

REFERENCE TITLE: **income tax; rates; reduction**

State of Arizona  
House of Representatives  
Fifty-fifth Legislature  
Second Regular Session  
2022

## **HB 2497**

Introduced by  
Representatives Hoffman: Barton, Blackman, Burges, Carter, Chaplik,  
Fillmore, Kavanagh, Nguyen, Parker, Pingerelli

### **AN ACT**

REPEALING SECTION 43-243, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2021, CHAPTER 412, SECTION 13; REPEALING SECTION 43-244, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 412, SECTION 15; AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 411, SECTION 4; AMENDING SECTIONS 43-1311 AND 43-1711, ARIZONA REVISED STATUTES; RELATING TO INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 A. Section 43-243, Arizona Revised Statutes, as added by Laws 2021,  
4 chapter 412, section 13.

5 B. Section 43-244, Arizona Revised Statutes.

6 C. Section 43-1011, Arizona Revised Statutes, as amended by Laws  
7 2021, chapter 412, section 15, are repealed.

8 Sec. 2. Section 43-1011, Arizona Revised Statutes, as amended by  
9 Laws 2021, chapter 411, section 4, is amended to read:

10 43-1011. Taxes and tax rates

11 A. There shall be levied, collected and paid for each taxable year  
12 on the entire taxable income of every resident of this state and on the  
13 entire taxable income of every nonresident that is derived from sources  
14 within this state taxes determined in the following manner:

15 1. For taxable years beginning from and after December 31, 1996  
16 through December 31, 1997:

17 (a) In the case of a single person or a married person filing  
18 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
19 \$0 – \$10,000	2.90% of taxable income
20 \$10,001 – \$25,000	\$290, plus 3.30% of the excess 21 over \$10,000
22 \$25,001 – \$50,000	\$785, plus 3.90% of the excess 23 over \$25,000
24 \$50,001 – \$150,000	\$1,760, plus 4.80% of the excess 25 over \$50,000
26 \$150,001 and over	\$6,560, plus 5.17% of the excess 27 over \$150,000

28 (b) In the case of a married couple filing a joint return or a  
29 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
30 \$0 – \$20,000	2.90% of taxable income
31 \$20,001 – \$50,000	\$580, plus 3.30% of the excess 32 over \$20,000
33 \$50,001 – \$100,000	\$1,570, plus 3.90% of the excess 34 over \$50,000
35 \$100,001 – \$300,000	\$3,520, plus 4.80% of the excess 36 over \$100,000
37 \$300,001 and over	\$13,120, plus 5.17% of the 38 excess over \$300,000

39 2. For taxable years beginning from and after December 31, 1997  
40 through December 31, 1998:  
41  
42

1 (a) In the case of a single person or a married person filing  
 2 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
3 \$0 – \$10,000	2.88% of taxable income
4 \$10,001 – \$25,000	\$288, plus 3.24% of the excess
5	over \$10,000
6 \$25,001 – \$50,000	\$774, plus 3.82% of the excess
7	over \$25,000
8 \$50,001 – \$150,000	\$1,729, plus 4.74% of the excess
9	over \$50,000
10 \$150,001 and over	\$6,469, plus 5.10% of the excess
11	over \$150,000

12  
 13 (b) In the case of a married couple filing a joint return or a  
 14 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
15 \$0 – \$20,000	2.88% of taxable income
16 \$20,001 – \$50,000	\$576, plus 3.24% of the excess
17	over \$20,000
18 \$50,001 – \$100,000	\$1,548, plus 3.82% of the excess
19	over \$50,000
20 \$100,001 – \$300,000	\$3,458, plus 4.74% of the excess
21	over \$100,000
22 \$300,001 and over	\$12,938, plus 5.10% of the
23	excess over \$300,000

24  
 25 3. For taxable years beginning from and after December 31, 1998  
 26 through December 31, 2005:

27 (a) In the case of a single person or a married person filing  
 28 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
29 \$0 – \$10,000	2.87% of taxable income
30 \$10,001 – \$25,000	\$287, plus 3.20% of the excess
31	over \$10,000
32 \$25,001 – \$50,000	\$767, plus 3.74% of the excess
33	over \$25,000
34 \$50,001 – \$150,000	\$1,702, plus 4.72% of the excess
35	over \$50,000
36 \$150,001 and over	\$6,422, plus 5.04% of the excess
37	over \$150,000

38  
 39 (b) In the case of a married couple filing a joint return or a  
 40 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
41 \$0 – \$20,000	2.87% of taxable income
42 \$20,001 – \$50,000	\$574, plus 3.20% of the excess
43	over \$20,000

44

1	\$50,001 – \$100,000	\$1,534, plus 3.74% of the excess
2		over \$50,000
3	\$100,001 – \$300,000	\$3,404, plus 4.72% of the excess
4		over \$100,000
5	\$300,001 and over	\$12,844, plus 5.04% of the
6		excess over \$300,000

7 4. For taxable years beginning from and after December 31, 2005  
 8 through December 31, 2006:

9 (a) In the case of a single person or a married person filing  
 10 separately:

11	<u>If taxable income is:</u>	<u>The tax is:</u>
12	\$0 – \$10,000	2.73% of taxable income
13	\$10,001 – \$25,000	\$273, plus 3.04% of the excess
14		over \$10,000
15	\$25,001 – \$50,000	\$729, plus 3.55% of the excess
16		over \$25,000
17	\$50,001 – \$150,000	\$1,617, plus 4.48% of the excess
18		over \$50,000
19	\$150,001 and over	\$6,097, plus 4.79% of the excess
20		over \$150,000

21 (b) In the case of a married couple filing a joint return or a  
 22 single person who is a head of a household:

23	<u>If taxable income is:</u>	<u>The tax is:</u>
24	\$0 – \$20,000	2.73% of taxable income
25	\$20,001 – \$50,000	\$546, plus 3.04% of the excess
26		over \$20,000
27	\$50,001 – \$100,000	\$1,458, plus 3.55% of the excess
28		over \$50,000
29	\$100,001 – \$300,000	\$3,233, plus 4.48% of the excess
30		over \$100,000
31	\$300,001 and over	\$12,193, plus 4.79% of the
32		excess over \$300,000

33 5. Subject to subsections B and C of this section, for taxable  
 34 years beginning from and after December 31, 2006 through December 31,  
 35 2018:

36 (a) In the case of a single person or a married person filing  
 37 separately:

38	<u>If taxable income is:</u>	<u>The tax is:</u>
39	\$0 – \$10,000	2.59% of taxable income
40	\$10,001 – \$25,000	\$259, plus 2.88% of the excess
41		over \$10,000
42	\$25,001 – \$50,000	\$691, plus 3.36% of the excess
43		over \$25,000
44	\$50,001 – \$150,000	\$1,531, plus 4.24% of the excess
45		over \$50,000

1	\$150,001 and over	\$5,771, plus 4.54% of the excess
2		over \$150,000
3	(b) In the case of a married couple filing a joint return or a	
4	single person who is a head of a household:	
5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 – \$20,000	2.59% of taxable income
7	\$20,001 – \$50,000	\$518, plus 2.88% of the excess
8		over \$20,000
9	\$50,001 – \$100,000	\$1,382, plus 3.36% of the excess
10		over \$50,000
11	\$100,001 – \$300,000	\$3,062, plus 4.24% of the excess
12		over \$100,000
13	\$300,001 and over	\$11,542, plus 4.54% of the
14		excess over \$300,000

15 6. Subject to subsections D and E of this section, for taxable  
16 years beginning from and after December 31, 2018 THROUGH DECEMBER 31,  
17 2021:

18 (a) In the case of a single person or a married person filing  
19 separately:

20	<u>If taxable income is:</u>	<u>The tax is:</u>
21	\$0 – \$26,500	2.59% of taxable income
22	\$26,501 – \$53,000	\$686, plus 3.34% of the amount
23		over \$26,500
24	\$53,001 – \$159,000	\$1,571, plus 4.17% of the
25		amount over \$53,000
26	\$159,001 and over	\$5,991, plus 4.50% of the amount
27		over \$159,000

28 (b) In the case of a married couple filing a joint return or a  
29 single person who is a head of a household:

30	<u>If taxable income is:</u>	<u>The tax is:</u>
31	\$0 – \$53,000	2.59% of taxable income
32	\$53,001 – \$106,000	\$1,373, plus 3.34% of the amount
33		over \$53,000
34	\$106,001 – \$318,000	\$3,143, plus 4.17% of the amount
35		over \$106,000
36	\$318,001 and over	\$11,983, plus 4.50% of the
37		amount over \$318,000

38 7. SUBJECT TO SUBSECTION E OF THIS SECTION, FOR TAXABLE YEARS  
39 BEGINNING FROM AND AFTER DECEMBER 31, 2021 THROUGH DECEMBER 31, 2022, THE  
40 TAX IS 2.5% OF TAXABLE INCOME.

41 8. SUBJECT TO SUBSECTION E OF THIS SECTION, FOR TAXABLE YEARS  
42 BEGINNING FROM AND AFTER DECEMBER 31, 2022, THE TAX IS 1.5% OF TAXABLE  
43 INCOME.

44 B. For the taxable year beginning from and after December 31, 2014  
45 through December 31, 2015, the department shall adjust the income dollar

1 amounts for each rate bracket prescribed by subsection A, paragraph 5 of  
2 this section according to the average annual change in the metropolitan  
3 Phoenix consumer price index published by the United States department of  
4 labor, bureau of labor statistics. The revised dollar amounts shall be  
5 raised to the nearest whole dollar. The income dollar amounts for each  
6 rate bracket may not be revised below the amounts prescribed in the prior  
7 taxable year.

8 C. For each taxable year beginning from and after December 31, 2015  
9 through December 31, 2018, the department shall adjust the income dollar  
10 amounts for each rate bracket prescribed by subsection A, paragraph 5 of  
11 this section according to the average annual change in the metropolitan  
12 Phoenix consumer price index published by the United States department of  
13 labor, bureau of labor statistics. The revised dollar amounts shall be  
14 raised to the nearest whole dollar. The income dollar amounts for each  
15 rate bracket may not be revised below the amounts prescribed in the prior  
16 taxable year.

17 D. For each taxable year beginning from and after December 31, 2019  
18 THROUGH DECEMBER 31, 2021, the department shall adjust the income dollar  
19 amount for each rate bracket prescribed by subsection A, paragraph 6 of  
20 this section according to the average annual change in the metropolitan  
21 Phoenix consumer price index published by the United States department of  
22 labor, bureau of labor statistics. The revised dollar amounts shall be  
23 raised to the nearest whole dollar. The income dollar amounts for each  
24 rate bracket may not be revised below the amounts prescribed in the prior  
25 taxable year.

26 E. For each taxable year beginning from and after December 31,  
27 2020, for taxable income that is subject to the income tax surcharge  
28 imposed by section 43-1013, the combined tax rate of the income tax  
29 surcharge imposed by section 43-1013 and the highest tax rate imposed by  
30 subsection A, paragraph 6, ~~7,~~ OR ~~8 OR 9~~ of this section may not exceed  
31 four and one-half percent. If the combined tax rate exceeds four and  
32 one-half percent, the highest tax rate imposed by subsection A, paragraph  
33 6, ~~7,~~ OR ~~8 OR 9~~ of this section shall be reduced so that the combined tax  
34 rate is four and one-half percent. The department may adopt rules  
35 pursuant to title 41, chapter 6 to carry out this subsection.

36 Sec. 3. Section 43-1311, Arizona Revised Statutes, is amended to  
37 read:

38 43-1311. Tax imposed on estates and trusts; rates; annual  
39 adjustment

40 A. Except for trusts that are taxable as partnerships or  
41 corporations under the internal revenue code, the income of estates or of  
42 any kind of property held in trust is subject only to the income tax  
43 imposed by subsection B of this section.

44 B. There shall be levied, collected and paid for each taxable year  
45 on the entire taxable income of every resident trust of this state and on

1 the entire taxable income of nonresident trust that is derived from  
2 sources within this state taxes determined in the following manner:

3 1. For taxable years beginning from and after December 31, 2020  
4 through December 31, 2021:

<u>If taxable income is:</u>	<u>The tax is:</u>
5 \$0 – \$27,272	2.59% of taxable income
6 \$27,273 – \$54,544	\$686, plus 3.34% of the amount 7 over \$27,272
8 \$54,545 – \$163,632	\$1,571, plus 4.17% of the 9 amount over \$54,544
10 \$163,633 and over	\$5,991, plus 4.50% of the amount 11 over \$163,632

12  
13 ~~2. Subject to subsection C of this section, for taxable years~~  
14 ~~beginning from and after December 31, 2021 through December 31 of the year~~  
15 ~~in which notice is provided to the department pursuant to section 43-244,~~  
16 ~~subsection A or subsection B, paragraph 1:~~

<del>if taxable income is:</del>	<del>The tax is:</del>
17 <del>\$0 – \$27,272</del>	<del>2.55% of taxable income</del>
18 <del>\$27,273 and over</del>	<del>\$695, plus 2.98% of the amount</del> 19 <del>over \$27,272</del>

20  
21 ~~3. Subject to subsection C of this section, for taxable years~~  
22 ~~beginning from and after December 31 of the year in which notice is~~  
23 ~~provided to the department pursuant to section 43-244, subsection A or~~  
24 ~~subsection B, paragraph 1 through December 31 of the year in which notice~~  
25 ~~is provided to the department pursuant to section 43-244, subsection B,~~  
26 ~~paragraph 2:~~

<del>if taxable income is:</del>	<del>The tax is:</del>
27 <del>\$0 – \$27,272</del>	<del>2.53% of taxable income</del>
28 <del>\$27,273 and over</del>	<del>\$690, plus 2.75% of the amount</del> 29 <del>over \$27,272</del>

30  
31 ~~4. 2. For taxable years beginning from and after December 31, 2021~~  
32 ~~THROUGH DECEMBER 31, 2022, of the year in which notice is provided to the~~  
33 ~~department pursuant to section 43-244, subsection B, paragraph 2, the tax~~  
34 ~~is 2.5% of taxable income.~~

35 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022,  
36 THE TAX IS 1.5% OF TAXABLE INCOME.

37 ~~C. For each taxable year beginning from and after December 31,~~  
38 ~~2020, the department shall adjust the income dollar amount for each rate~~  
39 ~~bracket prescribed by subsection B, paragraphs 2 and 3 of this section, as~~  
40 ~~applicable, according to the average annual change in the metropolitan~~  
41 ~~Phoenix consumer price index published by the United States department of~~  
42 ~~labor, bureau of labor statistics. The revised dollar amounts shall be~~  
43 ~~raised to the nearest whole dollar. The income dollar amounts for each~~  
44 ~~rate bracket may not be revised below the amounts prescribed in the prior~~  
45 ~~taxable year.~~

1           Sec. 4. Section 43-1711, Arizona Revised Statutes, is amended to  
2 read:

3           43-1711. Taxes and tax rate

4           If an Arizona small business taxpayer makes the election pursuant to  
5 section 43-302, there shall be levied, collected and paid for each taxable  
6 year on the Arizona small business taxable income taxes as determined in  
7 the following manner:

8           1. For taxable years beginning from and after December 31, 2020  
9 through December 31, 2021, an amount equal to 3.5% of the Arizona small  
10 business taxable income.

11           ~~2. For taxable years beginning from and after December 31, 2021~~  
12 ~~through December 31, 2022, an amount equal to 3.0% of the Arizona small~~  
13 ~~business taxable income.~~

14           ~~3. For taxable years beginning from and after December 31, 2022~~  
15 ~~through December 31, 2024, an amount equal to 2.8% of the Arizona small~~  
16 ~~business taxable income.~~

17           ~~4.~~ 2. For taxable years beginning from and after December 31, ~~2024~~  
18 2021 THROUGH DECEMBER 31, 2022, an amount equal to 2.5% of the Arizona  
19 small business taxable income.

20           3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022, AN  
21 AMOUNT EQUAL TO 1.5% OF THE ARIZONA SMALL BUSINESS TAXABLE INCOME.

22           Sec. 5. Retroactivity

23           This act applies retroactively to taxable years beginning from and  
24 after December 31, 2021.