in accordance with changes in the metropolitan Phoenix consumer price index (CPI), clarifies that payment of estimated taxes only applies to the state individual income tax and exempts the full pension of a retired member of the uniformed services of the United States.

Creates a corporate income tax subtraction for the contribution in aid of construction for water and wastewater utilities to the extent they were included in federal taxable income.

Increases the limit for corporate credits for contributions to school tuition organizations beginning in FY 2022.

Increases the tax a county fire district can levy on the assessed value in TY 2022 and TY 2023 and each year thereafter.

History

The current additional state aid for education is established in [A.R.S. § 15-972](#) and calculated using 47.19%.

The amount of current unemployment compensation benefits is established in [A.R.S. § 23-779](#) and the duration of benefits in [A.R.S. § 23-780](#).

The deductions for pollution control equipment from the retail transaction privilege tax base and the use tax base are found in [A.R.S. 42-5061.B.18](#) and [A.R.S. § 42-5159.B.18](#).

Class 1 property consists of properties of mining, telecommunication companies, utilities, standing timber, airport fuel delivery, oil and gas production, pipelines, shopping centers, golf courses and most other commercial uses (A.R.S. § 42-12001). The assessed valuation of class 1 property is currently 18 percent of its full cash value or limited valuation, as applicable ([A.R.S. § 42-15001](#)).

Current law provides for the levy and collection of individual income tax for each taxable year on the entire taxable income of every resident of Arizona and on the entire taxable income of every nonresident that is derived from sources within Arizona based on a four-tier system with tax rates of 2.59%, 3.34%, 4.17% and 4.5% depending on the taxable income of a taxpayer. ([A.R.S. § 43-1011](#)) The payment of estimated individual income taxes is found in [A.R.S. § 43-581](#). The subtraction from Arizona gross income for benefits, annuities and pensions received as a retired member of the uniformed services of the United States is in [A.R.S. § 43-1022.27](#). The calculation of the optional standard deduction for a taxpayer's charitable deductions is in [A.R.S. § 43-1041.I](#).

The individual income tax credit for public school fees and contributions is in [A.R.S. § 43-1089.01](#), the allowed fiscal year limit for credits for contributions to school tuition organizations is detailed in [A.R.S. 43-1184](#) and the special provisions for corporate donations for low-income scholarships is in [A.R.S. § 43-1504](#). The operational requirements for school tuition organizations, including the required notice, are contained in [A.R.S. § 43-1603](#).

The county fire district assistance tax rate limit is set in [A.R.S. § 48-807.G](#).

Provisions

1. Increases the additional state aid for education from 47.19% to 50% effective January 1, 2022. (Sec. 1)
2. Increases, for unemployment compensation purposes, the maximum taxable wages from \$7,000 to \$8,000, beginning in calendar year 2023. (Sec. 2)
3. Increases the maximum weekly unemployment benefit amount from \$240 to \$320, beginning July 1, 2022. (Sec. 4)
4. Increases, from \$30 to \$160, the amount an individual may earn without a reduction to their weekly unemployment benefit amount. (Sec. 4)
5. Modifies the duration of unemployment benefits from 26 weeks to 24 weeks if the unemployment rate in the prior calendar quarter is less than five percent. (Sec. 5)
6. Defines "*unemployment rate in the prior calendar quarter*". (Sec. 5)
7. Requires the DES to prepare an annual report, on or before December 31 of each year, that details unemployment insurance fraud for the prior fiscal year and to submit the report to the Governor, Senate President, Speaker of the House and to the Secretary of State. (Sec. 6)
8. Includes, as a deduction from the retail transaction privilege tax base and the use tax base, "containment structures" that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. (Sec. 7, 8, 9)
9. Reduces the assessed valuation of Class 1 property to seventeen and one-half percent of its full cash value or limited valuation beginning January 1, 2022 through December 31, 2022. (Sec. 16)

10. Reduces the assessed valuation of Class 1 property, in one-half percent increments per year, from eighteen percent to sixteen percent of its full cash value or limited valuation beginning January 1, 2022. (Sec. 10)
11. Increases the urban revenue sharing distribution from 15% to 18% beginning in fiscal year 2023-2024. (Sec. 11)
12. Requires the Directors of the Joint Legislative Budget Committee and the Office of Strategic Planning and Budget to notify DOR, by September 30, 2022, if the fiscal year 2021-2022 general fund revenue, excluding the beginning balance, was \$12,782,800,000 or more. (Sec. 13)
13. Requires the Directors of the Joint Legislative Budget Committee and the Office of Strategic Planning and Budget to notify DOR, by September 30, 2023, and by September 30 annually until a state general fund notice is provided to DOR, whether the previous fiscal year's state general fund revenue was either: a) between \$12,782,800,000 and \$12,976,300,000 (stage one revenue notice); or b) \$12,976,300,000 or more (stage two revenue notice). (Sec. 13)
14. Clarifies that the payment of estimated taxes only applies to the state individual income tax. (Sec. 14)
15. Creates, for individual income tax, a two-tier tax rate structure for TY 2022 of:
 - a) 2.55% for single/married filing separately taxpayers with taxable income less than or equal to \$27,272 and for married filing joint/head of household with taxable income less than or equal to \$54,544; and
 - b) 2.98% for single/married filing separately taxpayers with taxable income \$27,273 or more and for married filing joint/head of household with taxable \$54,545 or more. (Sec. 15)
16. Requires DOR, on receipt of the FY 2022 revenue notice or the stage one revenue notice, to use the following tax rates beginning January 1 of the following TY:
 - a) 2.53% for single/married filing separately taxpayers with taxable income less than or equal to \$27,272 and for married filing joint/head of household with taxable income less than or equal to \$54,544; and
 - b) 2.75% for single/married filing separately taxpayers with taxable income \$27,273 or more and for married filing joint/head of household with taxable \$54,545 or more. (Sec. 15)
17. Requires DOR, beginning January 1 of the TY following the receipt of the stage two revenue notice, to implement a 2.5 percent tax rate. (Sec. 15)
18. Indexes the individual income tax brackets beginning January 1, 2022 according to the average annual change in the Metropolitan Phoenix Consumer Price Index. (Sec. 15)
19. Exempts from individual income tax, beginning with TY 2021, the full amount of a benefit, annuity and pension received as a retired member of the uniformed services of the United States. (Sec. 16)
20. Adjusts the 25% of allowed charitable deductions in accordance with the average annual change in the metropolitan Phoenix CPI beginning in TY 2022 with the following requirements:
 - a) The adjusted percentage may not exceed 100%;
 - b) The revised percentage be raised to the nearest whole percent; and
 - c) The revised percent may not be lowered below the prior taxable year. (Sec. 17)

21. Creates the healthy forest production tax credit for individual and corporate income tax, beginning January 1, 2021, and provides statutory guidelines to determining eligibility, calculating the amount of the credit and claiming the credit. (Sec. 18, 21)
22. Defines "processing", "processed", "qualifying forest products" and "qualifying project" for purposes of administering the healthy forest production tax credit. (Sec. 18, 21)
23. Limits the aggregated individual and corporate income tax credit to \$2,000,000 for any calendar year. (Sec. 18, 21)
24. Extends the individual income tax credit for specific fees paid or contributions made to public schools from June 30, 2022 to June 30, 2024. (Sec. 19)
25. Creates a corporate income tax subtraction for the contribution in aid of construction for water and wastewater utilities to the extent the amount was included in federal taxable income. (Sec. 20)
26. Increases the limit for corporate credits for contributions to school tuition organizations from \$5,000,000 to \$6,000,000 in any FY beginning in FY 2022. (Sec. 22)
27. Creates additional special provisions for corporate donations for low-income scholarships. (Sec. 23)
28. Adds further information requirements in a school tuition organization's notice in any printed materials soliciting donations, applications for scholarships and on their website. (Sec. 24)
29. Increases the tax a county fire district can levy from \$3.25 per \$100 of assessed value to \$3.375 per \$100 of assessed value in TY 2022 and \$3.50 per \$100 of assessed value for TY 2023 and each year thereafter. (Sec. 25)
30. Allows the qualified electors of a county fire district to authorize a permanent override based on the tax amounts in Provision 29. (Sec. 25)
31. Contains a refund clause limiting the aggregate refund amount to \$10,000 and requiring claims to be filed beginning January 1, 2021 through December 31, 2021 for transaction privilege and use tax amounts paid on containment structures that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. (Sec. 26)
32. Requires, for the individual income renewable energy production tax credit, a taxpayer to apply to DOR before February 7 of the following the calendar year for which the credit is requested and applies this retroactively to January 1, 2021. (Sec. 27)
33. Defines "qualifying foster care charitable organization" and "qualifying individual" for contributions to qualifying foster care charitable organizations for tax year 2021. (Sec. 28)
34. Contains a purpose clause. (Sec. 29)
35. Contains retroactivity clauses. (Sec. 30)
36. Contains an effective date of July 1, 2022 for the duration and time of benefits for unemployment compensation. (Sec. 31)
37. Contains a conditional enactment clause. (Sec. 32)
38. Contains technical and conforming changes.

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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