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REFERENCE TITLE: tax credit; property tax; tuition

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SB 1038

Introduced by
Senator Rogers

AN ACT

AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 196, SECTION 10, CHAPTER 383, SECTION 1, CHAPTER 412, SECTION 12 AND CHAPTER 425, SECTION 1; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 436, SECTION 2; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1072.03; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 43-222, Arizona Revised Statutes, as amended by Laws 2021, chapter 196, section 10, chapter 383, section 1, chapter 412, section 12 and chapter 425, section 1, is amended to read:

43-222. Income tax credit review schedule

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

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

2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02, 43-1076.01, 43-1077, 43-1083, 43-1083.02, 43-1162, 43-1164.03 and 43-1183.

3. For years ending in 2 and 7, sections 43-1072.03, 43-1073, 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and 43-1181.

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

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

Sec. 2. Section 43-222, Arizona Revised Statutes, as amended by Laws 2021, chapter 436, section 2, is amended to read:

43-222. Income tax credit review schedule

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

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

2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02, 43-1078, 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

3. For years ending in 2 and 7, sections 43-1072.03, 43-1073, 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

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

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

Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is amended by adding section 43-1072.03, to read:

43-1072.03. Credit for school district property taxes paid; qualified school tuition expenses; definitions

A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE PRIMARY AND SECONDARY SCHOOL DISTRICT PROPERTY TAXES THAT A TAXPAYER ACTUALLY OWED AND PAID TO ONE OR MORE TAXING JURISDICTIONS IN THIS STATE ON THE TAXPAYER'S RESIDENTIAL PROPERTY IF A QUALIFIED STUDENT ATTENDED A QUALIFIED SCHOOL DURING THE TAXABLE YEAR.

B. THE AMOUNT OF THE CREDIT UNDER THIS SECTION IS THE AMOUNT OF THE PRIMARY AND SECONDARY SCHOOL DISTRICT PROPERTY TAXES THAT THE TAXPAYER

ACTUALLY PAID DURING THE TAXABLE YEAR OR THE AMOUNT OF TUITION EXPENSES ACTUALLY PAID FOR THE QUALIFIED STUDENT TO ATTEND A QUALIFIED SCHOOL, WHICHEVER IS LESS.

C. SPOUSES WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED FOR A JOINT RETURN.

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

E. TAXPAYERS WHO TAKE THE CREDIT AUTHORIZED BY THIS SECTION SHALL PROVIDE TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, THE NAME OF THE QUALIFIED SCHOOL AND THE AMOUNT OF TUITION EXPENSES ACTUALLY PAID TO THE QUALIFIED SCHOOL.

F. FOR THE PURPOSES OF THIS SECTION:

1. "QUALIFIED SCHOOL" MEANS A NONGOVERNMENTAL PRIMARY OR SECONDARY SCHOOL IN THIS STATE.

2. "QUALIFIED STUDENT" MEANS AN INDIVIDUAL WHO IS THE TAXPAYER'S DEPENDENT AND WHO IS ENROLLED AT A QUALIFIED SCHOOL IN A KINDERGARTEN PROGRAM OR ANY OF GRADES ONE THROUGH TWELVE.

3. "RESIDENTIAL PROPERTY" MEANS OWNER-OCCUPIED REAL PROPERTY AND IMPROVEMENTS TO THE PROPERTY AND OWNER-OCCUPIED MOBILE HOMES THAT ARE USED AS THE OWNER'S PRIMARY RESIDENCE AND CLASSIFIED AS CLASS THREE PROPERTY PURSUANT TO SECTION 42-12003.

4. "TUITION EXPENSES" MEANS ANY AMOUNT PAID BY THE TAXPAYER DURING THE TAXABLE YEAR FOR A QUALIFIED STUDENT TO ATTEND A QUALIFIED SCHOOL.

Sec. 4. Purpose

Pursuant to section 43-223, Arizona Revised Statutes, the legislature enacts section 43-1072.03, Arizona Revised Statutes, as added by this act, to reduce the property tax burden for parents whose children attend nongovernmental schools.

Sec. 5. Conditional enactment; applicability

Section 43-222, Arizona Revised Statutes, as amended by Laws 2021, chapter 436, section 2 and this act, is effective and applies to taxable years beginning from and after December 31, 2022 only if Laws 2021, chapter 436, the subject of referendum petition R-06-2021, is approved by a vote of the people at the next general election or fails to be referred to the voters at the next general election.