

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

HOUSE BILL 2429

AN ACT

AMENDING SECTIONS 36-798.06, 41-1520, 42-1003, 42-2001, 42-2003, 42-3001, 42-3401, 42-3502, 42-12009, 43-222, 43-304, 43-931, 43-1021, 43-1022 AND 43-1024; ARIZONA REVISED STATUTES; REPEALING SECTION 43-1030, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1072.02 AND 43-1074.01, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1087, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1089.01, 43-1164.05, 43-1168 AND 43-1175, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 36-798.06, Arizona Revised Statutes, is amended
3 to read:

4 36-798.06. Delivery sales prohibited; common carriers;
5 penalties; forfeiture; unlawful practice;
6 exceptions; violation; classification;
7 definitions

8 A. A person shall not do either of the following:

9 1. Cause a tobacco product to be ordered or purchased by anyone
10 other than a licensed person or a retailer who orders or purchases from a
11 licensed person, including by ordering or purchasing a tobacco product.

12 2. Knowingly provide substantial assistance to a person who
13 violates this section.

14 B. A common carrier shall not knowingly transport a tobacco product
15 for a person who is in violation of this section.

16 C. Each order or purchase of a tobacco product in violation of
17 subsection A, paragraph 1 of this section constitutes a separate violation
18 under this section.

19 D. In addition to any other penalty, a person who violates this
20 section is subject to all of the following:

21 1. A civil penalty in an amount not to exceed ~~five thousand dollars~~
22 \$5,000 for each violation.

23 2. An injunction to restrain a threatened or actual violation of
24 this section.

25 3. Recovery by this state for:

26 (a) The costs of any investigation related to a violation of this
27 section.

28 (b) The cost of expert witness fees in any action related to a
29 violation of this section.

30 (c) The cost of the action related to a violation of this section.

31 (d) Reasonable attorney fees.

32 4. All state tobacco taxes due under title 42, chapter 3, except as
33 prohibited under section 42-3402, and all transaction privilege or use
34 taxes due under title 42, chapter 5, including any penalties and interest.

35 E. All tobacco products that are seized for a violation of this
36 section shall be forfeited to the state and destroyed pursuant to section
37 42-1124.

38 F. A violation of this section is an unlawful practice under
39 section 44-1522 and is in addition to all other causes of action, remedies
40 and penalties that are available to this state. The attorney general may
41 investigate and take appropriate action pursuant to title 44, chapter 10,
42 article 7.

43 G. This section does not apply to ~~either~~ ANY of the following:

44 1. The shipment of a tobacco product to a foreign trade zone that
45 is established under 19 United States Code ~~section 81~~ SECTIONS 81a THROUGH

1 81u and title 44, chapter 18 and that is located in this state if the
2 tobacco product is from outside of this country, was ordered by a
3 distributor in another state and is not distributed in this state.

4 2. A government employee who is acting in the course of the
5 employee's official duties.

6 3. THE SHIPMENT OF A TOBACCO PRODUCT TO A UNIVERSITY THAT IS
7 ACQUIRING THE TOBACCO PRODUCT TO USE TO CONDUCT BASIC AND APPLIED
8 RESEARCH, IF THE TOBACCO PRODUCT IS EXEMPT FROM FEDERAL EXCISE TAX UNDER
9 26 UNITED STATES CODE SECTION 5704(a).

10 H. A person who violates this section is guilty of a class 6
11 felony.

12 I. For the purposes of this section:

13 1. "Licensed person" means a person who is required to be licensed
14 under section 42-3401.

15 2. "Order or purchase" means any of the following:

16 (a) By mail or delivery service.

17 (b) Through the internet or a computer network.

18 (c) By telephone.

19 (d) Through any other electronic method.

20 3. "Person" means an individual, partnership, firm, association,
21 corporation, limited liability company or partnership, joint venture or
22 other entity.

23 4. "Retailer" has the same meaning prescribed in section 42-5001.

24 5. "Tobacco product" means all luxuries included in section
25 42-3052, paragraphs 5, 6 and 7. Tobacco product does not include pipe
26 tobacco or cigars.

27 Sec. 2. Section 41-1520, Arizona Revised Statutes, is amended to
28 read:

29 41-1520. International operations centers; utility relief;
30 certification; revocation; definitions

31 A. Utility relief is allowed for the owner or operator of an
32 international operations center that is certified pursuant to this
33 section.

34 B. To qualify for the utility relief, the owner or operator must
35 submit to the authority an application in a form prescribed by the
36 authority that includes all of the following:

37 1. The owner's or operator's name, address and telephone number.

38 2. The address of the site where the facility is or will be
39 located, including, if applicable, information sufficient to identify the
40 specific portion or portions of the facility comprising the international
41 operations center.

42 3. AN ESTIMATE OF THE TOTAL INVESTMENT THE OWNER OR OPERATOR WILL
43 MAKE, OVER A THREE-YEAR PERIOD BEGINNING ON THE DATE THE APPLICATION IS
44 RECEIVED, IN NEW RENEWABLE ENERGY FACILITIES IN THIS STATE THAT PRODUCE

1 ENERGY FOR SELF-CONSUMPTION BY THE INTERNATIONAL OPERATIONS CENTER USING
2 RENEWABLE ENERGY RESOURCES.

3 4. THE EXPECTED LOCATION OF EACH OF THE OWNER'S OR OPERATOR'S
4 RENEWABLE ENERGY FACILITIES THAT COMPRISE THE TOTAL INVESTMENT ESTIMATED
5 IN PARAGRAPH 3 OF THIS SUBSECTION AND THE EARLIEST DATE THAT EACH FACILITY
6 IS EXPECTED TO BE OPERATIONAL.

7 5. A STATEMENT THAT A PORTION OF THE POWER BY EACH RENEWABLE ENERGY
8 FACILITY, AS REQUIRED BY SUBSECTION D, PARAGRAPH 4 OF THIS SECTION, IS FOR
9 SELF-CONSUMPTION AND WILL BE USED FOR INTERNATIONAL OPERATIONS CENTER USE.

10 C. Within sixty days after receiving a complete and correct
11 application, the authority shall review the application and either issue a
12 written certification that the international operations center qualifies
13 for the utility relief or provide written reasons for its denial. A
14 failure to approve or deny the application within sixty days after the
15 date of submittal constitutes certification of the international
16 operations center, and the authority shall issue written certification to
17 the owner or operator within fourteen days. The authority shall send a
18 copy of the certification to the department of revenue.

19 D. The owner or operator of the international operations center
20 must achieve ~~both~~ ALL of the following ~~investment~~ requirements after
21 taking into account the combined investments made by the owner or
22 operator:

23 1. A minimum annual investment of \$100,000,000 in new capital
24 assets, including costs of land, buildings and international operations
25 center equipment in each of ten consecutive taxable years of the owner or
26 operator. Investments greater than \$100,000,000 in any taxable year may
27 be carried forward as a credit toward the investment requirement in future
28 years.

29 2. On or before the tenth anniversary of certification, a minimum
30 investment of at least \$1,250,000,000 in new capital assets, including
31 costs of land, buildings and international operations center equipment.

32 3. AN INVESTMENT OF AT LEAST \$100,000,000 IN ONE OR MORE NEW
33 RENEWABLE ENERGY FACILITIES IN THIS STATE THAT PRODUCE ENERGY FOR
34 SELF-CONSUMPTION USING RENEWABLE ENERGY RESOURCES. THE MINIMUM INVESTMENT
35 MUST BE COMPLETED WITHIN A THREE-YEAR PERIOD BEGINNING ON THE DATE THE
36 INITIAL APPLICATION IS RECEIVED OR BY DECEMBER 31, 2030, WHICHEVER IS
37 EARLIER. CONSTRUCTION OF THE RENEWABLE ENERGY FACILITIES SHALL BEGIN NOT
38 LATER THAN SIX MONTHS AFTER THE RECEIPT OF THE APPLICATION.

39 4. THE USE OF A PORTION OF THE ENERGY PRODUCED AT EACH RENEWABLE
40 ENERGY FACILITY FOR SELF-CONSUMPTION IN THIS STATE. BY THE FIFTH YEAR A
41 RENEWABLE ENERGY FACILITY IS IN OPERATION, AT LEAST FIFTY-ONE PERCENT OF
42 THE ENERGY PRODUCED MUST BE USED FOR SELF-CONSUMPTION IN THIS STATE.
43 SELF-CONSUMPTION INCLUDES THE POWER USED BY RELATED ENTITIES IF THE
44 RELATED ENTITIES ARE DIRECTLY OR INDIRECTLY UNDER THE SAME OWNERSHIP
45 INTERESTS THAT COLLECTIVELY OWN MORE THAN EIGHTY PERCENT. POWER THAT A

1 RENEWABLE ENERGY FACILITY TRANSFERS TO A UTILITY QUALIFIES AS
2 SELF-CONSUMPTION IF THE UTILITY IS THE SAME UTILITY THAT PROVIDES POWER TO
3 THE OWNER'S INTERNATIONAL OPERATIONS CENTER IN THIS STATE.

4 5. THE USE OF POWER FOR SELF-CONSUMPTION UNDER PARAGRAPH 4 OF THIS
5 SUBSECTION IS FOR AN INTERNATIONAL OPERATIONS CENTER IN THIS STATE. A
6 LESSOR OF AN INTERNATIONAL OPERATIONS CENTER FACILITY THAT USES POWER FOR
7 SELF-CONSUMPTION UNDER PARAGRAPH 4 OF THIS SUBSECTION SATISFIES THE
8 REQUIREMENTS OF THIS PARAGRAPH IF THE LESSEE IS AN INTERNATIONAL
9 OPERATIONS CENTER AND THE POWER IS TRANSFERRED AS PART OF THE LEASE TO THE
10 LESSEE.

11 E. Within thirty days after the end of each taxable year following
12 certification, and within thirty days after the tenth anniversary of
13 certification, the owner or operator shall furnish the authority written
14 information demonstrating whether the certified international operations
15 center has or has not satisfied the investment requirements prescribed in
16 subsection D of this section. Until the investment requirements
17 prescribed in subsection D of this section are met, the owner or operator
18 shall keep detailed records of all capital investment in the international
19 operations center, including costs of land, buildings and international
20 operations center equipment, and all utility relief directly received by
21 the owner or operator.

22 F. If the authority determines that the requirements of this
23 section have not been satisfied, the authority may revoke the
24 certification of the international operations center and notify the
25 department of revenue in writing. The owner or operator may appeal the
26 revocation. The authority may give special consideration or allow a
27 temporary exception if there is extraordinary hardship due to factors
28 beyond the owner's or operator's control. If certification is revoked,
29 the department of revenue shall order the owner or operator to forfeit
30 further entitlement to utility relief. If the owner or operator fails to
31 make a minimum capital investment of \$100,000,000 in a taxable year,
32 taking into account any excess investment amounts carried forward from
33 previous years, the owner or operator may avoid revocation of its
34 certification by paying to the department of revenue within sixty days
35 after the end of the taxable year the amount of the utility relief
36 provided pursuant to this section in that year.

37 G. EACH YEAR AFTER INITIAL CERTIFICATION, ON OR BEFORE THE
38 ANNIVERSARY DATE OF THE APPLICATION SPECIFIED IN SUBSECTION B OF THIS
39 SECTION, THE TAXPAYER MUST SUBMIT TO THE AUTHORITY:

40 1. DOCUMENTATION OF THE TAXPAYER'S PROGRESS TOWARD THE INVESTMENT
41 REQUIRED BY SUBSECTION D, PARAGRAPH 3 OF THIS SECTION. THIS DOCUMENTATION
42 IS NOT REQUIRED AFTER THE AUTHORITY RECEIVES A REPORT STATING THAT THE
43 REQUIRED INVESTMENT THRESHOLD HAS BEEN REACHED.

44 2. DOCUMENTATION FOR EACH RENEWABLE ENERGY FACILITY THAT
45 DEMONSTRATES THAT THE REQUIRED PORTION OF THE POWER GENERATED BY EACH

1 FACILITY IS FOR SELF-CONSUMPTION AS REQUIRED BY SUBSECTION D, PARAGRAPH 4
2 OF THIS SECTION.

3 ~~G.~~ H. The authority and the department of revenue shall prescribe
4 forms and procedures as necessary for the purposes of this section.

5 ~~H.~~ I. Proprietary business information contained in the
6 application form described in subsection B of this section and the written
7 notice described in subsection F of this section are confidential and may
8 not be disclosed to the public, except that the information shall be
9 transmitted to the department of revenue. The authority or the department
10 of revenue may disclose the name of an international operations center
11 that has been certified pursuant to this section.

12 ~~I.~~ J. Except as provided in subsection F of this section, on
13 certification, the international operations center remains certified
14 unless ownership of the international operations center is sold, conveyed,
15 transferred or otherwise directly or indirectly disposed of to another
16 entity in which the original owner holds less than a controlling interest.
17 For the purposes of this subsection, "controlling interest" means at least
18 eighty percent of the voting shares of a corporation or of the interests
19 in a noncorporate entity.

20 ~~J.~~ K. An owner or operator may be composed of a single entity or
21 affiliated entities.

22 L. IF THE INFORMATION REQUIRED BY SUBSECTION B, PARAGRAPHS 3, 4,
23 AND 5 OF THIS SECTION AND THE DOCUMENTATION REQUIRED BY THIS SUBSECTION G
24 OF THIS SECTION WAS ALREADY PROVIDED TO THE DEPARTMENT OF REVENUE FOR THE
25 PURPOSES OF THE CREDIT PROVIDED BY SECTION 43-1164.05, THE OWNER OR
26 OPERATOR IS NOT REQUIRED TO PROVIDE THE INFORMATION OR DOCUMENTATION A
27 SECOND TIME UNDER THIS SECTION.

28 ~~K.~~ M. For the purposes of this section:

29 1. "BIOMASS" MEANS ORGANIC MATERIAL THAT IS AVAILABLE ON A
30 RENEWABLE OR RECURRING BASIS, INCLUDING:

31 (a) FOREST-RELATED MATERIALS, INCLUDING MILL RESIDUES, LOGGING
32 RESIDUES, FOREST THINNINGS, SLASH, BRUSH, LOW-COMMERCIAL VALUE MATERIALS
33 OR UNDESIRABLE SPECIES, SALT CEDAR AND OTHER PHREATOPHYTE OR WOODY
34 VEGETATION REMOVED FROM RIVER BASINS OR WATERSHEDS AND WOODY MATERIAL
35 HARVESTED FOR THE PURPOSE OF FOREST FIRE FUEL REDUCTION OR FOREST HEALTH
36 AND WATERSHED IMPROVEMENT.

37 (b) AGRICULTURAL-RELATED MATERIALS, INCLUDING ORCHARD TREES,
38 VINEYARD, GRAIN OR CROP RESIDUES, INCLUDING STRAWS AND STOVER, AQUATIC
39 PLANTS AND AGRICULTURAL PROCESSED COPRODUCTS AND WASTE PRODUCTS, INCLUDING
40 FATS, OILS, GREASES, WHEY AND LACTOSE.

41 (c) ANIMAL WASTE, INCLUDING MANURE AND SLAUGHTERHOUSE AND OTHER
42 PROCESSING WASTE.

43 (d) SOLID WOODY WASTE MATERIALS, INCLUDING LANDSCAPE OR
44 RIGHT-OF-WAY TREE TRIMMINGS, RANGELAND MAINTENANCE RESIDUES, WASTE
45 PALLETS, CRATES AND MANUFACTURING, CONSTRUCTION AND DEMOLITION WOOD

1 WASTES, BUT EXCLUDING PRESSURE-TREATED, CHEMICALLY TREATED OR PAINTED WOOD
2 WASTES AND WOOD CONTAMINATED WITH PLASTIC.

3 (e) CROPS AND TREES PLANTED FOR THE PURPOSE OF BEING USED TO
4 PRODUCE ENERGY.

5 (f) LANDFILL GAS, WASTEWATER TREATMENT GAS AND BIOSOLIDS, INCLUDING
6 ORGANIC WASTE BY-PRODUCTS GENERATED DURING THE WASTEWATER TREATMENT
7 PROCESS.

8 ~~1.~~ 2. "International operations center" means a facility or
9 connected facilities under the same ownership that are subject to the
10 investment thresholds under subsection D of this section and that
11 self-consume renewable energy from a qualified facility pursuant to
12 SUBSECTION D OF THIS SECTION OR section 43-1164.05, subsection B.

13 3. "RENEWABLE ENERGY FACILITY" MEANS A FACILITY IN WHICH THE
14 TAXPAYER INVESTED AT LEAST \$30,000,000, THAT HAS AT LEAST TWENTY MEGAWATTS
15 OF GENERATING CAPACITY OR A MINIMUM TYPICAL ANNUAL GENERATION OF FORTY
16 THOUSAND MEGAWATT HOURS, THAT IS LOCATED ON LAND IN THIS STATE OWNED OR
17 LEASED BY THE TAXPAYER AND THAT PRODUCES ELECTRICITY USING A RENEWABLE
18 ENERGY RESOURCE.

19 4. "RENEWABLE ENERGY RESOURCE" MEANS A RESOURCE THAT GENERATES
20 ELECTRICITY BY USING ONLY THE FOLLOWING ENERGY SOURCES:

21 (a) SOLAR LIGHT.

22 (b) SOLAR HEAT.

23 (c) WIND.

24 (d) BIOMASS, INCLUDING FUEL CELLS SUPPLIED DIRECTLY OR INDIRECTLY
25 WITH BIOMASS GENERATED FUELS.

26 ~~2.~~ 5. "Utility relief" means the mitigation of the tax burden on
27 the retail purchaser of electricity or natural gas through the application
28 of section 42-5063, subsection C, paragraph 7, section 42-5159, subsection
29 G, paragraph 2 and section 42-6012, paragraph 2.

30 Sec. 3. Section 42-1003, Arizona Revised Statutes, is amended to
31 read:

32 42-1003. Department organization; director's staff; deputy
33 director; assistant directors; fingerprinting;
34 consumer reports; definitions

35 A. The department consists of such divisions as the director deems
36 necessary to achieve maximum efficiency, economy and effectiveness in
37 administering and collecting taxes. The departmental organization shall
38 provide for administering taxes as prescribed by law and for
39 administrative services to the department, including data processing,
40 accounting, records management, publications, collection of delinquent
41 accounts, personnel services and budget and property control.

42 B. The director may divide the state into a reasonable number of
43 districts and establish a full-time or part-time branch office or offices
44 in each district as may be necessary. In establishing districts and

1 branch offices, the director shall give due consideration to economy of
2 administration and service to the taxpayers.

3 C. The director may employ, appoint and remove, in the manner
4 prescribed by law, such officers, agents, branch office deputies and other
5 staff personnel as the director deems necessary to assist in administering
6 the department. The director's staff may perform such functions as the
7 director prescribes, including budget development, legal research and
8 analysis, tax research, departmental audit and public relations.

9 D. A deputy director of the department may be appointed by the
10 director with the approval of the governor. The deputy director, if
11 appointed, serves at the pleasure of the director with the approval of the
12 governor. The deputy director shall assist the director in administering
13 the department and has the duties and responsibilities as the director
14 assigns.

15 E. The director, with the approval of the governor, may appoint an
16 assistant director to head each division of the department. Any assistant
17 director appointed is directly responsible for the functions performed by
18 the assistant director's division. Each assistant director serves at the
19 pleasure of the director with the approval of the governor.

20 F. The director may appoint other deputies or assistants to conduct
21 hearings, prescribe administrative rules or perform any other duty
22 prescribed for the department by law.

23 G. The director may require officers, agents, deputies and other
24 employees designated by the director to give bond for the faithful
25 performance of their duties in such an amount and with such sureties as
26 the director determines or as prescribed by statute. The department shall
27 pay all premiums on the bonds out of monies appropriated for the
28 administration of the department.

29 H. The director and officers and employees designated by the
30 director may administer an oath to any person or take the acknowledgement
31 of any person in respect of any return or report required by law or the
32 administrative rules of the department.

33 I. The director may reassign the administration of taxes and may
34 assign and delegate the duties, powers and functions of the department
35 among its divisions in order to achieve maximum efficiency, economy and
36 effectiveness. The director or the deputy director, if any, shall enforce
37 cooperation among the divisions in the provision and integration of all
38 functions at all levels of the department.

39 J. The director may obtain a state and federal criminal records
40 check for an applicant for employment for the purpose of hiring personnel
41 or for any employee, ~~OR contractor or temporary employee as required by~~
42 ~~internal revenue service guidelines or any other federal guidelines.~~ IF
43 THE APPLICANT, EMPLOYEE OR CONTRACTOR MAY RECEIVE OR ACCESS FEDERAL TAX
44 INFORMATION OBTAINED FROM THE INTERNAL REVENUE SERVICE IN THE COURSE OF
45 EMPLOYMENT WITH THE DEPARTMENT. Before making a final offer of employment

1 or for purposes of screening an employee or contractor, the director shall
2 require the ~~preferred applicants, employees or contractors~~ APPLICANT,
3 EMPLOYEE OR CONTRACTOR to submit a full set of fingerprints. The director
4 shall submit the fingerprints to the department of public safety for the
5 purpose of obtaining a state and federal criminal records check pursuant
6 to section 41-1750 and Public Law 92-544. The department of public safety
7 may exchange this fingerprint data with the federal bureau of
8 investigation. The department of revenue may disclose information
9 obtained pursuant to this subsection only to members of the department's
10 staff solely for employment purposes. An applicant, employee, ~~OR~~
11 contractor ~~or temporary employee~~ is not disqualified from employment under
12 this subsection except in accordance with section 13-904, subsection E.

13 K. The director may obtain a consumer report for an applicant for
14 employment for the purpose of hiring personnel whose job duties include
15 ~~the distribution of~~ DISTRIBUTING tax revenues pursuant to this title and
16 title 43. Consumer report information may be obtained and used only in
17 accordance with the fair credit reporting act (P.L. 90-321; 84 Stat. 1128;
18 15 United States Code sections 1681 through 1681x). The consumer report
19 information shall not be the sole reason for the disqualification of the
20 applicant.

21 L. For the purposes of this section: ~~;~~

22 1. "Applicant" means any person who seeks employment as a new hire
23 or any employee of the department who seeks a transfer, a reclassification
24 or a reassignment to a different position.

25 2. "FEDERAL TAX INFORMATION" MEANS RETURNS AND RETURN INFORMATION
26 AS DEFINED IN 26 UNITED STATES CODE SECTION 6103(b) THAT THE DEPARTMENT
27 RECEIVES DIRECTLY FROM THE INTERNAL REVENUE SERVICE OR OBTAINS THROUGH AN
28 INTERNAL REVENUE SERVICE-AUTHORIZED SECONDARY SOURCE AND THAT ARE SUBJECT
29 TO THE CONFIDENTIALITY PROTECTIONS AND SAFEGUARDING REQUIREMENTS OF THE
30 INTERNAL REVENUE CODE AND CORRESPONDING FEDERAL REGULATIONS AND GUIDANCE.

31 Sec. 4. Section 42-2001, Arizona Revised Statutes, is amended to
32 read:

33 42-2001. Definitions

34 In this article, unless the context otherwise requires:

35 1. "Confidential information":

36 (a) Includes the following information whether it concerns
37 individual taxpayers or is aggregate information for specifically
38 identified taxpayers:

39 (i) Returns and reports filed with the department for income tax,
40 withholding tax, transaction privilege tax, luxury tax, use tax, property
41 tax, EXCISE TAX ON MARIJUANA and severance tax.

42 (ii) Applications TO RECEIVE A LICENSE OR REGISTRATION for
43 transaction privilege ~~licenses~~ TAX, luxury tax ~~licenses~~, use tax ~~licenses~~,
44 EXCISE TAX ON MARIJUANA and withholding ~~licenses~~ TAX.

1 (iii) Information discovered concerning taxes and receipts by the
2 department, whether or not by compulsory process.

3 (iv) Return information obtained from the United States internal
4 revenue service and United States bureau of alcohol, tobacco and firearms.

5 (v) Information supplied at the special request of the department
6 by a taxpayer that the taxpayer requests to be held in confidence.

7 (vi) Guidelines, standards or procedures that are established by
8 the department for, or other information relating to, selecting returns or
9 taxpayers for examination or settling or compromising any tax liability.

10 (vii) A taxpayer's identity, the nature, source or amount of the
11 taxpayer's income, payments, receipts, deductions, exemptions, credits,
12 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,
13 overassessments or tax payments, whether the taxpayer's return was, is
14 being or will be examined or subject to investigation, collection or
15 processing or any other data received by, recorded by, prepared by,
16 furnished to or collected by the department with respect to a return or
17 with respect to the termination, or possible existence, of liability of
18 any person for any tax, penalty or interest imposed pursuant to this title
19 or title 43.

20 (viii) Information supplied by an employee to an employer regarding
21 the employee's election to have the employee's withholding tax reduced for
22 the purposes of contributions to qualifying charitable organizations,
23 qualified school tuition organizations or public schools pursuant to
24 section 43-401, subsection G.

25 (b) Does not include information that is otherwise a public record.

26 2. "Report" includes a notice of insurance payments, a request for
27 a release of a bank account and an inventory of a safe deposit box.

28 3. "Return" includes any form prescribed by the department and any
29 supporting schedules, attachments and lists.

30 4. "Tax administration" includes assessment, collection,
31 investigation, litigation, statistical gathering functions, enforcement,
32 policy making functions or management of those functions of the tax
33 revenue laws of this state.

34 5. "Tax official" means a nonelected employee or the nonelected
35 employee's designee or agent who is responsible for tax administration.

36 6. "Taxpayer", with respect to a joint return, means either party.

37 Sec. 5. Section 42-2003, Arizona Revised Statutes, is amended to
38 read:

39 42-2003. Authorized disclosure of confidential information

40 A. Confidential information relating to:

41 1. A taxpayer may be disclosed to the taxpayer, its successor in
42 interest or a designee of the taxpayer who is authorized in writing by the
43 taxpayer. A principal corporate officer of a parent corporation may
44 execute a written authorization for a controlled subsidiary.

1 2. A corporate taxpayer may be disclosed to any principal officer,
2 any person designated by a principal officer or any person designated in a
3 resolution by the corporate board of directors or other similar governing
4 body. If a corporate officer signs a statement under penalty of perjury
5 representing that the officer is a principal officer, the department may
6 rely on the statement until the statement is shown to be false. For the
7 purposes of this paragraph, "principal officer" includes a chief executive
8 officer, president, secretary, treasurer, vice president of tax, chief
9 financial officer, chief operating officer or chief tax officer or any
10 other corporate officer who has the authority to bind the taxpayer on
11 matters related to state taxes.

12 3. A partnership may be disclosed to any partner of the
13 partnership. This exception does not include disclosure of confidential
14 information of a particular partner unless otherwise authorized.

15 4. A limited liability company may be disclosed to any member of
16 the company or, if the company is manager-managed, to any manager.

17 5. An estate may be disclosed to the personal representative of the
18 estate and to any heir, next of kin or beneficiary under the will of the
19 decedent if the department finds that the heir, next of kin or beneficiary
20 has a material interest that will be affected by the confidential
21 information.

22 6. A trust may be disclosed to the trustee or trustees, jointly or
23 separately, and to the grantor or any beneficiary of the trust if the
24 department finds that the grantor or beneficiary has a material interest
25 that will be affected by the confidential information.

26 7. A government entity may be disclosed to the head of the entity
27 or a member of the governing board of the entity, or any employee of the
28 entity who has been delegated the authorization in writing by the head of
29 the entity or the governing board of the entity.

30 8. Any taxpayer may be disclosed if the taxpayer has waived any
31 rights to confidentiality either in writing or on the record in any
32 administrative or judicial proceeding.

33 9. The name and taxpayer identification numbers of persons issued
34 direct payment permits may be publicly disclosed.

35 10. Any taxpayer may be disclosed during a meeting or telephone
36 call if the taxpayer is present during the meeting or telephone call and
37 authorizes the disclosure of confidential information.

38 B. Confidential information may be disclosed to:

39 1. Any employee of the department whose official duties involve tax
40 administration.

41 2. The office of the attorney general solely for its use in
42 preparation for, or in an investigation that may result in, any proceeding
43 involving tax administration before the department or any other agency or
44 board of this state, or before any grand jury or any state or federal
45 court.

1 3. The department of liquor licenses and control for its use in
2 determining whether a spirituous liquor licensee has paid all transaction
3 privilege taxes and affiliated excise taxes incurred as a result of the
4 sale of spirituous liquor, as defined in section 4-101, at the licensed
5 establishment and imposed on the licensed establishments by this state and
6 its political subdivisions.

7 4. Other state tax officials whose official duties require the
8 disclosure for proper tax administration purposes if the information is
9 sought in connection with an investigation or any other proceeding
10 conducted by the official. Any disclosure is limited to information of a
11 taxpayer who is being investigated or who is a party to a proceeding
12 conducted by the official.

13 5. The following agencies, officials and organizations, if they
14 grant substantially similar privileges to the department for the type of
15 information being sought, pursuant to statute and a written agreement
16 between the department and the foreign country, agency, state, Indian
17 tribe or organization:

18 (a) The United States internal revenue service, alcohol and tobacco
19 tax and trade bureau of the United States treasury, United States bureau
20 of alcohol, tobacco, firearms and explosives of the United States
21 department of justice, United States drug enforcement agency and federal
22 bureau of investigation.

23 (b) A state tax official of another state.

24 (c) An organization of states, federation of tax administrators or
25 multistate tax commission that operates an information exchange for tax
26 administration purposes.

27 (d) An agency, official or organization of a foreign country with
28 responsibilities that are comparable to those listed in subdivision (a),
29 (b) or (c) of this paragraph.

30 (e) An agency, official or organization of an Indian tribal
31 government with responsibilities comparable to the responsibilities of the
32 agencies, officials or organizations identified in subdivision (a), (b) or
33 (c) of this paragraph.

34 6. The auditor general, in connection with any audit of the
35 department subject to the restrictions in section 42-2002, subsection D.

36 7. Any person to the extent necessary for effective tax
37 administration in connection with:

38 (a) The processing, storage, transmission, destruction and
39 reproduction of the information.

40 (b) The programming, maintenance, repair, testing and procurement
41 of equipment for purposes of tax administration.

42 (c) The collection of the taxpayer's civil liability.

43 8. The office of administrative hearings relating to taxes
44 administered by the department pursuant to section 42-1101, but the

1 department shall not disclose any confidential information without the
2 taxpayer's written consent:

3 (a) Regarding income tax or withholding tax.

4 (b) On any tax issue relating to information associated with the
5 reporting of income tax or withholding tax.

6 9. The United States treasury inspector general for tax
7 administration for the purpose of reporting a violation of internal
8 revenue code section 7213A (26 United States Code section 7213A),
9 unauthorized inspection of returns or return information.

10 10. The financial management service of the United States treasury
11 department for use in the treasury offset program.

12 11. The United States treasury department or its authorized agent
13 for use in the state income tax levy program and in the electronic federal
14 tax payment system.

15 12. The Arizona commerce authority for its use in:

16 (a) Qualifying renewable energy operations for the tax incentives
17 under section 42-12006.

18 (b) Qualifying businesses with a qualified facility for income tax
19 credits under sections 43-1083.03 and 43-1164.04.

20 (c) Fulfilling its annual reporting responsibility pursuant to
21 section 41-1511, subsections U and V and section 41-1512, subsections U
22 and V.

23 (d) Certifying computer data centers for tax relief under section
24 41-1519.

25 13. A prosecutor for purposes of section 32-1164, subsection C.

26 14. The office of the state fire marshal for use in determining
27 compliance with and enforcing title 37, chapter 9, article 5.

28 15. The department of transportation for its use in administering
29 taxes, surcharges and penalties prescribed by title 28.

30 16. The Arizona health care cost containment system administration
31 for its use in administering nursing facility provider assessments.

32 17. The department of administration risk management division and
33 the office of the attorney general if the information relates to a claim
34 against this state pursuant to section 12-821.01 involving the department
35 of revenue.

36 18. Another state agency if the taxpayer authorizes the disclosure
37 of confidential information in writing, including an authorization that is
38 part of an application form or other document submitted to the agency.

39 19. The department of economic security for its use in determining
40 whether an employer has paid all amounts due under the unemployment
41 insurance program pursuant to title 23, chapter 4.

42 20. The department of health services for its use in determining **if**
43 **THE FOLLOWING:**

1 (a) WHETHER a medical marijuana dispensary is in compliance with
2 the tax requirements of ~~title 42~~, chapter 5 OF THIS TITLE for THE purposes
3 of section 36-2806, subsection A.

4 (b) WHETHER A MARIJUANA ESTABLISHMENT, MARIJUANA TESTING FACILITY
5 OR DUAL LICENSEE LICENSED UNDER TITLE 36, CHAPTER 28.2 IS IN COMPLIANCE
6 WITH THE TAX OBLIGATIONS UNDER THIS TITLE OR TITLE 43.

7 C. Confidential information may be disclosed in any state or
8 federal judicial or administrative proceeding pertaining to tax
9 administration pursuant to the following conditions:

10 1. One or more of the following circumstances must apply:

11 (a) The taxpayer is a party to the proceeding.

12 (b) The proceeding arose out of, or in connection with, determining
13 the taxpayer's civil or criminal liability, or the collection of the
14 taxpayer's civil liability, with respect to any tax imposed under this
15 title or title 43.

16 (c) The treatment of an item reflected on the taxpayer's return is
17 directly related to the resolution of an issue in the proceeding.

18 (d) Return information directly relates to a transactional
19 relationship between a person who is a party to the proceeding and the
20 taxpayer and directly affects the resolution of an issue in the
21 proceeding.

22 2. Confidential information may not be disclosed under this
23 subsection if the disclosure is prohibited by section 42-2002, subsection
24 C or D.

25 D. Identity information may be disclosed for purposes of notifying
26 persons entitled to tax refunds if the department is unable to locate the
27 persons after reasonable effort.

28 E. The department, on the request of any person, shall provide the
29 names and addresses of bingo licensees as defined in section 5-401, verify
30 whether or not a person has a privilege license and number, a tobacco
31 product distributor's license and number or a withholding license and
32 number or disclose the information to be posted on the department's
33 website or otherwise publicly accessible pursuant to section 42-1124,
34 subsection F and section 42-3401.

35 F. A department employee, in connection with the official duties
36 relating to any audit, collection activity or civil or criminal
37 investigation, may disclose return information to the extent that
38 disclosure is necessary to obtain information that is not otherwise
39 reasonably available. These official duties include the correct
40 determination of and liability for tax, the amount to be collected or the
41 enforcement of other state tax revenue laws.

42 G. Confidential information relating to transaction privilege tax,
43 use tax, severance tax, jet fuel excise and use tax and any other tax
44 collected by the department on behalf of any jurisdiction may be disclosed
45 to any county, city or town tax official if the information relates to a

1 taxpayer who is or may be taxable by a county, city or town or who may be
2 subject to audit by the department pursuant to section 42-6002. Any
3 taxpayer information that is released by the department to the county,
4 city or town:

5 1. May be used only for internal purposes, including audits. If
6 there is a legitimate business need relating to enforcing laws,
7 regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a
8 county, city or town tax official may redisclose transaction privilege tax
9 information relating to a vacation rental or short-term rental property
10 owner or online lodging operator from the new license report and license
11 update report, subject to the following:

12 (a) The information redisclosed is limited to the following:

13 (i) The transaction privilege tax license number.

14 (ii) The type of organization or ownership of the business.

15 (iii) The legal business name and doing business as name, if
16 different from the legal name.

17 (iv) The business mailing address, tax record physical location
18 address, telephone number, email address and fax number.

19 (v) The date the business started in this state, the business
20 description and the North American industry classification system code.

21 (vi) The name, address and telephone number for each owner,
22 partner, corporate officer, member, managing member or official of the
23 employing unit.

24 (b) Redisclosure is limited to nonelected officials in other units
25 within the county, city or town. The information may not be redisclosed
26 to an elected official or the elected official's staff.

27 (c) All redisclosures of confidential information made pursuant to
28 this paragraph are subject to paragraph 2 of this subsection.

29 2. May not be disclosed to the public in any manner that does not
30 comply with confidentiality standards established by the department. The
31 county, city or town shall agree in writing with the department that any
32 release of confidential information that violates the confidentiality
33 standards adopted by the department will result in the immediate
34 suspension of any rights of the county, city or town to receive taxpayer
35 information under this subsection.

36 H. The department may disclose statistical information gathered
37 from confidential information if it does not disclose confidential
38 information attributable to any one taxpayer. The department may disclose
39 statistical information gathered from confidential information, even if it
40 discloses confidential information attributable to a taxpayer, to:

41 1. The state treasurer in order to comply with the requirements of
42 section 42-5029, subsection A, paragraph 3.

43 2. The joint legislative income tax credit review committee, the
44 joint legislative budget committee staff and the legislative staff in
45 order to comply with the requirements of section 43-221.

1 I. The department may disclose the aggregate amounts of any tax
2 credit, tax deduction or tax exemption enacted after January 1, 1994.
3 Information subject to disclosure under this subsection shall not be
4 disclosed if a taxpayer demonstrates to the department that such
5 information would give an unfair advantage to competitors.

6 J. Except as provided in section 42-2002, subsection C,
7 confidential information, described in section 42-2001, paragraph 1,
8 subdivision (a), item (ii), may be disclosed to law enforcement agencies
9 for law enforcement purposes.

10 K. The department may provide transaction privilege tax license
11 information to property tax officials in a county for the purpose of
12 identification and verification of the tax status of commercial property.

13 L. The department may provide transaction privilege tax, luxury
14 tax, use tax, property tax and severance tax information to the
15 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

16 M. Except as provided in section 42-2002, subsection D, a court may
17 order the department to disclose confidential information pertaining to a
18 party to an action. An order shall be made only on a showing of good
19 cause and that the party seeking the information has made demand on the
20 taxpayer for the information.

21 N. This section does not prohibit the disclosure by the department
22 of any information or documents submitted to the department by a bingo
23 licensee. Before disclosing the information, the department shall obtain
24 the name and address of the person requesting the information.

25 O. If the department is required or permitted to disclose
26 confidential information, it may charge the person or agency requesting
27 the information for the reasonable cost of its services.

28 P. Except as provided in section 42-2002, subsection D, the
29 department of revenue shall release confidential information as requested
30 by the department of economic security pursuant to section 42-1122 or
31 46-291. Information disclosed under this subsection is limited to the
32 same type of information that the United States internal revenue service
33 is authorized to disclose under section 6103(l)(6) of the internal revenue
34 code.

35 Q. Except as provided in section 42-2002, subsection D, the
36 department shall release confidential information as requested by the
37 courts and clerks of the court pursuant to section 42-1122.

38 R. To comply with the requirements of section 42-5031, the
39 department may disclose to the state treasurer, to the county stadium
40 district board of directors and to any city or town tax official that is
41 part of the county stadium district confidential information attributable
42 to a taxpayer's business activity conducted in the county stadium
43 district.

1 S. The department shall release to the attorney general
2 confidential information as requested by the attorney general for purposes
3 of determining compliance with or enforcing any of the following:

4 1. Any public health control law relating to tobacco sales as
5 provided under title 36, chapter 6, article 14.

6 2. Any law relating to reduced cigarette ignition propensity
7 standards as provided under title 37, chapter 9, article 5.

8 3. Sections 44-7101 and 44-7111, the master settlement agreement
9 referred to in those sections and all agreements regarding disputes under
10 the master settlement agreement.

11 T. For proceedings before the department, the office of
12 administrative hearings, the state board of tax appeals or any state or
13 federal court involving penalties that were assessed against a return
14 preparer, an electronic return preparer or a payroll service company
15 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential
16 information may be disclosed only before the judge or administrative law
17 judge adjudicating the proceeding, the parties to the proceeding and the
18 parties' representatives in the proceeding prior to its introduction into
19 evidence in the proceeding. The confidential information may be
20 introduced as evidence in the proceeding only if the taxpayer's name, the
21 names of any dependents listed on the return, all social security numbers,
22 the taxpayer's address, the taxpayer's signature and any attachments
23 containing any of the foregoing information are redacted and if either:

24 1. The treatment of an item reflected on such a return is or may be
25 related to the resolution of an issue in the proceeding.

26 2. Such a return or the return information relates or may relate to
27 a transactional relationship between a person who is a party to the
28 proceeding and the taxpayer that directly affects the resolution of an
29 issue in the proceeding.

30 3. The method of payment of the taxpayer's withholding tax
31 liability or the method of filing the taxpayer's withholding tax return is
32 an issue for the period.

33 U. The department and attorney general may share the information
34 specified in subsection S of this section with any of the following:

35 1. Federal, state or local agencies located in this state for the
36 purposes of enforcement of the statutes or agreements specified in
37 subsection S of this section or for the purposes of enforcement of
38 corresponding laws of other states.

39 2. Indian tribes located in this state for the purposes of
40 enforcement of the statutes or agreements specified in subsection S of
41 this section.

42 3. A court, arbitrator, data clearinghouse or similar entity for
43 the purpose of assessing compliance with or making calculations required
44 by the master settlement agreement or agreements regarding disputes under
45 the master settlement agreement, and with counsel for the parties or

1 expert witnesses in any such proceeding, if the information otherwise
2 remains confidential.

3 V. The department may provide the name and address of qualifying
4 hospitals and qualifying health care organizations, as defined in section
5 42-5001, to a business that is classified and reporting transaction
6 privilege tax under the utilities classification.

7 W. The department may disclose to an official of any city, town or
8 county in a current agreement or considering a prospective agreement with
9 the department as described in section 42-5032.02, subsection G any
10 information relating to amounts THAT ARE subject to distribution AND that
11 are required by section 42-5032.02. Information disclosed by the
12 department under this subsection:

13 1. May only be used by the city, town or county for internal
14 purposes.

15 2. May not be disclosed to the public in any manner that does not
16 comply with confidentiality standards established by the department. The
17 city, town or county must agree with the department in writing that any
18 release of confidential information that violates the confidentiality
19 standards will result in the immediate suspension of any rights of the
20 city, town or county to receive information under this subsection.

21 X. Notwithstanding any other provision of this section, the
22 department may not disclose information provided by an online lodging
23 marketplace, as defined in section 42-5076, without the written consent of
24 the online lodging marketplace, and the information may be disclosed only
25 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,
26 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such
27 information:

28 1. Is not subject to disclosure pursuant to title 39, relating to
29 public records.

30 2. May not be disclosed to any agency of this state or of any
31 county, city, town or other political subdivision of this state.

32 Sec. 6. Section 42-3001, Arizona Revised Statutes, is amended to
33 read:

34 42-3001. Definitions

35 In this chapter, unless the context otherwise requires:

36 1. "Affix" and "affixed" include imprinting tax meter stamps on
37 packages and individual containers as authorized by the department.

38 2. "Brand family" has the same meaning prescribed in section
39 44-7111.

40 3. "Cavendish" means a tobacco product that is smoked from a pipe
41 and that meets one of the following criteria:

42 (a) Is described as cavendish, as containing cavendish or as a
43 cavendish blend on its packaging, labeling or promotional materials.

1 (b) Appears to have been processed or manufactured with an amount
2 of flavorings and humectants that exceeds twenty percent of the weight of
3 the tobacco contained in the product.

4 (c) Appears to be blended with or contain a tobacco product
5 described in subdivision (b) of this paragraph.

6 4. "Cider" means vinous liquor that is made from the normal
7 alcoholic fermentation of the juice of sound, ripe apples, pears or other
8 pome fruit, including flavored, sparkling and carbonated cider and cider
9 made from condensed apple, pear or other pome fruit must, and that
10 contains more than one-half of one percent of alcohol by volume but not
11 more than seven percent of alcohol by volume.

12 5. "Cigar" means any roll of tobacco wrapped in leaf tobacco or in
13 any substance containing tobacco other than any roll of tobacco that is a
14 cigarette, as defined in paragraph 6, subdivision (b) of this section.

15 6. "Cigarette" means either of the following:

16 (a) Any roll of tobacco wrapped in paper or any substance not
17 containing tobacco.

18 (b) Any roll of tobacco wrapped in any substance containing tobacco
19 that, because of its appearance, the type of tobacco used in the filler or
20 its packaging and labeling, is likely to be offered to or purchased by a
21 consumer as a cigarette described in subdivision (a) of this paragraph.
22 This subdivision shall be interpreted consistently with the classification
23 guidelines established by the federal alcohol and tobacco tax and trade
24 bureau.

25 7. "Consumer" means a person in this state that comes into
26 possession of any luxury subject to the tax imposed by this chapter and
27 that, on coming into possession of the luxury, is not a distributor
28 intending to sell or distribute the luxury, A retailer or A wholesaler.

29 8. "Craft distiller" means a distiller in the United States or in a
30 territory or possession of the United States that holds a license pursuant
31 to section 4-205.10.

32 9. "Distributor" means any person that manufactures, produces,
33 ships, transports or imports into this state or in any manner acquires or
34 possesses for the purpose of making the first sale of the following:

35 (a) Cigarettes without Arizona tax stamps affixed as required by
36 this article.

37 (b) Roll-your-own tobacco or other tobacco products on which the
38 taxes have not been paid as required by this chapter.

39 10. "Farm winery" has the same meaning prescribed in section 4-101.

40 11. "First sale" means the initial sale or distribution in
41 intrastate commerce or the initial use or consumption of cigarettes,
42 roll-your-own tobacco or other tobacco products.

43 12. "Luxury" means any article, object or device on which a tax is
44 imposed under this chapter.

- 1 13. "Malt liquor" means any liquid that contains more than one-half
2 of one percent alcohol by volume and that is made by the process of
3 fermentation and not distillation of hops or grains, but not including:
4 (a) Liquids made by the process of distillation of such substances.
5 (b) Medicines that are unsuitable for beverage purposes.
6 14. "Master settlement agreement" has the same meaning prescribed
7 in section 44-7101.
8 15. "Microbrewery" has the same meaning prescribed in section
9 4-101.
10 16. "Nonparticipating manufacturer" has the same meaning prescribed
11 in section 44-7111.
12 17. "Other tobacco products" means tobacco products other than
13 cigarettes and roll-your-own tobacco.
14 18. "Participating manufacturer" has the same meaning prescribed in
15 section 44-7111.
16 19. "Person" means any individual, firm, partnership, joint
17 venture, association, corporation, municipal corporation, estate, trust,
18 club, society or other group or combination acting as a unit, and the
19 plural as well as the singular number.
20 20. "Place of business" means a building, facility site or location
21 where an order is received or where tobacco products are sold, distributed
22 or transferred. Place of business does not include a vehicle.
23 21. "Retailer" means any person that comes into possession of any
24 luxury subject to the taxes imposed by this chapter for the purpose of
25 selling it for consumption and not for resale.
26 22. "Roll-your-own tobacco" means any tobacco that, because of its
27 appearance, type, packaging or labeling, is suitable for use and likely to
28 be offered to or purchased by consumers as tobacco for making
29 cigarettes. This paragraph shall be interpreted consistently with the
30 term as used in section 44-7101. This paragraph shall be interpreted
31 consistently with the classification guidelines established by the federal
32 alcohol and tobacco tax and trade bureau.
33 23. "Smoking tobacco" means any tobacco that, because of its
34 appearance, type, packaging, labeling or promotion, is suitable for use
35 and likely to be offered to or purchased by consumers as tobacco for
36 making cigarettes or otherwise consumed by burning. Smoking tobacco
37 includes pipe tobacco and roll-your-own tobacco.
38 24. "Spirituous liquor" means any liquid that contains more than
39 one-half of one percent alcohol by volume, that is produced by
40 distillation of any fermented substance and that is used or prepared for
41 use as a beverage. Spirituous liquor does not include medicines that are
42 unsuitable for beverage purposes.
43 25. "Tobacco product manufacturer" has the same meaning prescribed
44 in section 44-7101.

1 26. "Tobacco products" means all luxuries included in section
2 42-3052, paragraphs 5 through 9.

3 27. "Vehicle" means a device in, on or by which a person or
4 property is or may be transported or drawn on the roads of this state
5 regardless of the means by which it is propelled or whether it runs on a
6 track.

7 28. "Vinous liquor" means any liquid that contains more than
8 one-half of one percent alcohol by volume and that is made by the process
9 of fermentation of grapes, berries, fruits, vegetables or other substances
10 but does not include:

11 (a) Liquids in which hops or grains are used in the process of
12 fermentation.

13 (b) Liquids made by the process of distillation of hops or grains.

14 (c) Medicines that are unsuitable for beverage purposes.

15 29. "Wholesaler" means a person that sells any spirituous, vinous
16 or malt liquor taxed under this chapter to retail dealers or for the
17 purposes of resale only.

18 Sec. 7. Section 42-3401, Arizona Revised Statutes, is amended to
19 read:

20 42-3401. Tobacco distributor licenses; application;
21 conditions; revocations and cancellations

22 A. Every person acquiring or possessing for the purpose of making
23 the initial sale or distribution in this state of any tobacco products on
24 which a tax is imposed by this chapter shall obtain from the department a
25 license to sell tobacco products. The application for the license shall
26 be in the form provided by the department and shall be accompanied by a
27 fee of \$25 for each place of business listed in the application. The form
28 shall state that the identity of the applicant will be posted to the
29 department's website for public inspection. The application for a license
30 shall include the applicant's name and address, the applicant's principal
31 place of business, all other places of business where the applicant's
32 business is conducted for the purpose of making the initial sale or
33 distribution of tobacco products in this state, including any location
34 that maintains an inventory of tobacco products, and any other information
35 required by the department. The applicant's principal place of business
36 and other business locations may not include a residential location or
37 post office box address, except as allowed under subsection D,
38 paragraph 2, subdivision (c) of this section. If the applicant is a firm,
39 partnership, limited liability company, limited liability partnership or
40 association, the applicant shall list the name and address of each of the
41 applicant's members. If the applicant is a corporation, the application
42 shall list the name and address of the applicant's officers and any person
43 who directly or indirectly owns an aggregate amount of ten percent or more
44 of the ownership interest in the corporation. If a licensee is a
45 corporation, firm, partnership, limited liability company, limited

1 liability partnership or association, the licensee under this subsection
2 shall notify the department in writing within thirty days after any change
3 in membership, legal entity status or ownership of more than fifty percent
4 of the total ownership interest in a single transaction. If a licensee
5 changes its business location, the licensee under this subsection shall
6 notify the department within thirty days after a change in location. If
7 the licensee is making a change in its business location by adding or
8 replacing one or more additional places of business that are not currently
9 listed on its application, the licensee must remit a fee of \$25 for each
10 additional place of business.

11 B. For the purposes of subsection A of this section, an applicant
12 with a controlling interest in more than one business engaged in
13 activities as a distributor shall apply for a single license encompassing
14 all such businesses and list each place of business in its application.
15 For the purposes of this subsection, "controlling interest" means direct
16 or indirect ownership of at least eighty percent of the voting shares of a
17 corporation or of the interests in a company, business or person other
18 than a corporation.

19 C. The department shall issue a license authorizing the applicant
20 to acquire or possess tobacco products in this state on the condition that
21 the applicant complies with this chapter and the rules of the department.
22 The license:

23 1. Shall be nontransferable. A licensee may not transfer its
24 license to a new owner when selling its business, and any court-appointed
25 trustee, receiver or other person shall obtain a license in its own name
26 in cases of liquidation, insolvency, ~~OR~~ OR bankruptcy or pursuant to a court
27 order if the business remains in operation as a distributor of tobacco
28 products. **IN CASES OF LIQUIDATION, INSOLVENCY OR BANKRUPTCY OR PURSUANT**
29 **TO A COURT ORDER, THE DEPARTMENT WILL NOT CONSIDER A BUSINESS AS REMAINING**
30 **IN OPERATION UNDER THIS PARAGRAPH IF THE COURT-APPOINTED TRUSTEE, RECEIVER**
31 **OR OTHER PERSON WINDS UP THE BUSINESS WITHIN SIXTY DAYS AFTER THE ORDER IS**
32 **ISSUED.** A licensee shall apply for a new license if it changes its legal
33 entity status or otherwise changes the legal structure of its business.

34 2. Shall be valid for one year unless earlier canceled or revoked
35 by the department.

36 3. Shall be displayed in a conspicuous place at the licensee's
37 place of business. If the licensee operates from more than one place of
38 business, the licensee must display a copy of its license in a conspicuous
39 place at each location.

40 D. As a condition of licensure under this section, an applicant
41 agrees to the following conditions:

42 1. A person may not hold or store any tobacco products, whether
43 within or outside of this state, for sale or distribution in this state by
44 or on behalf of a distributor at any place other than a location that has
45 been disclosed to the department pursuant to subsection A of this section.

1 This paragraph does not include a person holding or storing tobacco
2 products by or on behalf of the distributor when the tobacco products are
3 in transit to a distributor or retailer as part of a lawful sale.

4 2. All tobacco products held or stored, whether within or outside
5 of this state, for sale or distribution in this state by or on behalf of a
6 distributor:

7 (a) Shall be accessible to the department during normal business
8 hours without a judicial warrant or prior written consent of the
9 distributor.

10 (b) May not be held or stored in a vehicle, except as allowed under
11 section 42-3403, subsection B.

12 (c) May not be held or stored at a residential location, unless the
13 sole luxury for sale or distribution by or on behalf of the distributor is
14 taxed as a cigar under section 42-3052, paragraph 8 or 9 and the product
15 weight of the cigars is not more than five hundred pounds. If the product
16 is held or stored at a residential location, as a condition of licensure,
17 the distributor shall provide written consent and allow access to the
18 department to inspect the stock of luxuries and all books, papers,
19 invoices, records and electronically stored data showing sales, receipts
20 and purchases of luxuries. The distributor shall submit the written
21 consent to the department with the license application or on demand of the
22 department.

23 3. Tobacco products may be sold, transferred or distributed to a
24 retailer located on an Indian reservation in this state only if the
25 retailer is registered with, and has a registration identification number
26 issued by, the department.

27 E. A person who is convicted of an offense described in section
28 42-1127, subsection E is permanently ineligible to hold a license issued
29 under this section.

30 F. The department may not issue or renew a license to an applicant
31 and may revoke a license issued under subsection C of this section if any
32 of the following applies:

33 1. The applicant or licensee owes \$1,000 or more in delinquent
34 taxes imposed on tobacco products under this chapter that are not under
35 protest or subject to a payment agreement.

36 2. The department has revoked any license held by the applicant or
37 licensee within the previous two years.

38 3. The applicant or licensee has been convicted of a crime that
39 relates to stolen or counterfeit cigarettes.

40 4. The applicant or licensee has imported cigarettes into the
41 United States for sale or distribution in violation of 19 United States
42 Code section 1681a.

43 5. The applicant or licensee has imported cigarettes into the
44 United States for sale or distribution without fully complying with the

1 federal cigarette labeling and advertising act (P.L. 89-92; 79 Stat. 282;
2 15 United States Code section 1331).

3 6. The applicant or licensee is in violation of section 13-3711 or
4 section 36-798.06, subsection A.

5 7. Pursuant to section 44-7111, section 6(a), the applicant or
6 licensee is in violation of section 44-7111, section 3(c).

7 8. The civil rights of the applicant or licensee have been
8 suspended under section 13-904. An applicant or licensee whose civil
9 rights have been suspended is ineligible to hold a license for a period of
10 five years following the restoration of the applicant's or licensee's
11 civil rights.

12 G. In addition to any other civil or criminal penalty and except as
13 otherwise provided in this section, the department may deny the issuance
14 or renewal of or revoke a license issued under subsection C of this
15 section if the person violates any requirement under this title more than
16 two times within a three-year period or fails to otherwise maintain the
17 conditions of licensure in this section.

18 H. The department shall publish on its website the names of each
19 person who is issued a license under subsection C of this section,
20 including any trade names or business names used by the licensee. The
21 department shall update the published names at least once each month.

22 I. A person may not apply for or hold a distributor's license if
23 that person does not engage in the activities described in subsection A of
24 this section. In addition to any other applicable penalty, the department
25 may cancel the license of any licensee that fails to incur any tax
26 liability under this chapter for twelve consecutive months.

27 J. Any revocation, cancellation or denial of a license issued under
28 this section by the department must comply with section 41-1092.11,
29 subsection B.

30 K. Notwithstanding any other law, for the purposes of subsection F,
31 paragraphs 1 and 2 of this section, section 42-1127, subsection C and
32 section 42-3461, subsection B, if a distributor has listed in its
33 application more than one place of business, any revocation, cancellation,
34 denial or nonrenewal of the distributor's license shall apply only with
35 effect to remove the place of business or business location at which the
36 activity occurred from the distributor's license. If such a removal
37 occurs, the distributor shall be subject to restrictions that the
38 department prescribes by rule.

39 Sec. 8. Section 42-3502, Arizona Revised Statutes, is amended to
40 read:

41 42-3502. Transport of untaxed other tobacco products
42 prohibited; exceptions; definition

43 A. **EXCEPT AS ALLOWED IN SECTION 42-3403**, a person may not hold,
44 store or transport untaxed other tobacco products for sale or distribution
45 in this state in any vehicle ~~pursuant to section 36-798.06~~.

1 B. This section does not apply to either of the following:

2 1. A vehicle that is owned, operated or contracted by a person who
3 holds a valid license issued under section 42-3401 and is transporting
4 untaxed other tobacco products from one to another of the licensee's
5 places of business listed on its application.

6 2. A vehicle that is transporting untaxed other tobacco products to
7 a licensed distributor as part of a lawful sale or in interstate commerce
8 to a person lawfully operating as a manufacturer, distributor or retailer
9 of other tobacco products.

10 C. For the purposes of this section, "untaxed other tobacco
11 products" means other tobacco products on which applicable taxes have not
12 been remitted pursuant to this chapter.

13 Sec. 9. Section 42-12009, Arizona Revised Statutes, is amended to
14 read:

15 42-12009. Class nine property

16 A. For purposes of taxation, class nine is established consisting
17 of:

18 1. Improvements that are located on federal, state, county or
19 municipal property and owned by the lessee of the property if:

20 (a) The improvements are required to become the property of the
21 federal, state, county or municipal owner of the property on termination
22 of the leasehold interest in the property.

23 (b) Both the improvements and the property are used exclusively for
24 convention activities or athletic, recreational, entertainment, artistic
25 or cultural facilities.

26 2. Improvements that are located on federal, state, county or
27 municipal property and owned by the lessee of the property if:

28 (a) The improvements are required to become the property of the
29 federal, state, county or municipal owner of the property on termination
30 of the leasehold interest in the property.

31 (b) Both the improvements and the property are:

32 (i) Used for or in connection with aviation, including hangars,
33 tie-downs, aircraft maintenance, sales of aviation-related items, charter
34 and rental activities, parking facilities and restaurants, stores and
35 other services located in a terminal.

36 (ii) Located on a state, county, city or town airport or a public
37 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

38 3. Property that is defined as "contractor-acquired property" or
39 "government-furnished property" in the federal acquisition regulations
40 (48 Code of Federal Regulations section 45.101) and that is leased to or
41 acquired by the government and used to perform a government contract.

42 4. Property of a corporation that is organized by or at the
43 direction of this state or a county, city or town to develop, construct,
44 improve, repair, replace or own any property, improvement, building or
45 other facility to be used for public purposes that the state, county, city

1 or town pledges to lease or lease-purchase with state, county or municipal
2 special or general revenues and that is not otherwise exempt under chapter
3 11, article 3 of this title.

4 5. Real property and improvements, including land, buildings,
5 furniture and equipment, regardless of ownership, that are leased for the
6 entire valuation year to, and used exclusively by, a nonprofit
7 organization that is recognized under section 501(c)(3) of the internal
8 revenue code and that operates on the premises as either a charter school
9 pursuant to section 15-183 or a residential treatment and education
10 facility or that are leased for the entire valuation year to, and used
11 exclusively by, a nonprofit church, religious assembly or religious
12 institution. If only part of a parcel of real property or improvements to
13 real property, **INCLUDING LAND, BUILDINGS, FURNITURE AND EQUIPMENT**, is
14 leased for operation of a charter school or residential treatment and
15 education **center FACILITY** or a church, religious assembly or religious
16 institution as provided by this paragraph, only the portion so leased
17 qualifies for classification under this section. A property owner that
18 leases property to a charter school or residential treatment and education
19 facility or a church, religious assembly or religious institution as
20 provided by this paragraph shall file an affidavit with the county
21 assessor stating that the charter school or residential treatment and
22 education facility or the church, religious assembly or religious
23 institution shall be the sole beneficiary of the change in property tax
24 classification pursuant to this section and that the lease rate that is
25 charged to the charter school or residential treatment and education
26 facility or the church, religious assembly or religious institution is
27 consistent with the lease rates that are charged to other tenants of the
28 property or a fair market rate.

29 B. Improvements that are located in an area defined as a research
30 park pursuant to section 35-701 may not be classified under this section.

31 C. All property classified as class nine is subject to valuation at
32 full cash value.

33 Sec. 10. Section 43-222, Arizona Revised Statutes, is amended to
34 read:

35 **43-222. Income tax credit review schedule**

36 The joint legislative income tax credit review committee shall
37 review the following income tax credits:

38 1. For years ending in 0 and 5, sections 43-1079.01, ~~43-1087,~~
39 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

40 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
41 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

42 3. For years ending in 2 and 7, sections 43-1073, 43-1085, 43-1086,
43 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

44 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
45 43-1168, 43-1170 and 43-1178.

1 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
2 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

3 Sec. 11. Section 43-304, Arizona Revised Statutes, is amended to
4 read:

5 43-304. Fiduciary returns

6 A. Every fiduciary, except a receiver appointed by authority of law
7 in possession of part only of the property of an individual, shall make a
8 return for any of the following taxpayers for whom the fiduciary acts:

9 ~~1. Every individual having an Arizona adjusted gross income for the~~
10 ~~taxable year of five thousand five hundred dollars or over, if single or~~
11 ~~married filing a separate return.~~

12 ~~2. Every individual having an Arizona adjusted gross income for the~~
13 ~~taxable year of eleven thousand dollars or over, if married and filing a~~
14 ~~joint return pursuant to section 43-309.~~

15 ~~3. Every individual having gross income for the taxable year of~~
16 ~~fifteen thousand dollars or over, regardless of the amount of taxable~~
17 ~~income. For the purposes of this paragraph, "gross income" means gross~~
18 ~~income as defined in the internal revenue code minus income that is~~
19 ~~included in gross income but excluded from taxation under this title.~~

20 1. EVERY INDIVIDUAL WHO IS REQUIRED TO FILE AN INDIVIDUAL INCOME
21 TAX RETURN UNDER SECTION 43-301.

22 ~~4.~~ 2. Every estate or trust that has Arizona taxable income for
23 the taxable year.

24 ~~5.~~ 3. Every estate or trust OF WHICH the gross income ~~of which~~ for
25 the taxable year is ~~five thousand dollars~~ \$5,000 or over, regardless of
26 the amount of the Arizona taxable income.

27 ~~6.~~ 4. Every decedent, for the year in which death occurred and for
28 prior years, if returns for such years should have been filed but have not
29 been filed by the decedent, under such rules as the department may
30 prescribe.

31 B. Any fiduciary required to make a return for an individual is
32 subject to the provisions of this title ~~which~~ THAT apply to individuals.

33 Sec. 12. Section 43-931, Arizona Revised Statutes, is amended to
34 read:

35 43-931. Change of accounting period; computation of income;
36 due date of return

37 If a separate return is made under section 443 of the internal
38 revenue code on account of a change in the accounting period, and in all
39 other cases in which a separate return is required or ~~permitted~~ ALLOWED by
40 treasury regulations to be made for a fractional part of a year, the
41 income shall be computed on the basis of the period for which the separate
42 return is made. EXCEPT FOR PARTNERSHIP AND S CORPORATION RETURNS, the due
43 date of the separate return for the period is the fifteenth day of the
44 fourth month following the close of that period unless the short period
45 return is due to a change in ownership of a corporation, in which case the

1 due date shall be determined pursuant to treasury regulations. FOR A
2 PARTNERSHIP OR S CORPORATION, THE DUE DATE OF THE SEPARATE RETURN FOR THE
3 PERIOD IS THE FIFTEENTH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF THAT
4 PERIOD.

5 Sec. 13. Section 43-1021, Arizona Revised Statutes, is amended to
6 read:

7 43-1021. Addition to Arizona gross income

8 In computing Arizona adjusted gross income, the following amounts
9 shall be added to Arizona gross income:

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

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

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

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

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

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

34 7. The amount by which the depreciation or amortization computed
35 under the internal revenue code with respect to property for which a
36 credit was taken under either section 43-1081 or 43-1081.01 exceeds the
37 amount of depreciation or amortization computed pursuant to the internal
38 revenue code on the Arizona adjusted basis of the property.

39 8. The amount by which the adjusted basis computed under the
40 internal revenue code with respect to property for which a credit was
41 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
42 or otherwise disposed of during the taxable year exceeds the adjusted
43 basis of the property computed under section 43-1074.02, 43-1081 or
44 43-1081.01, as applicable.

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

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

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

12 ~~12.~~ 11. The amount of any depreciation allowance allowed pursuant
13 to section 167(a) of the internal revenue code to the extent not
14 previously added.

15 ~~13.~~ 12. The amount of a nonqualified withdrawal, as defined in
16 section 15-1871, from a college savings plan established pursuant to
17 section 529 of the internal revenue code that is made to a distributee to
18 the extent the amount is not included in computing federal adjusted gross
19 income, except that the amount added under this paragraph shall not exceed
20 the difference between the amount subtracted under section 43-1022 in
21 prior taxable years and the amount added under this section in any prior
22 taxable years.

23 ~~14.~~ 13. If a subtraction is or has been taken by the taxpayer
24 under section 43-1024, in the current or a prior taxable year for the full
25 amount of eligible access expenditures paid or incurred to comply with the
26 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
27 or title 41, chapter 9, article 8, any amount of eligible access
28 expenditures that is recognized under the internal revenue code, including
29 any amount that is amortized according to federal amortization schedules,
30 and that is included in computing taxable income for the current taxable
31 year.

32 ~~15.~~ 14. For taxable years beginning from and after December 31,
33 2017, the amount of any net capital loss included in Arizona gross income
34 for the taxable year that is derived from the exchange of one kind of
35 legal tender for another kind of legal tender. For the purposes of this
36 paragraph:

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

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

41 Sec. 14. Section 43-1022, Arizona Revised Statutes, is amended to
42 read:

43 43-1022. Subtractions from Arizona gross income

44 In computing Arizona adjusted gross income, the following amounts
45 shall be subtracted from Arizona gross income:

- 1 1. The amount of exemptions allowed by section 43-1023.
- 2 2. Benefits, annuities and pensions in an amount totaling not more
- 3 than \$2,500 received from one or more of the following:
- 4 (a) The United States government service retirement and disability
- 5 fund, the United States foreign service retirement and disability system
- 6 and any other retirement system or plan established by federal law, except
- 7 retired or retainer pay of the uniformed services of the United States
- 8 that qualifies for a subtraction under paragraph ~~27~~ 26 of this section.
- 9 (b) The Arizona state retirement system, the corrections officer
- 10 retirement plan, the public safety personnel retirement system, the
- 11 elected officials' retirement plan, an optional retirement program
- 12 established by the Arizona board of regents under section 15-1628, an
- 13 optional retirement program established by a community college district
- 14 board under section 15-1451 or a retirement plan established for employees
- 15 of a county, city or town in this state.
- 16 3. A beneficiary's share of the fiduciary adjustment to the extent
- 17 that the amount determined by section 43-1333 decreases the beneficiary's
- 18 Arizona gross income.
- 19 4. Interest income received on obligations of the United States,
- 20 minus any interest on indebtedness, or other related expenses, and
- 21 deducted in arriving at Arizona gross income, that were incurred or
- 22 continued to purchase or carry such obligations.
- 23 5. The excess of a partner's share of income required to be
- 24 included under section 702(a)(8) of the internal revenue code over the
- 25 income required to be included under chapter 14, article 2 of this title.
- 26 6. The excess of a partner's share of partnership losses determined
- 27 pursuant to chapter 14, article 2 of this title over the losses allowable
- 28 under section 702(a)(8) of the internal revenue code.
- 29 7. The amount allowed by section 43-1025 for contributions during
- 30 the taxable year of agricultural crops to charitable organizations.
- 31 8. The portion of any wages or salaries paid or incurred by the
- 32 taxpayer for the taxable year that is equal to the amount of the federal
- 33 work opportunity credit, the empowerment zone employment credit, the
- 34 credit for employer paid social security taxes on employee cash tips and
- 35 the Indian employment credit that the taxpayer received under sections
- 36 45A, 45B, 51(a) and 1396 of the internal revenue code.
- 37 9. The amount of exploration expenses that is determined pursuant
- 38 to section 617 of the internal revenue code, that has been deferred in a
- 39 taxable year ending before January 1, 1990 and for which a subtraction has
- 40 not previously been made. The subtraction shall be made on a ratable
- 41 basis as the units of produced ores or minerals discovered or explored as
- 42 a result of this exploration are sold.
- 43 10. The amount included in federal adjusted gross income pursuant
- 44 to section 86 of the internal revenue code, relating to taxation of social
- 45 security and railroad retirement benefits.

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

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

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

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

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

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

30 ~~17. The amount authorized by section 43-1030 relating to holocaust~~
31 ~~survivors.~~

32 ~~18.~~ 17. For property placed in service:

33 (a) In taxable years beginning before December 31, 2012, an amount
34 equal to the depreciation allowable pursuant to section 167(a) of the
35 internal revenue code for the taxable year computed as if the election
36 described in section 168(k) of the internal revenue code had been made for
37 each applicable class of property in the year the property was placed in
38 service.

39 (b) In taxable years beginning from and after December 31, 2012
40 through December 31, 2013, an amount determined in the year the asset was
41 placed in service based on the calculation in subdivision (a) of this
42 paragraph. In the first taxable year beginning from and after
43 December 31, 2013, the taxpayer may elect to subtract the amount necessary
44 to make the depreciation claimed to date for the purposes of this title
45 the same as it would have been if subdivision (c) of this paragraph had

1 applied for the entire time the asset was in service. Subdivision (c) of
2 this paragraph applies for the remainder of the asset's life. If the
3 taxpayer does not make the election under this subdivision, subdivision
4 (a) of this paragraph applies for the remainder of the asset's life.

5 (c) In taxable years beginning from and after December 31, 2013
6 through December 31, 2015, an amount equal to the depreciation allowable
7 pursuant to section 167(a) of the internal revenue code for the taxable
8 year as computed as if the additional allowance for depreciation had been
9 ten percent of the amount allowed pursuant to section 168(k) of the
10 internal revenue code.

11 (d) In taxable years beginning from and after December 31, 2015
12 through December 31, 2016, an amount equal to the depreciation allowable
13 pursuant to section 167(a) of the internal revenue code for the taxable
14 year as computed as if the additional allowance for depreciation had been
15 fifty-five percent of the amount allowed pursuant to section 168(k) of the
16 internal revenue code.

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

22 ~~19.~~ 18. With respect to property that is sold or otherwise
23 disposed of during the taxable year by a taxpayer that complied with
24 section 43-1021, paragraph ~~12~~ 11 with respect to that property, the amount
25 of depreciation that has been allowed pursuant to section 167(a) of the
26 internal revenue code to the extent that the amount has not already
27 reduced Arizona taxable income in the current or prior taxable years.

28 ~~20.~~ 19. The amount contributed during the taxable year to college
29 savings plans established pursuant to section 529 of the internal revenue
30 code to the extent that the contributions were not deducted in computing
31 federal adjusted gross income. The amount subtracted shall not exceed:

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

33 (b) \$4,000 for a married couple filing a joint return. In the case
34 of a husband and wife who file separate returns, the subtraction may be
35 taken by either taxpayer or may be divided between them, but the total
36 subtractions allowed both husband and wife shall not exceed \$4,000.

37 ~~21.~~ 20. The portion of the net operating loss carryforward that
38 would have been allowed as a deduction in the current year pursuant to
39 section 172 of the internal revenue code if the election described in
40 section 172(b)(1)(H) of the internal revenue code had not been made in the
41 year of the loss that exceeds the actual net operating loss carryforward
42 that was deducted in arriving at federal adjusted gross income. This
43 subtraction only applies to taxpayers who made an election under section
44 172(b)(1)(H) of the internal revenue code as amended by section 1211 of
45 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as

1 amended by section 13 of the worker, homeownership, and business
2 assistance act of 2009 (P.L. 111-92).

3 ~~22.~~ 21. For taxable years beginning from and after December 31,
4 2013, the amount of any net capital gain included in federal adjusted
5 gross income for the taxable year derived from investment in a qualified
6 small business as determined by the Arizona commerce authority pursuant to
7 section 41-1518.

8 ~~23.~~ 22. An amount of any net long-term capital gain included in
9 federal adjusted gross income for the taxable year that is derived from an
10 investment in an asset acquired after December 31, 2011, as follows:

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

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

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

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

27 ~~25.~~ 24. The amount of eligible access expenditures paid or
28 incurred during the taxable year to comply with the requirements of the
29 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
30 chapter 9, article 8 as provided by section 43-1024.

31 ~~26.~~ 25. For taxable years beginning from and after December 31,
32 2017, the amount of any net capital gain included in Arizona gross income
33 for the taxable year that is derived from the exchange of one kind of
34 legal tender for another kind of legal tender. For the purposes of this
35 paragraph:

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

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

40 ~~27.~~ 26. Benefits, annuities and pensions received as retired or
41 retainer pay of the uniformed services of the United States in amounts as
42 follows:

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

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

3 Sec. 15. Section 43-1024, Arizona Revised Statutes, is amended to
4 read:

5 43-1024. Americans with disabilities act access expenditures

6 A. For taxable years beginning from and after December 31, 2017, in
7 computing Arizona adjusted gross income, a subtraction is allowed under
8 section 43-1022, paragraph ~~25~~ 24 for eligible business access expenditures
9 paid or incurred by the taxpayer during the taxable year in order to
10 comply with the requirements of the Americans with disabilities act of
11 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting
12 developed real property that was originally placed in service at least ten
13 years before the current taxable year.

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

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

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

20 3. Provide qualified readers, taped texts and other effective
21 methods of making visually delivered materials available to individuals
22 with visual impairments.

23 4. Acquire or modify equipment or devices for individuals with
24 disabilities.

25 5. Provide other similar services, modifications, materials or
26 equipment.

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

32 Sec. 16. Repeal

33 Section 43-1030, Arizona Revised Statutes, is repealed.

34 Sec. 17. Section 43-1072.02, Arizona Revised Statutes, is amended
35 to read:

36 43-1072.02. Credit for increased transaction privilege or
37 excise tax paid for education

38 A. Subject to the conditions prescribed by this section, for
39 taxable years beginning from and after December 31, 2020 and ending before
40 January 1, 2042, a credit is allowed against the taxes imposed by this
41 chapter for a taxable year for a taxpayer who is not claimed as a
42 dependent by any other taxpayer and whose federal adjusted gross income
43 is:

44 1. \$25,000 or less for a married couple or a single person who is a
45 head of a household.

1 2. \$12,500 or less for a single person or a married person filing
2 separately.

3 B. The credit is considered to be in mitigation of increased tax
4 rates pursuant to section 42-5010.01 and section 42-5155, subsection E.

5 C. The amount of the credit may not exceed \$25 for each person who
6 is a resident of this state and who is either the taxpayer, the taxpayer's
7 spouse who does not file a return or a dependent and shall not exceed \$100
8 for all persons in the taxpayer's household as defined in section 43-1072.

9 D. If the allowable amount of the credit exceeds the income taxes
10 otherwise due on the claimant's income, the amount of the claim not used
11 as an offset against income taxes shall be paid in the same manner as a
12 refund granted under section 42-1118. Refunds made pursuant to this
13 subsection are subject to setoff under section 42-1122.

14 E. A person who is sentenced for at least sixty days of the taxable
15 year to the custody of the federal bureau of prisons, the state department
16 of corrections or a county jail is not eligible to claim a credit pursuant
17 to this section.

18 F. The department shall make available suitable forms with
19 instructions for claimants. Claimants who certify on the prescribed form
20 that they have no income tax liability for the taxable year and who do not
21 meet the filing requirements of section 43-301 are not required to file an
22 individual income tax return. The claim shall be in a form prescribed by
23 the department.

24 G. A tax return or form prescribed pursuant to subsection F of this
25 section must have:

26 1. A social security number that is valid for employment for the
27 claimant.

28 2. Either a valid social security number or an individual taxpayer
29 identification number issued by the internal revenue service for the
30 claimant's spouse and any qualifying children of the claimant.

31 H. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
32 THE CREDIT UNDER SECTION 43-1072.01 FOR THE SAME TAXABLE YEAR. THE
33 CREDITS UNDER THIS SECTION AND SECTION 43-1072.01 SHALL BE COLLECTIVELY
34 REFERRED TO AS THE EXCISE TAX CREDIT AND CLAIMED USING THE SAME CREDIT
35 FORM OR LINE ON THE TAX RETURN. FOR THE PURPOSES OF THE REPORT REQUIRED
36 BY SECTION 43-224, THE DEPARTMENT SHALL REPORT THE CREDITS UNDER SECTION
37 43-1072.01 AND THIS SECTION TOGETHER AS ONE CREDIT.

38 Sec. 18. Section 43-1074.01, Arizona Revised Statutes, is amended
39 to read:

40 43-1074.01. Credit for increased research activities

41 A. A credit is allowed against the taxes imposed by this title in
42 an amount determined pursuant to section 41 of the internal revenue code,
43 except that:

44 1. The amount of the credit is based on the excess, if any, of the
45 qualified research expenses for the taxable year over the base amount as

1 defined in section 41(c) of the internal revenue code and is computed as
2 follows:

3 (a) If the excess is ~~two million five hundred thousand dollars~~
4 ~~\$2,500,000~~ or less:

5 (i) For taxable years beginning before December 31, ~~2021~~ 2030, the
6 credit is equal to twenty-four percent of that amount.

7 (ii) For taxable years beginning from and after December 31,
8 ~~2021~~ 2030, the credit is equal to twenty percent of that amount.

9 (b) If the excess is over ~~two million five hundred thousand~~
10 ~~dollars \$2,500,000~~:

11 (i) For taxable years beginning before December 31, ~~2021~~ 2030, the
12 credit is equal to ~~six hundred thousand dollars \$600,000~~ plus fifteen
13 percent of any amount exceeding ~~two million five hundred thousand~~
14 ~~dollars \$2,500,000~~.

15 (ii) For taxable years beginning from and after December 31,
16 ~~2021~~ 2030, the credit is equal to ~~five hundred thousand dollars \$500,000~~
17 plus eleven percent of any amount exceeding ~~two million five hundred~~
18 ~~thousand dollars \$2,500,000~~.

19 (c) For taxable years beginning from and after December 31, 2011,
20 an additional credit amount is allowed if the taxpayer made basic research
21 payments during the taxable year to a university under the jurisdiction of
22 the Arizona board of regents. The additional credit amount is equal to
23 ten percent of the excess, if any, of the basic research payments over the
24 qualified organization base period amount for the taxable year. The
25 department shall not allow credit amounts under this subdivision and
26 section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed,
27 in the aggregate, a combined total of ~~ten million dollars \$10,000,000~~ in
28 any calendar year. Subject to that limit, on application by the taxpayer,
29 the department shall certify credit amounts under this subdivision and
30 section 43-1168, subsection A, paragraph 1, subdivision (d) based on
31 priority placement established by the date that the taxpayer filed the
32 application. For taxable years beginning from and after December 31, 2014,
33 any basic research payments used to determine the additional credit under
34 this subdivision must first receive certification from the Arizona
35 commerce authority pursuant to section 41-1507.01. The additional credit
36 amount under this subdivision shall not exceed the amount allowed based on
37 actual basic research payments or the department's certification,
38 whichever is less. If an application, if certified in full, would exceed
39 the ~~ten million dollar \$10,000,000~~ limit, the department shall certify
40 only an amount within that limit. After the limit is attained, the
41 department shall deny any subsequent applications regardless of whether
42 other certified amounts are not actually claimed as a credit or other
43 taxpayers fail to qualify to actually claim certified amounts.
44 Notwithstanding subsections B and C of this section, any amount of the
45 additional credit under this subdivision that exceeds the taxes otherwise

1 due under this title is not refundable, but may be carried forward to the
2 next five consecutive taxable years. For the purposes of this
3 subdivision, "basic research payments" and "qualified organization base
4 period amount" have the same meanings prescribed by section 41(e) of the
5 internal revenue code without regard to whether the taxpayer is or is not
6 a corporation.

7 2. Qualified research includes only research conducted in this
8 state, including research conducted at a university in this state and paid
9 for by the taxpayer.

10 3. If two or more taxpayers, including partners in a partnership
11 and shareholders of an S corporation, as defined in section 1361 of the
12 internal revenue code, share in the eligible expenses, each taxpayer is
13 eligible to receive a proportionate share of the credit.

14 4. The credit under this section applies only to expenses incurred
15 from and after December 31, 2000.

16 5. The termination provisions of section 41 of the internal revenue
17 code do not apply.

18 B. Except as provided by subsection C of this section, if the
19 allowable credit under this section exceeds the taxes otherwise due under
20 this title on the claimant's income, or if there are no taxes due under
21 this title, the amount of the credit **THAT IS CLAIMED FOR TAXABLE YEARS**
22 **BEGINNING BEFORE JANUARY 1, 2022 AND THAT IS** not used to offset taxes may
23 be carried forward to the next fifteen consecutive taxable years **AND THE**
24 **AMOUNT OF THE CREDIT THAT IS CLAIMED FOR TAXABLE YEARS BEGINNING FROM AND**
25 **AFTER DECEMBER 31, 2021 AND THAT IS NOT USED TO OFFSET TAXES MAY BE**
26 **CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE YEARS.** ~~The amount of~~
27 ~~credit carryforward from taxable years beginning from and after December~~
28 ~~31, 2000 through December 31, 2002 that may be used in any taxable year~~
29 ~~may not exceed the taxpayer's tax liability under this title or five~~
30 ~~hundred thousand dollars, whichever is less, minus the credit under this~~
31 ~~section for the current taxable year's qualified research expenses.~~ The
32 amount of credit carryforward from taxable years beginning from and after
33 December 31, 2002 that may be used in any taxable year may not exceed the
34 taxpayer's tax liability under this title minus the credit under this
35 section for the current taxable year's qualified research expenses. A
36 taxpayer who carries forward any amount of credit under this subsection
37 may not thereafter claim a refund of any amount of the credit under
38 subsection C of this section.

39 C. For taxable years beginning from and after December 31, 2009, if
40 a taxpayer who claims a credit under this section employs fewer than one
41 hundred fifty persons in the taxpayer's trade or business and if the
42 allowable credit under this section exceeds the taxes otherwise due under
43 this title on the claimant's income, or if there are no taxes due under
44 this title, in lieu of carrying the excess amount of credit forward to

1 subsequent taxable years under subsection B of this section, the taxpayer
2 may elect to receive a refund as follows:

3 1. The taxpayer must apply to the Arizona commerce authority for
4 qualification for the refund pursuant to section 41-1507 and submit a copy
5 of the authority's certificate of qualification to the department of
6 revenue with the taxpayer's income tax return.

7 2. The amount of the refund is limited to seventy-five percent of
8 the amount by which the allowable credit under this section exceeds the
9 taxpayer's tax liability under this title for the taxable year. The
10 remainder of the excess amount of the credit is waived.

11 3. The refund shall be paid in the manner prescribed by section
12 42-1118.

13 4. The refund is subject to setoff under section 42-1122.

14 5. If the department determines that a credit refunded pursuant to
15 this subsection is incorrect or invalid, the excess credit issued may be
16 treated as a tax deficiency pursuant to section 42-1108.

17 Sec. 19. Repeal

18 Section 43-1087, Arizona Revised Statutes, is repealed.

19 Sec. 20. Section 43-1089.01, Arizona Revised Statutes, is amended
20 to read:

21 43-1089.01. Tax credit; public school fees and contributions;
22 definitions

23 A. A credit is allowed against the taxes imposed by this title for
24 the amount of any fees paid or cash contributions made by a taxpayer or on
25 the taxpayer's behalf pursuant to section 43-401, subsection G during the
26 taxable year to a public school located in this state for the following
27 public school purposes:

28 1. Standardized testing for college credit or readiness offered by
29 a widely recognized and accepted educational testing organization.

30 2. The career and technical education industry certification
31 assessment.

32 3. Preparation courses and materials for standardized testing.

33 4. Cardiopulmonary resuscitation training pursuant to section
34 15-718.01.

35 5. Extracurricular activities.

36 6. Character education programs.

37 7. From and after June 30, 2019 through June 30, 2022:

38 (a) Acquiring capital items, as defined in the uniform system of
39 financial records, including those items listed in section 15-903,
40 subsection C, paragraphs 2 through 8.

41 (b) Community school meal programs. **AN AMOUNT PAID BY AN**
42 **INDIVIDUAL TO RECEIVE A MEAL OR A MEAL CARD DOES NOT QUALIFY AS A FEE OR**
43 **DONATION FOR COMMUNITY SCHOOL MEAL PROGRAMS.**

44 (c) Student consumable health care supplies.

1 (d) Playground equipment and shade structures for playground
2 equipment.

3 B. The amount of the credit shall not exceed:

4 1. \$200 for a single individual or a head of household.

5 2. \$400 for a married couple filing a joint return.

6 C. A husband and wife who file separate returns for a taxable year
7 in which they could have filed a joint return may each claim only one-half
8 of the tax credit that would have been allowed for a joint return.

9 D. The credit allowed by this section is in lieu of any deduction
10 pursuant to section 170 of the internal revenue code and taken for state
11 tax purposes.

12 E. If the allowable tax credit exceeds the taxes otherwise due
13 under this title on the claimant's income, or if there are no taxes due
14 under this title, the taxpayer may carry the amount of the claim not used
15 to offset the taxes under this title forward for not more than five
16 consecutive taxable years' income tax liability.

17 F. The site council of the public school that receives
18 contributions that are not designated for a specific purpose shall
19 determine how the contributions are used at the school site. If a charter
20 school does not have a site council, the principal, director or chief
21 administrator of the charter school shall determine how the contributions
22 that are not designated for a specific purpose are used at the school
23 site. If at the end of a fiscal year a public school has unspent
24 contributions that were previously designated for a specific purpose or
25 program and that purpose or program has been discontinued or has not been
26 used for two consecutive fiscal years, these contributions shall be
27 considered undesignated in the following fiscal year for the purposes of
28 this subsection, and the site council may transfer these undesignated
29 contributions to any school within the same school district.

30 G. A public school that receives fees or a cash contribution
31 pursuant to subsection A of this section shall report to the department,
32 in a form prescribed by the department, by February 28 of each year the
33 following information:

34 1. The total number of fee and cash contribution payments received
35 during the previous calendar year.

36 2. The total dollar amount of fees and contributions received
37 during the previous calendar year.

38 3. The total dollar amount of fees and contributions spent by the
39 school during the previous calendar year, categorized by specific
40 standardized testing, preparation courses and materials for standardized
41 testing, extracurricular activity or character education program.

42 H. For the purposes of this section, a contribution for which a
43 credit is claimed and that is made on or before the fifteenth day of the
44 fourth month following the close of the taxable year may be applied to

1 either the current or preceding taxable year and is considered to have
2 been made on the last day of that taxable year.

3 I. For the purposes of this section:

4 1. "Career and technical education industry certification
5 assessment" means an assessment for career and technical preparation
6 programs for pupils.

7 2. "Character education programs" means a program described in
8 section 15-719.

9 3. "Community school meal program" means a school meal program that
10 takes place before or after the regular school day on school property.

11 4. "Extracurricular activities" means school-sponsored activities
12 that may require enrolled students to pay a fee in order to participate,
13 including fees for:

14 (a) Band uniforms.

15 (b) Equipment or uniforms for varsity athletic activities.

16 (c) Scientific laboratory materials.

17 (d) In-state or out-of-state trips that are solely for competitive
18 events. Extracurricular activities do not include any senior trips or
19 events that are recreational, amusement or tourist activities.

20 5. "Public school" means a school that is part of a school
21 district, a career technical education district or a charter school.

22 6. "Standardized testing for college credit or readiness" includes
23 the SAT, PSAT, ACT, advanced placement and international baccalaureate
24 diploma tests and other similar tests.

25 7. "Student consumable health care supplies" includes tissues, hand
26 wipes, bandages and other health care consumables that are generally used
27 by children.

28 8. "Widely recognized and accepted educational testing
29 organization" means the college board, the ACT, the international
30 baccalaureate and other organizations that are widely recognized and
31 accepted by colleges and universities in the United States and that offer
32 college credit and readiness examinations.

33 Sec. 21. Section 43-1164.05, Arizona Revised Statutes, is amended
34 to read:

35 43-1164.05. Credit for renewable energy investment and
36 production for self-consumption by
37 international operations centers; definitions

38 A. A credit is allowed against the taxes imposed by this title for
39 investment in new renewable energy facilities that produce energy for
40 self-consumption using renewable energy resources if the power will be
41 used primarily for an international operations center.

42 B. The taxpayer is eligible for the credit if all of the following
43 apply:

44 1. The taxpayer invests at least \$100,000,000 in one or more new
45 renewable energy facilities in this state that produce energy for

1 self-consumption using renewable energy resources. The minimum investment
2 must be completed within a three-year period beginning on the date the
3 initial application is received or by December 31, ~~2030~~ 2018, whichever is
4 earlier.

5 2. A portion of the energy produced at each renewable energy
6 facility is used for self-consumption in this state. By the fifth year a
7 renewable energy facility is in operation, at least fifty-one percent of
8 the energy produced must be used for self-consumption in this state.
9 Self-consumption includes the power used by related entities if the
10 related entities are directly or indirectly under the same ownership
11 interests that collectively own more than eighty percent. Power that a
12 renewable energy facility transfers to a utility qualifies as
13 self-consumption if the utility is the same utility that provides power to
14 the owner's international operations center in this state.

15 3. The power that is used for self-consumption under paragraph 2 of
16 this subsection is used for an international operations center in this
17 state. A lessor of an international operations center facility that uses
18 power for self-consumption under paragraph 2 of this subsection satisfies
19 the requirements of this paragraph if the lessee is an international
20 operations center and the power is transferred as part of the lease to the
21 lessee.

22 C. Subject to subsection F of this section, the credit authorized
23 by this section is \$5,000,000 per year for five years for each renewable
24 energy facility. The maximum credit allowed per taxpayer per year is
25 \$5,000,000. The taxpayer, including all affiliates of the taxpayer, may
26 not cumulate tax credits under this section over different taxable years
27 exceeding, in the aggregate, \$25,000,000. The initial credit for each
28 facility is claimed in the year that the facility becomes operational. A
29 credit, other than carryovers allowed under subsection M of this section,
30 may not be claimed for any taxable year beginning after December 31, 2025.
31 An international operations center that is initially certified pursuant to
32 section 41-1520, subsection C after December 31, 2018 may not claim the
33 tax credit authorized by this section.

34 D. To qualify as a separate renewable energy facility for the
35 purposes of this section, a facility must be located at least one mile
36 from any other renewable energy facility for which the taxpayer is
37 claiming a credit under this section.

38 E. To be eligible for the credit under this section, the taxpayer
39 must apply to the department for certification of the credit on a form
40 prescribed by the department. The application shall include:

41 1. The name, address and social security number or federal employer
42 identification number of the applicant.

43 2. An estimate of the total investment the taxpayer will make, over
44 a three-year period beginning on the date the application is received, in

1 new renewable energy facilities in this state that produce energy for
2 self-consumption using renewable energy resources.

3 3. The expected location of each of the taxpayer's facilities that
4 comprise the total investment in paragraph 2 of this subsection and the
5 earliest date that each facility is expected to be operational.

6 4. A statement that the portion of the power generated by each
7 facility, as required by subsection B, paragraph 2 of this section, shall
8 be for self-consumption and shall be used for international operations
9 center use.

10 5. Any additional information that the department requires.

11 F. The department shall review each application under subsection E
12 of this section and preapprove the taxpayer for a specified amount of
13 credit that is authorized. Credits are allowed under this section on a
14 first-come, first-served basis. The department may not authorize tax
15 credits under this section that exceed in the aggregate a total of
16 \$10,000,000 for any calendar year. The portion of each year's limit that
17 is reserved for each taxpayer must be based on the year that each credit
18 is expected to be claimed using the dates provided in subsection E,
19 paragraph 3 of this section. If the year a facility is completed is
20 different from the estimated completion date provided in subsection E,
21 paragraph 3 of this section, the taxpayer must amend the application with
22 the new dates. If an application is received that, if authorized, would
23 require the department to exceed the \$10,000,000 limit, the department
24 shall grant the applicant only the remaining credit amount that would not
25 exceed the \$10,000,000 limit. After the department authorizes \$10,000,000
26 in tax credits, the department shall deny any subsequent applications that
27 are received for that calendar year. The department may not authorize any
28 additional tax credits that exceed the \$10,000,000 limit even if the
29 amounts that have been certified to any taxpayer are not claimed or a
30 taxpayer otherwise fails to meet the requirements to claim the additional
31 credit.

32 G. If a taxpayer fails to start construction within six months
33 after submitting the application under subsection E of this section, the
34 preapproval issued under subsection F of this section is void and all
35 monies reserved from the limits specified in subsection F of this section
36 revert back to the limit for the year for which they were reserved.

37 H. Each year after initial preapproval, on or before the
38 anniversary date of the application specified in subsection E of this
39 section, the taxpayer must submit to the department:

40 1. Documentation of the taxpayer's progress toward the investment
41 required by subsection B, paragraph 1 of this section. This documentation
42 is not required after the department receives a report stating that the
43 required investment threshold has been reached.

44 2. Documentation for each facility that demonstrates that the
45 required portion of the power generated by each renewable energy facility

1 is for self-consumption as required by subsection B, paragraph 2 of this
2 section.

3 3. If applicable, certification from the Arizona commerce authority
4 pursuant to section 41-1520.

5 I. The taxpayer must submit a request for final certification to
6 the department within thirty days after each of the renewable energy
7 facilities for which an authorization was given under subsection F of this
8 section becomes operational. Within thirty days after receiving a
9 completed request under this subsection, the department shall review the
10 request and either issue a final certification of the credit to the
11 taxpayer or issue a denial of the credit if it is determined that the
12 requirements of this section have not been met. Every final certification
13 issued under this subsection must include a facility code issued by the
14 department that is unique to each facility. To show that the facility has
15 been certified, the taxpayer shall include with the tax return the
16 facility code for each facility for which a credit is claimed. If the
17 taxpayer is the owner or operator of an international operations center,
18 the taxpayer must submit the request for final certification for each of
19 the renewable energy facilities for which capital investment will be
20 claimed towards the required investment threshold and must submit
21 additional evidence to the department within sixty days after the end of
22 the fifth year of operation of each facility that the requirements of
23 subsection B, paragraph 2 of this section have been met.

24 J. If the taxpayer fails to make the required investment in
25 renewable energy facilities within the time period required by subsection
26 B, paragraph 1 of this section or if the certification of an international
27 operations center has been revoked under section 41-1520 due to a failure
28 to make a \$1,250,000,000 investment in the center within ten years after
29 certification or if the taxpayer fails to receive final certification of
30 the credit under subsection I of this section, the taxpayer is not
31 eligible and must cease claiming any further credits under this section
32 and shall reimburse the amount of all credits previously received under
33 this section. The reimbursement must be made on the taxpayer's income tax
34 return for the taxable year in which it is first known that the required
35 investment would not be made within the required time or the taxable year
36 in which the certification was revoked. The department may give special
37 consideration or allow a temporary exemption from reimbursement if there
38 is extraordinary hardship due to factors beyond the taxpayer's control.
39 If the reimbursement is due to revocation of the certification of an
40 international operations center due to a failure to invest \$1,250,000,000
41 in the center within ten years after certification, the credits shall be
42 reimbursed in inverse proportion to the total capital investment made in
43 the international operations center divided by \$1,250,000,000. The
44 department may require reimbursement before the tenth anniversary of
45 certification of an international operations center if the facility has

1 been closed or relocated or the taxpayer has otherwise demonstrated that
2 the \$1,250,000,000 investment will not be timely made.

3 K. If a particular facility ceases to meet the requirements of this
4 section or if the facility is sold, the taxpayer may not claim any future
5 credits related to that facility.

6 L. Co-owners of a business, including corporate partners in a
7 partnership and corporate members of a limited liability company treated
8 as a partnership, may each claim the pro rata share of the credit allowed
9 under this section based on ownership interest. Only co-owners that are
10 corporations may claim a share of the credit allowed under this section.
11 The total of the credits allowed all the owners of the business may not
12 exceed the amount that would have been allowed for a sole owner of the
13 business.

14 M. If the allowable tax credit for a taxpayer exceeds the taxes
15 otherwise due under this title on the claimant's income, or if there are
16 no taxes due under this title, the amount of the claim not used to offset
17 taxes under this title may be carried forward for not more than five
18 consecutive taxable years as a credit against subsequent years' income tax
19 liability.

20 N. A taxpayer may not claim a credit under this section and section
21 43-1164.03 regarding the same facilities.

22 O. The department shall adopt rules and publish and prescribe forms
23 and procedures as necessary to effectuate the purposes of this section.

24 P. For the purposes of this section:

25 1. "Biomass" means organic material that is available on a
26 renewable or recurring basis, including:

27 (a) Forest-related materials, including mill residues, logging
28 residues, forest thinnings, slash, brush, low-commercial value materials
29 or undesirable species, salt cedar and other phreatophyte or woody
30 vegetation removed from river basins or watersheds and woody material
31 harvested for the purpose of forest fire fuel reduction or forest health
32 and watershed improvement.

33 (b) Agricultural-related materials, including orchard trees,
34 vineyard, grain or crop residues, including straws and stover, aquatic
35 plants and agricultural processed coproducts and waste products, including
36 fats, oils, greases, whey and lactose.

37 (c) Animal waste, including manure and slaughterhouse and other
38 processing waste.

39 (d) Solid woody waste materials, including landscape or
40 right-of-way tree trimmings, rangeland maintenance residues, waste
41 pallets, crates and manufacturing, construction and demolition wood wastes
42 but excluding pressure-treated, chemically treated or painted wood wastes
43 and wood contaminated with plastic.

44 (e) Crops and trees planted for the purpose of being used to
45 produce energy.

1 (f) Landfill gas, wastewater treatment gas and biosolids, including
2 organic waste by-products generated during the wastewater treatment
3 process.

4 2. "International operations center" means a facility that is
5 certified by the Arizona commerce authority pursuant to section 41-1520.

6 3. "Renewable energy facility" means a facility in which the
7 taxpayer invested at least \$30,000,000, that has at least twenty megawatts
8 generating capacity or a minimum typical annual generation of forty
9 thousand megawatt hours, that is located on land in this state owned or
10 leased by the taxpayer and that produces electricity using a renewable
11 energy resource.

12 4. "Renewable energy resource" means a resource that generates
13 electricity through the use of only the following energy sources:

14 (a) Solar light.

15 (b) Solar heat.

16 (c) Wind.

17 (d) Biomass, including fuel cells supplied directly or indirectly
18 with biomass generated fuels.

19 Sec. 22. Section 43-1168, Arizona Revised Statutes, is amended to
20 read:

21 43-1168. Credit for increased research activity

22 A. A credit is allowed against the taxes imposed by this title in
23 an amount determined pursuant to section 41 of the internal revenue code,
24 except that:

25 1. The amount of the credit is computed as follows:

26 (a) Add:

27 (i) The excess, if any, of the qualified research expenses for the
28 taxable year over the base amount as defined in section 41(c) of the
29 internal revenue code.

30 (ii) The basic research payments determined under section
31 41(e)(1)(A) of the internal revenue code.

32 (b) If the sum computed under subdivision (a) of this paragraph is
33 \$2,500,000 or less:

34 (i) For taxable years beginning before December 31, 2030, the
35 credit is equal to twenty-four percent of that amount.

36 (ii) For taxable years beginning from and after December 31, 2030,
37 the credit is equal to twenty percent of that amount.

38 (c) If the sum computed under subdivision (a) of this paragraph is
39 over \$2,500,000:

40 (i) For taxable years beginning before December 31, 2030, the
41 credit is equal to \$600,000 plus fifteen percent of any amount exceeding
42 \$2,500,000.

43 (ii) For taxable years beginning from and after December 31, 2030,
44 the credit is equal to \$500,000 plus eleven percent of any amount
45 exceeding \$2,500,000.

1 (d) For taxable years beginning from and after December 31, 2011,
2 an additional credit amount is allowed if the taxpayer made basic research
3 payments during the taxable year to a university under the jurisdiction of
4 the Arizona board of regents. The additional credit amount is equal to
5 ten percent of the excess, if any, of the basic research payments over the
6 qualified organization base period amount for the taxable year. The
7 department shall not allow credit amounts under this subdivision and
8 section 43-1074.01, subsection A, paragraph 1, subdivision (c) that
9 exceed, in the aggregate, a combined total of \$10,000,000 in any calendar
10 year. Subject to that limit, on application by the taxpayer, the
11 department shall certify credit amounts under this subdivision and section
12 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority
13 placement established by the date that the taxpayer filed the application.
14 For taxable years beginning from and after December 31, 2014, any basic
15 research payments used to determine the additional credit under this
16 subdivision must first receive certification from the Arizona commerce
17 authority pursuant to section 41-1507.01. The additional credit amount
18 under this subdivision shall not exceed the amount allowed based on actual
19 basic research payments or the department's certification, whichever is
20 less. If an application, if certified in full, would exceed the
21 \$10,000,000 limit, the department shall certify only an amount within that
22 limit. After the limit is attained, the department shall deny any
23 subsequent applications regardless of whether other certified amounts are
24 not actually claimed as a credit or other taxpayers fail to qualify to
25 actually claim certified amounts. Notwithstanding subsections B and ~~B~~ C
26 of this section, any amount of the additional credit under this
27 subdivision that exceeds the taxes otherwise due under this title is not
28 refundable, but may be carried forward to the next five consecutive
29 taxable years. For the purposes of this subdivision, "basic research
30 payments" and "qualified organization base period amount" have the same
31 meanings prescribed by section 41(e) of the internal revenue code.

32 2. Qualified research includes only research conducted in this
33 state, including research conducted at a university in this state and paid
34 for by the taxpayer.

35 3. If two or more taxpayers, including corporate partners in a
36 partnership, share in the eligible expenses, each taxpayer is eligible to
37 receive a proportionate share of the credit.

38 4. The credit under this section applies only to expenses incurred
39 from and after December 31, 1993.

40 5. The termination provisions of section 41 of the internal revenue
41 code do not apply.

42 B. Except as provided by subsection ~~B~~ C of this section, if the
43 allowable credit under this section exceeds the taxes otherwise due under
44 this title on the claimant's income, or if there are no taxes due under
45 this title, the amount of the credit claimed for taxable years beginning

1 before January 1, 2022 not used to offset taxes may be carried forward to
2 the next fifteen consecutive taxable years, and the amount of the credit
3 claimed for taxable years beginning from and after December 31, 2021 not
4 used to offset taxes may be carried forward to the next ten consecutive
5 taxable years. ~~The amount of credit carryforward from taxable years~~
6 ~~beginning from and after December 31, 2000 through December 31, 2002 that~~
7 ~~may be used under this subsection in any taxable year may not exceed the~~
8 ~~taxpayer's tax liability under this title or \$500,000, whichever is less,~~
9 ~~minus the credit under this section for the current taxable year's~~
10 ~~qualified research expenses.~~ The amount of credit carryforward from
11 taxable years beginning from and after December 31, 2002 that may be used
12 under this subsection in any taxable year may not exceed the taxpayer's
13 tax liability under this title minus the credit under this section for the
14 current taxable year's qualified research expenses. A taxpayer that
15 carries forward any amount of credit under this subsection may not
16 thereafter claim a refund of any amount of the credit under subsection
17 ~~D~~ C of this section.

18 ~~C. If a taxpayer has qualified research expenses that are carried~~
19 ~~forward from taxable years beginning before January 1, 2001, the amount of~~
20 ~~the expenses carried forward shall be converted to a credit carryforward~~
21 ~~by multiplying the amount of the qualified expenses carried forward by~~
22 ~~twenty percent. A credit carryforward determined under this subsection~~
23 ~~from taxable years beginning before January 1, 2022 may be carried forward~~
24 ~~to not more than fifteen years from the year in which the expenses were~~
25 ~~incurred. A credit carryforward determined under this subsection from~~
26 ~~taxable years beginning from and after December 31, 2021 may be carried~~
27 ~~forward to not more than ten years from the year in which the expenses~~
28 ~~were incurred. The amount of credit carryforward from taxable years~~
29 ~~beginning before January 1, 2001 that may be used under this subsection in~~
30 ~~any taxable year may not exceed the taxpayer's tax liability under this~~
31 ~~title or \$500,000, whichever is less, minus the credit under this section~~
32 ~~for the current taxable year's qualified research expenses. The total~~
33 ~~amount of credit carryforward from taxable years beginning before~~
34 ~~January 1, 2003 that may be used in any taxable year under subsection B~~
35 ~~and this subsection may not exceed the taxpayer's tax liability under this~~
36 ~~title or \$500,000, whichever is less, minus the credit under this section~~
37 ~~for the current taxable year's qualified research expenses.~~

38 ~~D~~ C. For taxable years beginning from and after December 31,
39 2009, if a taxpayer that claims a credit under this section employs fewer
40 than one hundred fifty persons in the taxpayer's trade or business and if
41 the allowable credit under this section exceeds the taxes otherwise due
42 under this title on the claimant's income, or if there are no taxes due
43 under this title, in lieu of carrying the excess amount of credit forward
44 to subsequent taxable years under subsection B of this section, the
45 taxpayer may elect to receive a refund as follows:

1 1. The taxpayer must apply to the Arizona commerce authority for
2 qualification for the refund pursuant to section 41-1507 and submit a copy
3 of the authority's certificate of qualification to the department of
4 revenue with the taxpayer's income tax return.

5 2. The amount of the refund is limited to seventy-five percent of
6 the amount by which the allowable credit under this section exceeds the
7 taxpayer's tax liability under this title for the taxable year. The
8 remainder of the excess amount of the credit is waived.

9 3. The refund shall be paid in the manner prescribed by section
10 42-1118.

11 4. The refund is subject to setoff under section 42-1122.

12 5. If the department determines that a credit refunded pursuant to
13 this subsection is incorrect or invalid, the excess credit issued may be
14 treated as a tax deficiency pursuant to section 42-1108.

15 Sec. 23. Section 43-1175, Arizona Revised Statutes, is amended to
16 read:

17 43-1175. Credit for employment of temporary assistance for
18 needy families recipients

19 A. A credit is allowed against the taxes imposed by this title for
20 net increases in qualified employment by the taxpayer of recipients of
21 temporary assistance for needy families as defined in section 46-101 who
22 are residents of this state. The amount of the credit is equal to the sum
23 of the following:

24 1. One-fourth of the taxable wages paid to each employee in
25 qualified employment positions, not to exceed ~~five hundred dollars~~ \$500
26 per qualified employment position, in the first year or partial year of
27 employment. Wages that were subsidized as provided by section 46-299
28 shall not be included.

29 2. One-third of the taxable wages paid to each employee in
30 qualified employment positions, not to exceed ~~one thousand dollars~~ \$1,000
31 per qualified employment position, in the second year of continuous
32 employment. Wages that were subsidized as provided by section 46-299
33 shall not be included.

34 3. One-half of the taxable wages paid to each employee in qualified
35 employment positions, not to exceed ~~one thousand five hundred dollars~~
36 \$1,500 per qualified employment position, in the third year of continuous
37 employment. Wages that were subsidized as provided by section 46-299
38 shall not be included.

39 B. The credit allowed in this section is in lieu of any wage
40 expense deduction taken for state tax purposes.

41 C. To qualify for a credit under this section:

42 1. All of the employees with respect to whom a credit is claimed
43 must reside in this state and must be recipients of temporary assistance
44 for needy families as defined in section 46-101 at the time the employee
45 is hired.

1 2. A qualified employment position must meet all of the following
2 requirements:

3 (a) The position must be classified as full-time employment.

4 (b) The employment must include health insurance coverage for the
5 employee if the employer offers this coverage for employees who are not
6 recipients of temporary assistance for needy families.

7 (c) The employer must pay compensation at least equal to the
8 minimum wage or a wage comparable to that paid to employees who are not
9 receiving temporary assistance for needy families based on the employee's
10 training, skills and job classification.

11 (d) The employee must have been employed for at least ninety days
12 during the first taxable year. An employee who is hired during the last
13 ninety days of the taxable year shall be considered a new employee during
14 the next taxable year. Periods for which the employee's wages were
15 subsidized as provided by section 46-299 shall not be included as periods
16 of employment.

17 (e) The employee was not employed by the taxpayer within twelve
18 months before the current date of hire.

19 (f) The employee position is not eligible for any other employment
20 credit pursuant to this title based on wages paid.

21 D. The net increase in the number of qualified employment positions
22 shall be determined by comparing the average number of qualified
23 employment positions during the taxable year with the immediately
24 preceding taxable year based on the taxpayer's report to the department of
25 economic security for unemployment purposes.

26 E. If the allowable tax credit exceeds the income taxes otherwise
27 due on the claimant's income, the amount of the claim not used as an
28 offset against income taxes may be carried forward as a tax credit against
29 subsequent years' income tax liability for the period, not to exceed five
30 consecutive taxable years.

31 F. Co-owners of a business, including corporate partners in a
32 partnership, may claim only the pro rata share of the credit allowed under
33 this section based on the ownership interest. **ONLY CO-OWNERS THAT ARE**
34 **CORPORATIONS MAY CLAIM A SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION.**
35 The total of the credits allowed all of the owners of the business may not
36 exceed the amount that would have been allowed for a sole owner of the
37 business.

38 G. The department may adopt rules necessary for the administration
39 of this section.

40 Sec. 24. Retroactivity

41 Section 43-1164.05, Arizona Revised Statutes, as amended by this
42 act, applies retroactively to from and after August 24, 2020.