



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

FACT SHEET FOR S.B. 1171

conformity; internal revenue code

Purpose

Conforms Arizona tax statutes to the U.S. Internal Revenue Code (U.S. IRC) as of January 1, 2023, to reflect changes adopted by the U.S. Congress during 2022.

Background

The Arizona Legislature periodically updates the statutory definition of the U.S. IRC to include any federal provisions that became effective in the preceding calendar year as a means of paralleling the computation of Arizona income tax and other statutory references throughout the Arizona Revised Statutes to the amended U.S. IRC. Tax conformity with the U.S. IRC is deemed necessary because the calculation of Arizona corporate income tax liability begins with federal taxable income. Similarly, federal adjusted gross income is the starting point for individual income tax assessment.

According to the Arizona Department of Revenue (ADOR), the fiscal impact to the state General Fund associated with S.B. 1171 is estimated at \$(0.13) million in FY 2023, \$(0.30) million in FY 2024 and \$(0.16) million in FY 2025. ADOR plans to provide a revised conformity report at a later date to include an analysis of the provisions of the federal Securing a Strong Retirement Act of 2022, which was adopted by the U.S. Congress on December 29, 2022.

Provisions

1. Updates the statutory definition of *Internal Revenue Code* to include all provisions in effect as of January 1, 2023, with the specific adoption of all retroactive effective dates, excluding any changes to the U.S. IRC enacted after January 1, 2023.
2. Makes technical and conforming changes.
3. Becomes effective on the general effective date.

Prepared by Senate Research
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MG/sr