



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

FACT SHEET FOR S.B. 1734

taxation; 2023-2024.

Purpose

Makes statutory and session law changes relating to taxation necessary to implement the FY 2024 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

S.B. 1734 contains the budget reconciliation provisions for changes relating to taxation.

Provisions

General Welfare Income Tax Rebate

1. Requires the Arizona Department of Revenue (ADOR) to issue a onetime individual income tax (IIT) general welfare rebate to an Arizona taxpayer who filed a full-year resident tax return for TY 2021, claimed a Dependent Tax Credit on the tax return and meets one of the following qualifications:
 - a) the taxpayer had a tax liability of at least \$1 on the taxpayer's TY 2021 tax return;
 - b) the taxpayer filed a full-year resident tax return for TY 2020 under the identical filing status used on the taxpayer's TY 2021 tax return and had a tax liability of at least \$1; or
 - c) the taxpayer filed a full-year resident tax return for TY 2019 under the identical filing status used on the taxpayer's tax returns for TYs 2020 and 2021 and had a tax liability of at least \$1.
2. Requires ADOR, by November 15, 2023, to issue a qualifying taxpayer a single rebate for up to three dependents who were claimed on the taxpayer's TY 2021 tax return in the amount of:
 - a) \$250 for each dependent who was under 17 years old at the end of TY 2021; and
 - b) \$100 for each dependent who was at least 17 years old at the end of TY 2021.
3. Requires ADOR to attempt to pay each rebate by electronic funds transfer using the taxpayer's provided routing and account information or, if unsuccessful, to issue the rebate check by mail to the most recent home address provided by the taxpayer.

FACT SHEET

S.B. 1734

Page 2

4. Requires a taxpayer, in computing Arizona adjusted gross income, to subtract from the taxpayer's Arizona gross income any rebate amount received by the taxpayer and required to be included in Arizona gross income under the U.S. Internal Revenue Code.
5. Determines that, for a taxpayer who claimed more than three dependents for TY 2021, dependents who were under 17 years old at the end of TY 2021 must be counted towards the three dependent cap before dependents who were at least 17 years old at the end of TY 2021.
6. Allows a taxpayer who does not receive the rebate by November 15, 2024, to claim the rebate by filing an online claim application in a form and manner prescribed by ADOR and requires the claim application to include the claimant's name, address, taxpayer identification number and IIT filing status.
7. Requires ADOR to review each claim application and verify the information provided and allows ADOR to request that a claimant provide evidence to verify rebate eligibility.
8. Allows a deceased taxpayer's surviving spouse, personal representative or executor or another official estate representative to receive the rebate for the deceased taxpayer.
9. Requires, by February 15, 2025, the Director of ADOR to report to the President of the Senate, Speaker of the House of Representatives and Director of the Joint Legislative Budget Committee on:
 - a) the total rebate dollar amount;
 - b) the administrative costs associated with ADOR's program for issuing the rebates; and
 - c) the total number of rebates issued.
10. Specifies that ADOR must conclude that a taxpayer does not meet the rebate eligibility criteria, if the taxpayer does not meet any of the rebate eligibility requirements.
11. Directs ADOR to use a taxpayer's taxpayer identification number, as reported on the taxpayer's TY 2021 tax return, for necessary matching and verification purposes.
12. Subjects any appealable agency actions or contested cases relating to the rebate to uniform administrative hearing procedures.
13. Contains a statement of legislative findings.
14. Defines terms.
15. Repeals the general welfare IIT rebate on January 1, 2030.

ADOR Integrated Tax System Modernization Project

16. Declares the Legislature's intent that the total amount of fees that ADOR must assess on the following entities in FY 2024 to implement an integrated tax system modernization project may not exceed \$6,597,200 and must be assessed in proportion to the aggregate amount of specified tax revenues distributed for the fiscal year two years preceding the current fiscal year:
 - a) counties, cities and towns that receive state shared revenues;
 - b) the Maricopa County council of governments; and
 - c) Maricopa County and Pima County regional transportation authorities.

17. Declares the Legislature's intent that a county's, city's or town's population in the most recent census must be used as the basis for apportioning the assessment.
18. Declares the Legislature's intent that the amount of the 0.6 percent additional education transaction privilege tax revenues transferred for the integrated tax system modernization project not exceed \$800,000 in FY 2024.
19. Declares the Legislature's intent that the amount of marijuana excise tax revenues transferred for the integrated tax system modernization project not exceed \$178,100 in FY 2024.

Adoption Expenses (Retroactive to January 1, 2023)

20. Increases, from \$3,000 to \$40,000, the amount of the IIT subtraction for unreimbursed adoption expenses for TYs 2023, 2024 and 2025.
21. Repeals the increased IIT subtraction for unreimbursed adoption expenses on January 1, 2030.

Miscellaneous

22. Includes, for taxable years beginning January 1, 2023, in the taxable income of a partnership that elects to be taxed at the entity level, the partners' distributive share of statutorily prescribed items that require separate computation.
23. Becomes effective on the general effective date, with a retroactive provision as noted.

Prepared by Senate Research

May 8, 2023

MG/slp