

Senate Engrossed House Bill
tax corrections act of 2021

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

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

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

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

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

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

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

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

1 INTERESTS THAT COLLECTIVELY OWN MORE THAN EIGHTY PERCENT. POWER THAT A
2 RENEWABLE ENERGY FACILITY TRANSFERS TO A UTILITY QUALIFIES AS
3 SELF-CONSUMPTION IF THE UTILITY IS THE SAME UTILITY THAT PROVIDES POWER TO
4 THE OWNER'S OR OPERATOR'S INTERNATIONAL OPERATIONS CENTER IN THIS STATE.

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

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

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

38 G. EACH YEAR AFTER INITIAL CERTIFICATION, ON OR BEFORE THE
39 ANNIVERSARY DATE OF THE APPLICATION SPECIFIED IN SUBSECTION B OF THIS
40 SECTION, THE OWNER, OPERATOR OR AFFILIATED ENTITY MUST SUBMIT TO THE
41 AUTHORITY:

42 1. DOCUMENTATION OF THE OWNER'S, OPERATOR'S OR AFFILIATED ENTITY'S
43 PROGRESS TOWARD THE INVESTMENT REQUIRED BY SUBSECTION D, PARAGRAPH 3 OF
44 THIS SECTION. THIS DOCUMENTATION IS NOT REQUIRED AFTER THE AUTHORITY

1 RECEIVES A REPORT STATING THAT THE REQUIRED INVESTMENT THRESHOLD HAS BEEN
2 REACHED.

3 2. DOCUMENTATION FOR EACH RENEWABLE ENERGY FACILITY THAT
4 DEMONSTRATES THAT THE REQUIRED PORTION OF THE POWER GENERATED BY EACH
5 FACILITY IS FOR SELF-CONSUMPTION AS REQUIRED BY SUBSECTION D, PARAGRAPH 4
6 OF THIS SECTION.

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

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

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

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

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

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

33 1. "AFFILIATED ENTITY" MEANS AN ENTITY THAT IS INCLUDED IN THE SAME
34 ARIZONA INCOME TAX RETURN AS THE OWNER OR OPERATOR OF THE INTERNATIONAL
35 OPERATIONS CENTER.

36 2. "BIOMASS" MEANS ORGANIC MATERIAL THAT IS AVAILABLE ON A
37 RENEWABLE OR RECURRING BASIS, INCLUDING:

38 (a) FOREST-RELATED MATERIALS, INCLUDING MILL RESIDUES, LOGGING
39 RESIDUES, FOREST THINNINGS, SLASH, BRUSH, LOW-COMMERCIAL VALUE MATERIALS
40 OR UNDESIRABLE SPECIES, SALT CEDAR AND OTHER PHREATOPHYTE OR WOODY
41 VEGETATION REMOVED FROM RIVER BASINS OR WATERSHEDS AND WOODY MATERIAL
42 HARVESTED FOR THE PURPOSE OF FOREST FIRE FUEL REDUCTION OR FOREST HEALTH
43 AND WATERSHED IMPROVEMENT.

44 (b) AGRICULTURAL-RELATED MATERIALS, INCLUDING ORCHARD TREES,
45 VINEYARD, GRAIN OR CROP RESIDUES, INCLUDING STRAWS AND STOVER, AQUATIC

1 PLANTS AND AGRICULTURAL PROCESSED COPRODUCTS AND WASTE PRODUCTS, INCLUDING
2 FATS, OILS, GREASES, WHEY AND LACTOSE.

3 (c) ANIMAL WASTE, INCLUDING MANURE AND SLAUGHTERHOUSE AND OTHER
4 PROCESSING WASTE.

5 (d) SOLID WOODY WASTE MATERIALS, INCLUDING LANDSCAPE OR
6 RIGHT-OF-WAY TREE TRIMMINGS, RANGELAND MAINTENANCE RESIDUES, WASTE
7 PALLETS, CRATES AND MANUFACTURING, CONSTRUCTION AND DEMOLITION WOOD
8 WASTES, BUT EXCLUDING PRESSURE-TREATED, CHEMICALLY TREATED OR PAINTED WOOD
9 WASTES AND WOOD CONTAMINATED WITH PLASTIC.

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

12 (f) LANDFILL GAS, WASTEWATER TREATMENT GAS AND BIOSOLIDS, INCLUDING
13 ORGANIC WASTE BY-PRODUCTS GENERATED DURING THE WASTEWATER TREATMENT
14 PROCESS.

15 ~~1~~ 3. "International operations center" means a facility or
16 connected facilities under the same ownership that are subject to the
17 investment thresholds under subsection D of this section and that
18 self-consume renewable energy from a qualified facility pursuant to
19 SUBSECTION D OF THIS SECTION OR section 43-1164.05, subsection B.

20 4. "RENEWABLE ENERGY FACILITY" MEANS A FACILITY IN WHICH THE OWNER,
21 OPERATOR OR AFFILIATED ENTITY, OR A THIRD-PARTY ENTITY ON BEHALF OF AND
22 FOR THE BENEFIT OF THE OWNER, OPERATOR OR AFFILIATED ENTITY, INVESTED AT
23 LEAST \$30,000,000, THAT HAS AT LEAST TWENTY MEGAWATTS OF GENERATING
24 CAPACITY OR A MINIMUM TYPICAL ANNUAL GENERATION OF FORTY THOUSAND MEGAWATT
25 HOURS, THAT IS LOCATED ON LAND IN THIS STATE AND THAT PRODUCES ELECTRICITY
26 USING A RENEWABLE ENERGY RESOURCE.

27 5. "RENEWABLE ENERGY RESOURCE" MEANS A RESOURCE THAT GENERATES
28 ELECTRICITY BY USING ONLY THE FOLLOWING ENERGY SOURCES:

29 (a) SOLAR LIGHT.

30 (b) SOLAR HEAT.

31 (c) WIND.

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

34 ~~2~~ 6. "Utility relief" means the mitigation of the tax burden on
35 the retail purchaser of electricity or natural gas through the application
36 of section 42-5063, subsection C, paragraph 7, section 42-5159, subsection
37 G, paragraph 2 and section 42-6012, paragraph 2.

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

40 42-1003. Department organization; director's staff; deputy
41 director; assistant directors; fingerprinting;
42 consumer reports; definitions

43 A. The department consists of such divisions as the director deems
44 necessary to achieve maximum efficiency, economy and effectiveness in
45 administering and collecting taxes. The departmental organization shall

1 provide for administering taxes as prescribed by law and for
2 administrative services to the department, including data processing,
3 accounting, records management, publications, collection of delinquent
4 accounts, personnel services and budget and property control.

5 B. The director may divide the state into a reasonable number of
6 districts and establish a full-time or part-time branch office or offices
7 in each district as may be necessary. In establishing districts and
8 branch offices, the director shall give due consideration to economy of
9 administration and service to the taxpayers.

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

16 D. A deputy director of the department may be appointed by the
17 director with the approval of the governor. The deputy director, if
18 appointed, serves at the pleasure of the director with the approval of the
19 governor. The deputy director shall assist the director in administering
20 the department and has the duties and responsibilities as the director
21 assigns.

22 E. The director, with the approval of the governor, may appoint an
23 assistant director to head each division of the department. Any assistant
24 director appointed is directly responsible for the functions performed by
25 the assistant director's division. Each assistant director serves at the
26 pleasure of the director with the approval of the governor.

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

30 G. The director may require officers, agents, deputies and other
31 employees designated by the director to give bond for the faithful
32 performance of their duties in such an amount and with such sureties as
33 the director determines or as prescribed by statute. The department shall
34 pay all premiums on the bonds out of monies appropriated for the
35 administration of the department.

36 H. The director and officers and employees designated by the
37 director may administer an oath to any person or take the acknowledgement
38 of any person in respect of any return or report required by law or the
39 administrative rules of the department.

40 I. The director may reassign the administration of taxes and may
41 assign and delegate the duties, powers and functions of the department
42 among its divisions in order to achieve maximum efficiency, economy and
43 effectiveness. The director or the deputy director, if any, shall enforce
44 cooperation among the divisions in the provision and integration of all
45 functions at all levels of the department.

1 J. The director may obtain a state and federal criminal records
2 check for an applicant for employment for the purpose of hiring personnel
3 or for any employee, ~~OR contractor or temporary employee as required by~~
4 ~~internal revenue service guidelines or any other federal guidelines.~~ IF
5 THE APPLICANT, EMPLOYEE OR CONTRACTOR MAY RECEIVE OR ACCESS FEDERAL TAX
6 INFORMATION OBTAINED FROM THE INTERNAL REVENUE SERVICE IN THE COURSE OF
7 EMPLOYMENT WITH THE DEPARTMENT. Before making a final offer of employment
8 or for purposes of screening an employee or contractor, the director shall
9 require the ~~preferred applicants, employees or contractors~~ APPLICANT,
10 EMPLOYEE OR CONTRACTOR to submit a full set of fingerprints. The director
11 shall submit the fingerprints to the department of public safety for the
12 purpose of obtaining a state and federal criminal records check pursuant
13 to section 41-1750 and Public Law 92-544. The department of public safety
14 may exchange this fingerprint data with the federal bureau of
15 investigation. The department of revenue may disclose information
16 obtained pursuant to this subsection only to members of the department's
17 staff solely for employment purposes. An applicant, employee, ~~OR~~
18 contractor ~~or temporary employee~~ is not disqualified from employment under
19 this subsection except in accordance with section 13-904, subsection E.

20 K. The director may obtain a consumer report for an applicant for
21 employment for the purpose of hiring personnel whose job duties include
22 ~~the distribution of~~ DISTRIBUTING tax revenues pursuant to this title and
23 title 43. Consumer report information may be obtained and used only in
24 accordance with the fair credit reporting act (P.L. 90-321; 84 Stat. 1128;
25 15 United States Code sections 1681 through 1681x). The consumer report
26 information shall not be the sole reason for the disqualification of the
27 applicant.

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

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

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

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

40 42-2001. Definitions

41 In this article, unless the context otherwise requires:

42 1. "Confidential information":

43 (a) Includes the following information whether it concerns
44 individual taxpayers or is aggregate information for specifically
45 identified taxpayers:

- 1 (i) Returns and reports filed with the department for income tax,
2 withholding tax, transaction privilege tax, luxury tax, use tax, property
3 tax, **EXCISE TAX ON MARIJUANA** and severance tax.
- 4 (ii) Applications **TO RECEIVE A LICENSE OR REGISTRATION** for
5 transaction privilege ~~licenses~~ TAX, luxury tax ~~licenses~~, use tax ~~licenses~~,
6 **EXCISE TAX ON MARIJUANA** and withholding ~~licenses~~ TAX.
- 7 (iii) Information discovered concerning taxes and receipts by the
8 department, whether or not by compulsory process.
- 9 (iv) Return information obtained from the United States internal
10 revenue service and United States bureau of alcohol, tobacco and firearms.
- 11 (v) Information supplied at the special request of the department
12 by a taxpayer that the taxpayer requests to be held in confidence.
- 13 (vi) Guidelines, standards or procedures that are established by
14 the department for, or other information relating to, selecting returns or
15 taxpayers for examination or settling or compromising any tax liability.
- 16 (vii) A taxpayer's identity, the nature, source or amount of the
17 taxpayer's income, payments, receipts, deductions, exemptions, credits,
18 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,
19 overassessments or tax payments, whether the taxpayer's return was, is
20 being or will be examined or subject to investigation, collection or
21 processing or any other data received by, recorded by, prepared by,
22 furnished to or collected by the department with respect to a return or
23 with respect to the termination, or possible existence, of liability of
24 any person for any tax, penalty or interest imposed pursuant to this title
25 or title 43.
- 26 (viii) Information supplied by an employee to an employer regarding
27 the employee's election to have the employee's withholding tax reduced for
28 the purposes of contributions to qualifying charitable organizations,
29 qualified school tuition organizations or public schools pursuant to
30 section 43-401, subsection G.
- 31 (b) Does not include information that is otherwise a public record.
- 32 2. "Report" includes a notice of insurance payments, a request for
33 a release of a bank account and an inventory of a safe deposit box.
- 34 3. "Return" includes any form prescribed by the department and any
35 supporting schedules, attachments and lists.
- 36 4. "Tax administration" includes assessment, collection,
37 investigation, litigation, statistical gathering functions, enforcement,
38 policy making functions or management of those functions of the tax
39 revenue laws of this state.
- 40 5. "Tax official" means a nonelected employee or the nonelected
41 employee's designee or agent who is responsible for tax administration.
- 42 6. "Taxpayer", with respect to a joint return, means either party.

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

3 42-2003. Authorized disclosure of confidential information

4 A. Confidential information relating to:

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

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

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

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

25 5. An estate may be disclosed to the personal representative of the
26 estate and to any heir, next of kin or beneficiary under the will of the
27 decedent if the department finds that the heir, next of kin or beneficiary
28 has a material interest that will be affected by the confidential
29 information.

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

34 7. A government entity may be disclosed to the head of the entity
35 or a member of the governing board of the entity, or any employee of the
36 entity who has been delegated the authorization in writing by the head of
37 the entity or the governing board of the entity.

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

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

43 10. Any taxpayer may be disclosed during a meeting or telephone
44 call if the taxpayer is present during the meeting or telephone call and
45 authorizes the disclosure of confidential information.

1 B. Confidential information may be disclosed to:

2 1. Any employee of the department whose official duties involve tax
3 administration.

4 2. The office of the attorney general solely for its use in
5 preparation for, or in an investigation that may result in, any proceeding
6 involving tax administration before the department or any other agency or
7 board of this state, or before any grand jury or any state or federal
8 court.

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

15 4. Other state tax officials whose official duties require the
16 disclosure for proper tax administration purposes if the information is
17 sought in connection with an investigation or any other proceeding
18 conducted by the official. Any disclosure is limited to information of a
19 taxpayer who is being investigated or who is a party to a proceeding
20 conducted by the official.

21 5. The following agencies, officials and organizations, if they
22 grant substantially similar privileges to the department for the type of
23 information being sought, pursuant to statute and a written agreement
24 between the department and the foreign country, agency, state, Indian
25 tribe or organization:

26 (a) The United States internal revenue service, alcohol and tobacco
27 tax and trade bureau of the United States treasury, United States bureau
28 of alcohol, tobacco, firearms and explosives of the United States
29 department of justice, United States drug enforcement agency and federal
30 bureau of investigation.

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

32 (c) An organization of states, federation of tax administrators or
33 multistate tax commission that operates an information exchange for tax
34 administration purposes.

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

38 (e) An agency, official or organization of an Indian tribal
39 government with responsibilities comparable to the responsibilities of the
40 agencies, officials or organizations identified in subdivision (a), (b) or
41 (c) of this paragraph.

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

- 1 7. Any person to the extent necessary for effective tax
2 administration in connection with:
- 3 (a) The processing, storage, transmission, destruction and
4 reproduction of the information.
- 5 (b) The programming, maintenance, repair, testing and procurement
6 of equipment for purposes of tax administration.
- 7 (c) The collection of the taxpayer's civil liability.
- 8 8. The office of administrative hearings relating to taxes
9 administered by the department pursuant to section 42-1101, but the
10 department shall not disclose any confidential information without the
11 taxpayer's written consent:
- 12 (a) Regarding income tax or withholding tax.
- 13 (b) On any tax issue relating to information associated with the
14 reporting of income tax or withholding tax.
- 15 9. The United States treasury inspector general for tax
16 administration for the purpose of reporting a violation of internal
17 revenue code section 7213A (26 United States Code section 7213A),
18 unauthorized inspection of returns or return information.
- 19 10. The financial management service of the United States treasury
20 department for use in the treasury offset program.
- 21 11. The United States treasury department or its authorized agent
22 for use in the state income tax levy program and in the electronic federal
23 tax payment system.
- 24 12. The Arizona commerce authority for its use in:
- 25 (a) Qualifying renewable energy operations for the tax incentives
26 under section 42-12006.
- 27 (b) Qualifying businesses with a qualified facility for income tax
28 credits under sections 43-1083.03 and 43-1164.04.
- 29 (c) Fulfilling its annual reporting responsibility pursuant to
30 section 41-1511, subsections U and V and section 41-1512, subsections U
31 and V.
- 32 (d) Certifying computer data centers for tax relief under section
33 41-1519.
- 34 13. A prosecutor for purposes of section 32-1164, subsection C.
- 35 14. The office of the state fire marshal for use in determining
36 compliance with and enforcing title 37, chapter 9, article 5.
- 37 15. The department of transportation for its use in administering
38 taxes, surcharges and penalties prescribed by title 28.
- 39 16. The Arizona health care cost containment system administration
40 for its use in administering nursing facility provider assessments.
- 41 17. The department of administration risk management division and
42 the office of the attorney general if the information relates to a claim
43 against this state pursuant to section 12-821.01 involving the department
44 of revenue.

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

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

7 20. The department of health services for its use in determining ~~if~~
8 **THE FOLLOWING:**

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

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

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

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

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

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

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

26 (d) Return information directly relates to a transactional
27 relationship between a person who is a party to the proceeding and the
28 taxpayer and directly affects the resolution of an issue in the
29 proceeding.

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

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

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

43 F. A department employee, in connection with the official duties
44 relating to any audit, collection activity or civil or criminal
45 investigation, may disclose return information to the extent that

1 disclosure is necessary to obtain information that is not otherwise
2 reasonably available. These official duties include the correct
3 determination of and liability for tax, the amount to be collected or the
4 enforcement of other state tax revenue laws.

5 G. Confidential information relating to transaction privilege tax,
6 use tax, severance tax, jet fuel excise and use tax and any other tax
7 collected by the department on behalf of any jurisdiction may be disclosed
8 to any county, city or town tax official if the information relates to a
9 taxpayer who is or may be taxable by a county, city or town or who may be
10 subject to audit by the department pursuant to section 42-6002. Any
11 taxpayer information that is released by the department to the county,
12 city or town:

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

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

21 (i) The transaction privilege tax license number.

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

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

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

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

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

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

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

37 2. May not be disclosed to the public in any manner that does not
38 comply with confidentiality standards established by the department. The
39 county, city or town shall agree in writing with the department that any
40 release of confidential information that violates the confidentiality
41 standards adopted by the department will result in the immediate
42 suspension of any rights of the county, city or town to receive taxpayer
43 information under this subsection.

44 H. The department may disclose statistical information gathered
45 from confidential information if it does not disclose confidential

1 information attributable to any one taxpayer. The department may disclose
2 statistical information gathered from confidential information, even if it
3 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

29 N. This section does not prohibit the disclosure by the department
30 of any information or documents submitted to the department by a bingo
31 licensee. Before disclosing the information, the department shall obtain
32 the name and address of the person requesting the information.

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

36 P. Except as provided in section 42-2002, subsection D, the
37 department of revenue shall release confidential information as requested
38 by the department of economic security pursuant to section 42-1122 or
39 46-291. Information disclosed under this subsection is limited to the
40 same type of information that the United States internal revenue service
41 is authorized to disclose under section 6103(l)(6) of the internal revenue
42 code.

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

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

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

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

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

14 3. Sections 44-7101 and 44-7111, the master settlement agreement
15 referred to in those sections and all agreements regarding disputes under
16 the master settlement agreement.

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

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

32 2. Such a return or the return information relates or may relate to
33 a transactional relationship between a person who is a party to the
34 proceeding and the taxpayer that directly affects the resolution of an
35 issue in the proceeding.

36 3. The method of payment of the taxpayer's withholding tax
37 liability or the method of filing the taxpayer's withholding tax return is
38 an issue for the period.

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

41 1. Federal, state or local agencies located in this state for the
42 purposes of enforcement of the statutes or agreements specified in
43 subsection S of this section or for the purposes of enforcement of
44 corresponding laws of other states.

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

4 3. A court, arbitrator, data clearinghouse or similar entity for
5 the purpose of assessing compliance with or making calculations required
6 by the master settlement agreement or agreements regarding disputes under
7 the master settlement agreement, and with counsel for the parties or
8 expert witnesses in any such proceeding, if the information otherwise
9 remains confidential.

10 V. The department may provide the name and address of qualifying
11 hospitals and qualifying health care organizations, as defined in section
12 42-5001, to a business that is classified and reporting transaction
13 privilege tax under the utilities classification.

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

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

22 2. May not be disclosed to the public in any manner that does not
23 comply with confidentiality standards established by the department. The
24 city, town or county must agree with the department in writing that any
25 release of confidential information that violates the confidentiality
26 standards will result in the immediate suspension of any rights of the
27 city, town or county to receive information under this subsection.

28 X. Notwithstanding any other provision of this section, the
29 department may not disclose information provided by an online lodging
30 marketplace, as defined in section 42-5076, without the written consent of
31 the online lodging marketplace, and the information may be disclosed only
32 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,
33 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such
34 information:

35 1. Is not subject to disclosure pursuant to title 39, relating to
36 public records.

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

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

41 42-3001. Definitions

42 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 (a) Cigarettes without Arizona tax stamps affixed as required by
42 this article.

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

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

1 24. "Spirituous liquor" means any liquid that contains more than
2 one-half of one percent alcohol by volume, that is produced by
3 distillation of any fermented substance and that is used or prepared for
4 use as a beverage. Spirituous liquor does not include medicines that are
5 unsuitable for beverage purposes.

6 25. "Tobacco product manufacturer" has the same meaning prescribed
7 in section 44-7101.

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

10 27. "Vehicle" means a device in, on or by which a person or
11 property is or may be transported or drawn on the roads of this state
12 regardless of the means by which it is propelled or whether it runs on a
13 track.

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

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

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

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

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

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

27 42-3401. Tobacco distributor licenses; application;
28 conditions; revocations and cancellations

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

1 partnership, limited liability company, limited liability partnership or
2 association, the applicant shall list the name and address of each of the
3 applicant's members. If the applicant is a corporation, the application
4 shall list the name and address of the applicant's officers and any person
5 who directly or indirectly owns an aggregate amount of ten percent or more
6 of the ownership interest in the corporation. If a licensee is a
7 corporation, firm, partnership, limited liability company, limited
8 liability partnership or association, the licensee under this subsection
9 shall notify the department in writing within thirty days after any change
10 in membership, legal entity status or ownership of more than fifty percent
11 of the total ownership interest in a single transaction. If a licensee
12 changes its business location, the licensee under this subsection shall
13 notify the department within thirty days after a change in location. If
14 the licensee is making a change in its business location by adding or
15 replacing one or more additional places of business that are not currently
16 listed on its application, the licensee must remit a fee of \$25 for each
17 additional place of business.

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

26 C. The department shall issue a license authorizing the applicant
27 to acquire or possess tobacco products in this state on the condition that
28 the applicant complies with this chapter and the rules of the department.
29 The license:

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

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

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

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

7 1. A person may not hold or store any tobacco products, whether
8 within or outside of this state, for sale or distribution in this state by
9 or on behalf of a distributor at any place other than a location that has
10 been disclosed to the department pursuant to subsection A of this section.
11 This paragraph does not include a person holding or storing tobacco
12 products by or on behalf of the distributor when the tobacco products are
13 in transit to a distributor or retailer as part of a lawful sale.

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

17 (a) Shall be accessible to the department during normal business
18 hours without a judicial warrant or prior written consent of the
19 distributor.

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

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

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

37 E. A person who is convicted of an offense described in section
38 42-1127, subsection E is permanently ineligible to hold a license issued
39 under this section.

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

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

- 1 2. The department has revoked any license held by the applicant or
2 licensee within the previous two years.
- 3 3. The applicant or licensee has been convicted of a crime that
4 relates to stolen or counterfeit cigarettes.
- 5 4. The applicant or licensee has imported cigarettes into the
6 United States for sale or distribution in violation of 19 United States
7 Code section 1681a.
- 8 5. The applicant or licensee has imported cigarettes into the
9 United States for sale or distribution without fully complying with the
10 federal cigarette labeling and advertising act (P.L. 89-92; 79 Stat. 282;
11 15 United States Code section 1331).
- 12 6. The applicant or licensee is in violation of section 13-3711 or
13 section 36-798.06, subsection A.
- 14 7. Pursuant to section 44-7111, section 6(a), the applicant or
15 licensee is in violation of section 44-7111, section 3(c).
- 16 8. The civil rights of the applicant or licensee have been
17 suspended under section 13-904. An applicant or licensee whose civil
18 rights have been suspended is ineligible to hold a license for a period of
19 five years following the restoration of the applicant's or licensee's
20 civil rights.
- 21 G. In addition to any other civil or criminal penalty and except as
22 otherwise provided in this section, the department may deny the issuance
23 or renewal of or revoke a license issued under subsection C of this
24 section if the person violates any requirement under this title more than
25 two times within a three-year period or fails to otherwise maintain the
26 conditions of licensure in this section.
- 27 H. The department shall publish on its website the names of each
28 person who is issued a license under subsection C of this section,
29 including any trade names or business names used by the licensee. The
30 department shall update the published names at least once each month.
- 31 I. A person may not apply for or hold a distributor's license if
32 that person does not engage in the activities described in subsection A of
33 this section. In addition to any other applicable penalty, the department
34 may cancel the license of any licensee that fails to incur any tax
35 liability under this chapter for twelve consecutive months.
- 36 J. Any revocation, cancellation or denial of a license issued under
37 this section by the department must comply with section 41-1092.11,
38 subsection B.
- 39 K. Notwithstanding any other law, for the purposes of subsection F,
40 paragraphs 1 and 2 of this section, section 42-1127, subsection C and
41 section 42-3461, subsection B, if a distributor has listed in its
42 application more than one place of business, any revocation, cancellation,
43 denial or nonrenewal of the distributor's license shall apply only with
44 effect to remove the place of business or business location at which the
45 activity occurred from the distributor's license. If such a removal

1 occurs, the distributor shall be subject to restrictions that the
2 department prescribes by rule.

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

5 42-3502. Transport of untaxed other tobacco products
6 prohibited; exceptions; definition

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

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

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

15 2. A vehicle that is transporting untaxed other tobacco products to
16 a licensed distributor as part of a lawful sale or in interstate commerce
17 to a person lawfully operating as a manufacturer, distributor or retailer
18 of other tobacco products.

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

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

24 42-12009. Class nine property

25 A. For purposes of taxation, class nine is established consisting
26 of:

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

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

32 (b) Both the improvements and the property are used exclusively for
33 convention activities or athletic, recreational, entertainment, artistic
34 or cultural facilities.

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

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

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

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

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

3 3. Property that is defined as "contractor-acquired property" or
4 "government-furnished property" in the federal acquisition regulations
5 (48 Code of Federal Regulations section 45.101) and that is leased to or
6 acquired by the government and used to perform a government contract.

7 4. Property of a corporation that is organized by or at the
8 direction of this state or a county, city or town to develop, construct,
9 improve, repair, replace or own any property, improvement, building or
10 other facility to be used for public purposes that the state, county, city
11 or town pledges to lease or lease-purchase with state, county or municipal
12 special or general revenues and that is not otherwise exempt under chapter
13 11, article 3 of this title.

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

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

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

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

3 43-222. Income tax credit review schedule

4 The joint legislative income tax credit review committee shall
5 review the following income tax credits:

6 1. For years ending in 0 and 5, sections 43-1079.01, ~~43-1087,~~
7 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

8 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
9 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

10 3. For years ending in 2 and 7, sections 43-1073, 43-1085, 43-1086,
11 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

12 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
13 43-1168, 43-1170 and 43-1178.

14 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
15 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

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

18 43-304. Fiduciary returns

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

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

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

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

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

35 ~~4.~~ 2. Every estate or trust that has Arizona taxable income for
36 the taxable year.

37 ~~5.~~ 3. Every estate or trust **OF WHICH** the gross income ~~of which~~ for
38 the taxable year is ~~five thousand dollars~~ **\$5,000** or over, regardless of
39 the amount of the Arizona taxable income.

40 ~~6.~~ 4. Every decedent, for the year in which death occurred and for
41 prior years, if returns for such years should have been filed but have not
42 been filed by the decedent, under such rules as the department may
43 prescribe.

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

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

3 43-931. Change of accounting period; computation of income;
4 due date of return

5 If a separate return is made under section 443 of the internal
6 revenue code on account of a change in the accounting period, and in all
7 other cases in which a separate return is required or ~~permitted~~ ALLOWED by
8 treasury regulations to be made for a fractional part of a year, the
9 income shall be computed on the basis of the period for which the separate
10 return is made. EXCEPT FOR PARTNERSHIP AND S CORPORATION RETURNS, the due
11 date of the separate return for the period is the fifteenth day of the
12 fourth month following the close of that period unless the short period
13 return is due to a change in ownership of a corporation, in which case the
14 due date shall be determined pursuant to treasury regulations. FOR A
15 PARTNERSHIP OR S CORPORATION, THE DUE DATE OF THE SEPARATE RETURN FOR THE
16 PERIOD IS THE FIFTEENTH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF THAT
17 PERIOD.

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

20 43-1021. Addition to Arizona gross income

21 In computing Arizona adjusted gross income, the following amounts
22 shall be added to Arizona gross income:

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

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

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

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

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

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

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

9 8. The amount by which the adjusted basis computed under the
10 internal revenue code with respect to property for which a credit was
11 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
12 or otherwise disposed of during the taxable year exceeds the adjusted
13 basis of the property computed under section 43-1074.02, 43-1081 or
14 43-1081.01, as applicable.

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

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

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

26 ~~12.~~ 11. The amount of any depreciation allowance allowed pursuant
27 to section 167(a) of the internal revenue code to the extent not
28 previously added.

29 ~~13.~~ 12. The amount of a nonqualified withdrawal, as defined in
30 section 15-1871, from a college savings plan established pursuant to
31 section 529 of the internal revenue code that is made to a distributee to
32 the extent the amount is not included in computing federal adjusted gross
33 income, except that the amount added under this paragraph shall not exceed
34 the difference between the amount subtracted under section 43-1022 in
35 prior taxable years and the amount added under this section in any prior
36 taxable years.

37 ~~14.~~ 13. If a subtraction is or has been taken by the taxpayer
38 under section 43-1024, in the current or a prior taxable year for the full
39 amount of eligible access expenditures paid or incurred to comply with the
40 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
41 or title 41, chapter 9, article 8, any amount of eligible access
42 expenditures that is recognized under the internal revenue code, including
43 any amount that is amortized according to federal amortization schedules,
44 and that is included in computing taxable income for the current taxable
45 year.

1 ~~15-~~ 14. For taxable years beginning from and after December 31,
2 2017, the amount of any net capital loss included in Arizona gross income
3 for the taxable year that is derived from the exchange of one kind of
4 legal tender for another kind of legal tender. For the purposes of this
5 paragraph:

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

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

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

12 43-1022. Subtractions from Arizona gross income

13 In computing Arizona adjusted gross income, the following amounts
14 shall be subtracted from Arizona gross income:

15 1. The amount of exemptions allowed by section 43-1023.

16 2. Benefits, annuities and pensions in an amount totaling not more
17 than \$2,500 received from one or more of the following:

18 (a) The United States government service retirement and disability
19 fund, the United States foreign service retirement and disability system
20 and any other retirement system or plan established by federal law, except
21 retired or retainer pay of the uniformed services of the United States
22 that qualifies for a subtraction under paragraph ~~27~~ 26 of this section.

23 (b) The Arizona state retirement system, the corrections officer
24 retirement plan, the public safety personnel retirement system, the
25 elected officials' retirement plan, an optional retirement program
26 established by the Arizona board of regents under section 15-1628, an
27 optional retirement program established by a community college district
28 board under section 15-1451 or a retirement plan established for employees
29 of a county, city or town in this state.

30 3. A beneficiary's share of the fiduciary adjustment to the extent
31 that the amount determined by section 43-1333 decreases the beneficiary's
32 Arizona gross income.

33 4. Interest income received on obligations of the United States,
34 minus any interest on indebtedness, or other related expenses, and
35 deducted in arriving at Arizona gross income, that were incurred or
36 continued to purchase or carry such obligations.

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

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

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

1 8. The portion of any wages or salaries paid or incurred by the
2 taxpayer for the taxable year that is equal to the amount of the federal
3 work opportunity credit, the empowerment zone employment credit, the
4 credit for employer paid social security taxes on employee cash tips and
5 the Indian employment credit that the taxpayer received under sections
6 45A, 45B, 51(a) and 1396 of the internal revenue code.

7 9. The amount of exploration expenses that is determined pursuant
8 to section 617 of the internal revenue code, that has been deferred in a
9 taxable year ending before January 1, 1990 and for which a subtraction has
10 not previously been made. The subtraction shall be made on a ratable
11 basis as the units of produced ores or minerals discovered or explored as
12 a result of this exploration are sold.

13 10. The amount included in federal adjusted gross income pursuant
14 to section 86 of the internal revenue code, relating to taxation of social
15 security and railroad retirement benefits.

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

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

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

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

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

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

1 ~~17. The amount authorized by section 43-1030 relating to holocaust~~
2 ~~survivors.~~

3 ~~18.~~ 17. For property placed in service:

4 (a) In taxable years beginning before December 31, 2012, an amount
5 equal to the depreciation allowable pursuant to section 167(a) of the
6 internal revenue code for the taxable year computed as if the election
7 described in section 168(k) of the internal revenue code had been made for
8 each applicable class of property in the year the property was placed in
9 service.

10 (b) In taxable years beginning from and after December 31, 2012
11 through December 31, 2013, an amount determined in the year the asset was
12 placed in service based on the calculation in subdivision (a) of this
13 paragraph. In the first taxable year beginning from and after
14 December 31, 2013, the taxpayer may elect to subtract the amount necessary
15 to make the depreciation claimed to date for the purposes of this title
16 the same as it would have been if subdivision (c) of this paragraph had
17 applied for the entire time the asset was in service. Subdivision (c) of
18 this paragraph applies for the remainder of the asset's life. If the
19 taxpayer does not make the election under this subdivision, subdivision
20 (a) of this paragraph applies for the remainder of the asset's life.

21 (c) In taxable years beginning from and after December 31, 2013
22 through December 31, 2015, an amount equal to the depreciation allowable
23 pursuant to section 167(a) of the internal revenue code for the taxable
24 year as computed as if the additional allowance for depreciation had been
25 ten percent of the amount allowed pursuant to section 168(k) of the
26 internal revenue code.

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

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

38 ~~19.~~ 18. With respect to property that is sold or otherwise
39 disposed of during the taxable year by a taxpayer that complied with
40 section 43-1021, paragraph ~~12~~ 11 with respect to that property, the amount
41 of depreciation that has been allowed pursuant to section 167(a) of the
42 internal revenue code to the extent that the amount has not already
43 reduced Arizona taxable income in the current or prior taxable years.

44 ~~20.~~ 19. The amount contributed during the taxable year to college
45 savings plans established pursuant to section 529 of the internal revenue

1 code to the extent that the contributions were not deducted in computing
2 federal adjusted gross income. The amount subtracted shall not exceed:

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

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

8 ~~21.~~ 20. The portion of the net operating loss carryforward that
9 would have been allowed as a deduction in the current year pursuant to
10 section 172 of the internal revenue code if the election described in
11 section 172(b)(1)(H) of the internal revenue code had not been made in the
12 year of the loss that exceeds the actual net operating loss carryforward
13 that was deducted in arriving at federal adjusted gross income. This
14 subtraction only applies to taxpayers who made an election under section
15 172(b)(1)(H) of the internal revenue code as amended by section 1211 of
16 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as
17 amended by section 13 of the worker, homeownership, and business
18 assistance act of 2009 (P.L. 111-92).

19 ~~22.~~ 21. For taxable years beginning from and after December 31,
20 2013, the amount of any net capital gain included in federal adjusted
21 gross income for the taxable year derived from investment in a qualified
22 small business as determined by the Arizona commerce authority pursuant to
23 section 41-1518.

24 ~~23.~~ 22. An amount of any net long-term capital gain included in
25 federal adjusted gross income for the taxable year that is derived from an
26 investment in an asset acquired after December 31, 2011, as follows:

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

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

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

40 ~~24.~~ 23. If an individual is not claiming itemized deductions
41 pursuant to section 43-1042, the amount of premium costs for long-term
42 care insurance, as defined in section 20-1691.

43 ~~25.~~ 24. The amount of eligible access expenditures paid or
44 incurred during the taxable year to comply with the requirements of the

1 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
2 chapter 9, article 8 as provided by section 43-1024.

3 ~~26.~~ 25. For taxable years beginning from and after December 31,
4 2017, the amount of any net capital gain included in Arizona gross income
5 for the taxable year that is derived from the exchange of one kind of
6 legal tender for another kind of legal tender. For the purposes of this
7 paragraph:

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

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

12 ~~27.~~ 26. Benefits, annuities and pensions received as retired or
13 retainer pay of the uniformed services of the United States in amounts as
14 follows:

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

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

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

21 43-1024. Americans with disabilities act access expenditures

22 A. For taxable years beginning from and after December 31, 2017, in
23 computing Arizona adjusted gross income, a subtraction is allowed under
24 section 43-1022, paragraph ~~25~~ 24 for eligible business access expenditures
25 paid or incurred by the taxpayer during the taxable year in order to
26 comply with the requirements of the Americans with disabilities act of
27 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting
28 developed real property that was originally placed in service at least ten
29 years before the current taxable year.

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

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

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

36 3. Provide qualified readers, taped texts and other effective
37 methods of making visually delivered materials available to individuals
38 with visual impairments.

39 4. Acquire or modify equipment or devices for individuals with
40 disabilities.

41 5. Provide other similar services, modifications, materials or
42 equipment.

43 C. A taxpayer who has been cited for noncompliance with the
44 Americans with disabilities act of 1990 or title 41, chapter 9, article 8
45 by either federal or state enforcement officials is ineligible for a

1 subtraction under this section for any expenditure required to cure the
2 cited violation.

3 Sec. 16. Repeal

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

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

7 43-1072.02. Credit for increased transaction privilege or
8 excise tax paid for education

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

15 1. \$25,000 or less for a married couple or a single person who is a
16 head of a household.

17 2. \$12,500 or less for a single person or a married person filing
18 separately.

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

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

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

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

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

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

42 1. A social security number that is valid for employment for the
43 claimant.

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

4 H. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
5 THE CREDIT UNDER SECTION 43-1072.01 FOR THE SAME TAXABLE YEAR. THE
6 CREDITS UNDER THIS SECTION AND SECTION 43-1072.01 SHALL BE COLLECTIVELY
7 REFERRED TO AS THE EXCISE TAX CREDIT AND CLAIMED USING THE SAME CREDIT
8 FORM OR LINE ON THE TAX RETURN. FOR THE PURPOSES OF THE REPORT REQUIRED
9 BY SECTION 43-224, THE DEPARTMENT SHALL REPORT THE CREDITS UNDER SECTION
10 43-1072.01 AND THIS SECTION TOGETHER AS ONE CREDIT.

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

13 43-1074.01. Credit for increased research activities

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

17 1. The amount of the credit is based on the excess, if any, of the
18 qualified research expenses for the taxable year over the base amount as
19 defined in section 41(c) of the internal revenue code and is computed as
20 follows:

21 (a) If the excess is ~~two million five hundred thousand dollars~~
22 ~~\$2,500,000~~ or less:

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

25 (ii) For taxable years beginning from and after December 31,
26 ~~2021~~ 2030, the credit is equal to twenty percent of that amount.

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

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

33 (ii) For taxable years beginning from and after December 31,
34 ~~2021~~ 2030, the credit is equal to ~~five hundred thousand dollars~~ ~~\$500,000~~
35 plus eleven percent of any amount exceeding ~~two million five hundred~~
36 ~~thousand dollars~~ ~~\$2,500,000~~.

37 (c) For taxable years beginning from and after December 31, 2011,
38 an additional credit amount is allowed if the taxpayer made basic research
39 payments during the taxable year to a university under the jurisdiction of
40 the Arizona board of regents. The additional credit amount is equal to
41 ten percent of the excess, if any, of the basic research payments over the
42 qualified organization base period amount for the taxable year. The
43 department shall not allow credit amounts under this subdivision and
44 section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed,
45 in the aggregate, a combined total of ~~ten million dollars~~ ~~\$10,000,000~~ in

1 any calendar year. Subject to that limit, on application by the taxpayer,
2 the department shall certify credit amounts under this subdivision and
3 section 43-1168, subsection A, paragraph 1, subdivision (d) based on
4 priority placement established by the date that the taxpayer filed the
5 application. For taxable years beginning from and after December 31, 2014,
6 any basic research payments used to determine the additional credit under
7 this subdivision must first receive certification from the Arizona
8 commerce authority pursuant to section 41-1507.01. The additional credit
9 amount under this subdivision shall not exceed the amount allowed based on
10 actual basic research payments or the department's certification,
11 whichever is less. If an application, if certified in full, would exceed
12 the ~~ten million dollar~~ \$10,000,000 limit, the department shall certify
13 only an amount within that limit. After the limit is attained, the
14 department shall deny any subsequent applications regardless of whether
15 other certified amounts are not actually claimed as a credit or other
16 taxpayers fail to qualify to actually claim certified amounts.
17 Notwithstanding subsections B and C of this section, any amount of the
18 additional credit under this subdivision that exceeds the taxes otherwise
19 due under this title is not refundable, but may be carried forward to the
20 next five consecutive taxable years. For the purposes of this
21 subdivision, "basic research payments" and "qualified organization base
22 period amount" have the same meanings prescribed by section 41(e) of the
23 internal revenue code without regard to whether the taxpayer is or is not
24 a corporation.

25 2. Qualified research includes only research conducted in this
26 state, including research conducted at a university in this state and paid
27 for by the taxpayer.

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

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

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

36 B. Except as provided by subsection C of this section, if the
37 allowable credit under this section exceeds the taxes otherwise due under
38 this title on the claimant's income, or if there are no taxes due under
39 this title, the amount of the credit THAT IS CLAIMED FOR TAXABLE YEARS
40 BEGINNING BEFORE JANUARY 1, 2022 AND THAT IS not used to offset taxes may
41 be carried forward to the next fifteen consecutive taxable years AND THE
42 AMOUNT OF THE CREDIT THAT IS CLAIMED FOR TAXABLE YEARS BEGINNING FROM AND
43 AFTER DECEMBER 31, 2021 AND THAT IS NOT USED TO OFFSET TAXES MAY BE
44 CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE YEARS. ~~The amount of~~
45 ~~credit carryforward from taxable years beginning from and after December~~

1 ~~31, 2000 through December 31, 2002 that may be used in any taxable year~~
2 ~~may not exceed the taxpayer's tax liability under this title or five~~
3 ~~hundred thousand dollars, whichever is less, minus the credit under this~~
4 ~~section for the current taxable year's qualified research expenses.~~ The
5 amount of credit carryforward from taxable years beginning from and after
6 December 31, 2002 that may be used in any taxable year may not exceed the
7 taxpayer's tax liability under this title minus the credit under this
8 section for the current taxable year's qualified research expenses. A
9 taxpayer who carries forward any amount of credit under this subsection
10 may not thereafter claim a refund of any amount of the credit under
11 subsection C of this section.

12 C. For taxable years beginning from and after December 31, 2009, if
13 a taxpayer who claims a credit under this section employs fewer than one
14 hundred fifty persons in the taxpayer's trade or business and if the
15 allowable credit under this section exceeds the taxes otherwise due under
16 this title on the claimant's income, or if there are no taxes due under
17 this title, in lieu of carrying the excess amount of credit forward to
18 subsequent taxable years under subsection B of this section, the taxpayer
19 may elect to receive a refund as follows:

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

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

28 3. The refund shall be paid in the manner prescribed by section
29 42-1118.

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

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

34 Sec. 19. Repeal

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

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

38 43-1089.01. Tax credit; public school fees and contributions;
39 definitions

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

- 1 1. Standardized testing for college credit or readiness offered by
2 a widely recognized and accepted educational testing organization.
- 3 2. The career and technical education industry certification
4 assessment.
- 5 3. Preparation courses and materials for standardized testing.
- 6 4. Cardiopulmonary resuscitation training pursuant to section
7 15-718.01.
- 8 5. Extracurricular activities.
- 9 6. Character education programs.
- 10 7. From and after June 30, 2019 through June 30, 2022:
- 11 (a) Acquiring capital items, as defined in the uniform system of
12 financial records, including those items listed in section 15-903,
13 subsection C, paragraphs 2 through 8.
- 14 (b) Community school meal programs. AN AMOUNT PAID BY AN
15 INDIVIDUAL TO RECEIVE A MEAL OR A MEAL CARD DOES NOT QUALIFY AS A FEE OR
16 DONATION FOR COMMUNITY SCHOOL MEAL PROGRAMS.
- 17 (c) Student consumable health care supplies.
- 18 (d) Playground equipment and shade structures for playground
19 equipment.
- 20 B. The amount of the credit shall not exceed:
- 21 1. \$200 for a single individual or a head of household.
- 22 2. \$400 for a married couple filing a joint return.
- 23 C. A husband and wife who file separate returns for a taxable year
24 in which they could have filed a joint return may each claim only one-half
25 of the tax credit that would have been allowed for a joint return.
- 26 D. The credit allowed by this section is in lieu of any deduction
27 pursuant to section 170 of the internal revenue code and taken for state
28 tax purposes.
- 29 E. If the allowable tax credit exceeds the taxes otherwise due
30 under this title on the claimant's income, or if there are no taxes due
31 under this title, the taxpayer may carry the amount of the claim not used
32 to offset the taxes under this title forward for not more than five
33 consecutive taxable years' income tax liability.
- 34 F. The site council of the public school that receives
35 contributions that are not designated for a specific purpose shall
36 determine how the contributions are used at the school site. If a charter
37 school does not have a site council, the principal, director or chief
38 administrator of the charter school shall determine how the contributions
39 that are not designated for a specific purpose are used at the school
40 site. If at the end of a fiscal year a public school has unspent
41 contributions that were previously designated for a specific purpose or
42 program and that purpose or program has been discontinued or has not been
43 used for two consecutive fiscal years, these contributions shall be
44 considered undesignated in the following fiscal year for the purposes of

1 this subsection, and the site council may transfer these undesignated
2 contributions to any school within the same school district.

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

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

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

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

15 H. For the purposes of this section, a contribution for which a
16 credit is claimed and that is made on or before the fifteenth day of the
17 fourth month following the close of the taxable year may be applied to
18 either the current or preceding taxable year and is considered to have
19 been made on the last day of that taxable year.

20 I. For the purposes of this section:

21 1. "Career and technical education industry certification
22 assessment" means an assessment for career and technical preparation
23 programs for pupils.

24 2. "Character education programs" means a program described in
25 section 15-719.

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

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

31 (a) Band uniforms.

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

33 (c) Scientific laboratory materials.

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

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

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

42 7. "Student consumable health care supplies" includes tissues, hand
43 wipes, bandages and other health care consumables that are generally used
44 by children.

1 8. "Widely recognized and accepted educational testing
2 organization" means the college board, the ACT, the international
3 baccalaureate and other organizations that are widely recognized and
4 accepted by colleges and universities in the United States and that offer
5 college credit and readiness examinations.

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

8 43-1164.05. Credit for renewable energy investment and
9 production for self-consumption by
10 international operations centers; definitions

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

15 B. The taxpayer is eligible for the credit if all of the following
16 apply:

17 1. The taxpayer invests at least \$100,000,000 in one or more new
18 renewable energy facilities in this state that produce energy for
19 self-consumption using renewable energy resources. The minimum investment
20 must be completed within a three-year period beginning on the date the
21 initial application is received or by December 31, ~~2030~~ 2018, whichever is
22 earlier.

23 2. A portion of the energy produced at each renewable energy
24 facility is used for self-consumption in this state. By the fifth year a
25 renewable energy facility is in operation, at least fifty-one percent of
26 the energy produced must be used for self-consumption in this state.
27 Self-consumption includes the power used by related entities if the
28 related entities are directly or indirectly under the same ownership
29 interests that collectively own more than eighty percent. Power that a
30 renewable energy facility transfers to a utility qualifies as
31 self-consumption if the utility is the same utility that provides power to
32 the owner's international operations center in this state.

33 3. The power that is used for self-consumption under paragraph 2 of
34 this subsection is used for an international operations center in this
35 state. A lessor of an international operations center facility that uses
36 power for self-consumption under paragraph 2 of this subsection satisfies
37 the requirements of this paragraph if the lessee is an international
38 operations center and the power is transferred as part of the lease to the
39 lessee.

40 C. Subject to subsection F of this section, the credit authorized
41 by this section is \$5,000,000 per year for five years for each renewable
42 energy facility. The maximum credit allowed per taxpayer per year is
43 \$5,000,000. The taxpayer, including all affiliates of the taxpayer, may
44 not cumulate tax credits under this section over different taxable years
45 exceeding, in the aggregate, \$25,000,000. The initial credit for each

1 facility is claimed in the year that the facility becomes operational. A
2 credit, other than carryovers allowed under subsection M of this section,
3 may not be claimed for any taxable year beginning after December 31, 2025.
4 An international operations center that is initially certified pursuant to
5 section 41-1520, subsection C after December 31, 2018 may not claim the
6 tax credit authorized by this section.

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

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

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

16 2. An estimate of the total investment the taxpayer will make, over
17 a three-year period beginning on the date the application is received, in
18 new renewable energy facilities in this state that produce energy for
19 self-consumption using renewable energy resources.

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

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

27 5. Any additional information that the department requires.

28 F. The department shall review each application under subsection E
29 of this section and preapprove the taxpayer for a specified amount of
30 credit that is authorized. Credits are allowed under this section on a
31 first-come, first-served basis. The department may not authorize tax
32 credits under this section that exceed in the aggregate a total of
33 \$10,000,000 for any calendar year. The portion of each year's limit that
34 is reserved for each taxpayer must be based on the year that each credit
35 is expected to be claimed using the dates provided in subsection E,
36 paragraph 3 of this section. If the year a facility is completed is
37 different from the estimated completion date provided in subsection E,
38 paragraph 3 of this section, the taxpayer must amend the application with
39 the new dates. If an application is received that, if authorized, would
40 require the department to exceed the \$10,000,000 limit, the department
41 shall grant the applicant only the remaining credit amount that would not
42 exceed the \$10,000,000 limit. After the department authorizes \$10,000,000
43 in tax credits, the department shall deny any subsequent applications that
44 are received for that calendar year. The department may not authorize any
45 additional tax credits that exceed the \$10,000,000 limit even if the

1 amounts that have been certified to any taxpayer are not claimed or a
2 taxpayer otherwise fails to meet the requirements to claim the additional
3 credit.

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

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

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

16 2. Documentation for each facility that demonstrates that the
17 required portion of the power generated by each renewable energy facility
18 is for self-consumption as required by subsection B, paragraph 2 of this
19 section.

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

22 I. The taxpayer must submit a request for final certification to
23 the department within thirty days after each of the renewable energy
24 facilities for which an authorization was given under subsection F of this
25 section becomes operational. Within thirty days after receiving a
26 completed request under this subsection, the department shall review the
27 request and either issue a final certification of the credit to the
28 taxpayer or issue a denial of the credit if it is determined that the
29 requirements of this section have not been met. Every final certification
30 issued under this subsection must include a facility code issued by the
31 department that is unique to each facility. To show that the facility has
32 been certified, the taxpayer shall include with the tax return the
33 facility code for each facility for which a credit is claimed. If the
34 taxpayer is the owner or operator of an international operations center,
35 the taxpayer must submit the request for final certification for each of
36 the renewable energy facilities for which capital investment will be
37 claimed towards the required investment threshold and must submit
38 additional evidence to the department within sixty days after the end of
39 the fifth year of operation of each facility that the requirements of
40 subsection B, paragraph 2 of this section have been met.

41 J. If the taxpayer fails to make the required investment in
42 renewable energy facilities within the time period required by subsection
43 B, paragraph 1 of this section or if the certification of an international
44 operations center has been revoked under section 41-1520 due to a failure
45 to make a \$1,250,000,000 investment in the center within ten years after

1 certification or if the taxpayer fails to receive final certification of
2 the credit under subsection I of this section, the taxpayer is not
3 eligible and must cease claiming any further credits under this section
4 and shall reimburse the amount of all credits previously received under
5 this section. The reimbursement must be made on the taxpayer's income tax
6 return for the taxable year in which it is first known that the required
7 investment would not be made within the required time or the taxable year
8 in which the certification was revoked. The department may give special
9 consideration or allow a temporary exemption from reimbursement if there
10 is extraordinary hardship due to factors beyond the taxpayer's control.
11 If the reimbursement is due to revocation of the certification of an
12 international operations center due to a failure to invest \$1,250,000,000
13 in the center within ten years after certification, the credits shall be
14 reimbursed in inverse proportion to the total capital investment made in
15 the international operations center divided by \$1,250,000,000. The
16 department may require reimbursement before the tenth anniversary of
17 certification of an international operations center if the facility has
18 been closed or relocated or the taxpayer has otherwise demonstrated that
19 the \$1,250,000,000 investment will not be timely made.

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

23 L. Co-owners of a business, including corporate partners in a
24 partnership and corporate members of a limited liability company treated
25 as a partnership, may each claim the pro rata share of the credit allowed
26 under this section based on ownership interest. Only co-owners that are
27 corporations may claim a share of the credit allowed under this section.
28 The total of the credits allowed all the owners of the business may not
29 exceed the amount that would have been allowed for a sole owner of the
30 business.

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

37 N. A taxpayer may not claim a credit under this section and section
38 43-1164.03 regarding the same facilities.

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

41 P. For the purposes of this section:

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

44 (a) Forest-related materials, including mill residues, logging
45 residues, forest thinnings, slash, brush, low-commercial value materials

1 or undesirable species, salt cedar and other phreatophyte or woody
2 vegetation removed from river basins or watersheds and woody material
3 harvested for the purpose of forest fire fuel reduction or forest health
4 and watershed improvement.

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

9 (c) Animal waste, including manure and slaughterhouse and other
10 processing waste.

11 (d) Solid woody waste materials, including landscape or
12 right-of-way tree trimmings, rangeland maintenance residues, waste
13 pallets, crates and manufacturing, construction and demolition wood wastes
14 but excluding pressure-treated, chemically treated or painted wood wastes
15 and wood contaminated with plastic.

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

18 (f) Landfill gas, wastewater treatment gas and biosolids, including
19 organic waste by-products generated during the wastewater treatment
20 process.

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

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

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

31 (a) Solar light.

32 (b) Solar heat.

33 (c) Wind.

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

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

38 43-1168. Credit for increased research activity

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

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

43 (a) Add:

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

4 (ii) The basic research payments determined under section
5 41(e)(1)(A) of the internal revenue code.

6 (b) If the sum computed under subdivision (a) of this paragraph is
7 \$2,500,000 or less:

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

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

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

14 (i) For taxable years beginning before December 31, 2030, the
15 credit is equal to \$600,000 plus fifteen percent of any amount exceeding
16 \$2,500,000.

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

20 (d) For taxable years beginning from and after December 31, 2011,
21 an additional credit amount is allowed if the taxpayer made basic research
22 payments during the taxable year to a university under the jurisdiction of
23 the Arizona board of regents. The additional credit amount is equal to
24 ten percent of the excess, if any, of the basic research payments over the
25 qualified organization base period amount for the taxable year. The
26 department shall not allow credit amounts under this subdivision and
27 section 43-1074.01, subsection A, paragraph 1, subdivision (c) that
28 exceed, in the aggregate, a combined total of \$10,000,000 in any calendar
29 year. Subject to that limit, on application by the taxpayer, the
30 department shall certify credit amounts under this subdivision and section
31 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority
32 placement established by the date that the taxpayer filed the application.
33 For taxable years beginning from and after December 31, 2014, any basic
34 research payments used to determine the additional credit under this
35 subdivision must first receive certification from the Arizona commerce
36 authority pursuant to section 41-1507.01. The additional credit amount
37 under this subdivision shall not exceed the amount allowed based on actual
38 basic research payments or the department's certification, whichever is
39 less. If an application, if certified in full, would exceed the
40 \$10,000,000 limit, the department shall certify only an amount within that
41 limit. After the limit is attained, the department shall deny any
42 subsequent applications regardless of whether other certified amounts are
43 not actually claimed as a credit or other taxpayers fail to qualify to
44 actually claim certified amounts. Notwithstanding subsections B and ~~C~~ C
45 of this section, any amount of the additional credit under this

1 subdivision that exceeds the taxes otherwise due under this title is not
2 refundable, but may be carried forward to the next five consecutive
3 taxable years. For the purposes of this subdivision, "basic research
4 payments" and "qualified organization base period amount" have the same
5 meanings prescribed by section 41(e) of the internal revenue code.

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

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

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

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

16 B. Except as provided by subsection ~~D~~ C of this section, if the
17 allowable credit under this section exceeds the taxes otherwise due under
18 this title on the claimant's income, or if there are no taxes due under
19 this title, the amount of the credit claimed for taxable years beginning
20 before January 1, 2022 not used to offset taxes may be carried forward to
21 the next fifteen consecutive taxable years, and the amount of the credit
22 claimed for taxable years beginning from and after December 31, 2021 not
23 used to offset taxes may be carried forward to the next ten consecutive
24 taxable years. ~~The amount of credit carryforward from taxable years
25 beginning from and after December 31, 2000 through December 31, 2002 that
26 may be used under this subsection in any taxable year may not exceed the
27 taxpayer's tax liability under this title or \$500,000, whichever is less,
28 minus the credit under this section for the current taxable year's
29 qualified research expenses.~~ The amount of credit carryforward from
30 taxable years beginning from and after December 31, 2002 that may be used
31 under this subsection in any taxable year may not exceed the taxpayer's
32 tax liability under this title minus the credit under this section for the
33 current taxable year's qualified research expenses. A taxpayer that
34 carries forward any amount of credit under this subsection may not
35 thereafter claim a refund of any amount of the credit under subsection
36 ~~D~~ C of this section.

37 ~~C. If a taxpayer has qualified research expenses that are carried
38 forward from taxable years beginning before January 1, 2001, the amount of
39 the expenses carried forward shall be converted to a credit carryforward
40 by multiplying the amount of the qualified expenses carried forward by
41 twenty percent. A credit carryforward determined under this subsection
42 from taxable years beginning before January 1, 2022 may be carried forward
43 to not more than fifteen years from the year in which the expenses were
44 incurred. A credit carryforward determined under this subsection from
45 taxable years beginning from and after December 31, 2021 may be carried~~

~~forward to not more than ten years from the year in which the expenses were incurred. The amount of credit carryforward from taxable years beginning before January 1, 2001 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title or \$500,000, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The total amount of credit carryforward from taxable years beginning before January 1, 2003 that may be used in any taxable year under subsection B and this subsection may not exceed the taxpayer's tax liability under this title or \$500,000, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses.~~

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

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

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

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

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

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

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

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

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

1. One-fourth of the taxable wages paid to each employee in qualified employment positions, not to exceed ~~five hundred dollars~~ \$500 per qualified employment position, in the first year or partial year of

1 employment. Wages that were subsidized as provided by section 46-299
2 shall not be included.

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

8 3. One-half of the taxable wages paid to each employee in qualified
9 employment positions, not to exceed ~~one thousand five hundred dollars~~
10 \$1,500 per qualified employment position, in the third year of continuous
11 employment. Wages that were subsidized as provided by section 46-299
12 shall not be included.

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

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

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

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

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

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

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

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

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

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

40 D. The net increase in the number of qualified employment positions
41 shall be determined by comparing the average number of qualified
42 employment positions during the taxable year with the immediately
43 preceding taxable year based on the taxpayer's report to the department of
44 economic security for unemployment purposes.

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

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

13 G. The department may adopt rules necessary for the administration
14 of this section.

15 Sec. 24. Retroactivity

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