



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1018

tax credit; earned income

Purpose

Retroactive to taxable year (TY) 2022, establishes the Arizona Earned Income Tax Credit (Arizona EITC) allowed against individual income tax liability for an individual who qualifies for the federal EITC.

Background

The federal EITC provides low-income and moderate-income individuals and families a credit against individual income tax liability. The amount of the federal EITC is based on a taxpayer's marital status, adjusted gross income (AGI) and number of qualifying children. For qualifying individuals, the maximum amount of the federal EITC for TY 2022 is: 1) \$4,220 with no qualifying children; 2) \$6,330 with one qualifying child; and 3) \$8,890 with two or more qualifying children ([26 U.S.C. § 32](#)).

Children Claimed	Maximum AGI (Single or Head of Household)	Maximum AGI (Married)
0	\$21,430	\$27,380
1	\$42,158	\$48,108
2	\$47,915	\$53,865
3 or more	\$51,464	\$57,414

Statute authorizes certain tax credits that provide a reduction of a taxpayer's income tax liability. Individual income tax is levied on Arizona residents' taxable income using a graduated rate structure, which currently ranges between 2.59 percent and 4.5 percent ([JLBC Tax Handbook, 2021](#)).

If the creation of the Arizona EITC results in an increase of claims against income tax liability, there may be a fiscal impact to the state General Fund.

Provisions

Arizona EITC
(Retroactive to TYs beginning January 1, 2022)

1. Establishes the Arizona EITC allowed against individual income tax liability for an individual who qualifies for the federal EITC.
2. Sets the amount of the Arizona EITC at five percent of the amount of the federal EITC allowed to the taxpayer for the TY.

3. Requires the Arizona Department of Revenue to make claim forms for the Arizona EITC available with the individual income tax returns.
4. Prohibits a claim for the Arizona EITC unless the claim is filed with a claimant's tax return, excluding a claimant who:
 - a) certifies that the claimant has no income tax liability for the TY; and
 - b) is not required to file an income tax return.
5. Limits the Arizona EITC to one claimant per household per TY.
6. Requires any amount of the Arizona EITC in excess of owed taxes to be refunded to the claimant.
7. Requires the Joint Legislative Income Tax Credit Review Committee to review the Arizona EITC in years ending in 2 and 7.

Miscellaneous

8. Clarifies which tax credits are subject to the Liability Setoff Program.
9. Makes technical changes.
10. Contains a purpose statement.
11. Becomes effective on the general effective date, with retroactive provisions as noted.

Prepared by Senate Research

January 24, 2022

MG/KJA/slp