

PROPOSED

SENATE AMENDMENTS TO S.B. 1375

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1022, Arizona Revised Statutes, is amended to  
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts  
6 shall be subtracted from Arizona gross income:

7 1. The amount of exemptions allowed by section 43-1023.

8 2. Benefits, annuities and pensions in an amount totaling not more  
9 than \$2,500 received from one or more of the following:

10 (a) The United States government service retirement and disability  
11 fund, the United States foreign service retirement and disability system  
12 and any other retirement system or plan established by federal law, except  
13 retired or retainer pay of the uniformed services of the United States that  
14 qualifies for a subtraction under paragraph 26 of this section.

15 (b) The Arizona state retirement system, the corrections officer  
16 retirement plan, the public safety personnel retirement system, the elected  
17 officials' retirement plan, an optional retirement program established by  
18 the Arizona board of regents under section 15-1628, an optional retirement  
19 program established by a community college district board under section  
20 15-1451 or a retirement plan established for employees of a county, city or  
21 town in this state.

22 3. A beneficiary's share of the fiduciary adjustment to the extent  
23 that the amount determined by section 43-1333 decreases the beneficiary's  
24 Arizona gross income.

1           4. Interest income received on obligations of the United States,  
2 minus any interest on indebtedness, or other related expenses, and deducted  
3 in arriving at Arizona gross income, that were incurred or continued to  
4 purchase or carry such obligations.

5           5. The excess of a partner's share of income required to be included  
6 under section 702(a)(8) of the internal revenue code over the income  
7 required to be included under chapter 14, article 2 of this title.

8           6. The excess of a partner's share of partnership losses determined  
9 pursuant to chapter 14, article 2 of this title over the losses allowable  
10 under section 702(a)(8) of the internal revenue code.

11           7. The amount allowed by section 43-1025 for contributions during  
12 the taxable year of agricultural crops to charitable organizations.

13           8. The portion of any wages or salaries paid or incurred by the  
14 taxpayer for the taxable year that is equal to the amount of the federal  
15 work opportunity credit, the empowerment zone employment credit, the credit  
16 for employer paid social security taxes on employee cash tips and the  
17 Indian employment credit that the taxpayer received under sections 45A,  
18 45B, 51(a) and 1396 of the internal revenue code.

19           9. The amount of exploration expenses that is determined pursuant to  
20 section 617 of the internal revenue code, that has been deferred in a  
21 taxable year ending before January 1, 1990 and for which a subtraction has  
22 not previously been made. The subtraction shall be made on a ratable basis  
23 as the units of produced ores or minerals discovered or explored as a  
24 result of this exploration are sold.

25           10. The amount included in federal adjusted gross income pursuant to  
26 section 86 of the internal revenue code, relating to taxation of social  
27 security and railroad retirement benefits.

28           11. To the extent not already excluded from Arizona gross income  
29 under the internal revenue code, compensation received for active service  
30 as a member of the reserves, the national guard or the ~~armed forces~~  
31 **UNIFORMED SERVICES** of the United States, including compensation for service

1 in a combat zone as determined under section 112 of the internal revenue  
2 code.

3 12. The amount of unreimbursed medical and hospital costs, adoption  
4 counseling, legal and agency fees and other nonrecurring costs of adoption  
5 not to exceed \$3,000. In the case of a husband and wife who file separate  
6 returns, the subtraction may be taken by either taxpayer or may be divided  
7 between them, but the total subtractions allowed both husband and wife may  
8 not exceed \$3,000. The subtraction under this paragraph may be taken for  
9 the costs that are described in this paragraph and that are incurred in  
10 prior years, but the subtraction may be taken only in the year during which  
11 the final adoption order is granted.

12 13. The amount authorized by section 43-1027 for the taxable year  
13 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

14 14. The amount by which a net operating loss carryover or capital  
15 loss carryover allowable pursuant to section 43-1029, subsection F exceeds  
16 the net operating loss carryover or capital loss carryover allowable  
17 pursuant to section 1341(b)(5) of the internal revenue code.

18 15. Any amount of qualified educational expenses that is distributed  
19 from a qualified state tuition program determined pursuant to section 529  
20 of the internal revenue code and that is included in income in computing  
21 federal adjusted gross income.

22 16. Any item of income resulting from an installment sale that has  
23 been properly subjected to income tax in another state in a previous  
24 taxable year and that is included in Arizona gross income in the current  
25 taxable year.

26 17. For property placed in service:

27 (a) In taxable years beginning before December 31, 2012, an amount  
28 equal to the depreciation allowable pursuant to section 167(a) of the  
29 internal revenue code for the taxable year computed as if the election  
30 described in section 168(k) of the internal revenue code had been made for  
31 each applicable class of property in the year the property was placed in  
32 service.

1           (b) In taxable years beginning from and after December 31, 2012  
2 through December 31, 2013, an amount determined in the year the asset was  
3 placed in service based on the calculation in subdivision (a) of this  
4 paragraph. In the first taxable year beginning from and after December 31,  
5 2013, the taxpayer may elect to subtract the amount necessary to make the  
6 depreciation claimed to date for the purposes of this title the same as it  
7 would have been if subdivision (c) of this paragraph had applied for the  
8 entire time the asset was in service. Subdivision (c) of this paragraph  
9 applies for the remainder of the asset's life. If the taxpayer does not  
10 make the election under this subdivision, subdivision (a) of this paragraph  
11 applies for the remainder of the asset's life.

12           (c) In taxable years beginning from and after December 31, 2013  
13 through December 31, 2015, an amount equal to the depreciation allowable  
14 pursuant to section 167(a) of the internal revenue code for the taxable  
15 year as computed as if the additional allowance for depreciation had been  
16 ten percent of the amount allowed pursuant to section 168(k) of the  
17 internal revenue code.

18           (d) In taxable years beginning from and after December 31, 2015  
19 through December 31, 2016, an amount equal to the depreciation allowable  
20 pursuant to section 167(a) of the internal revenue code for the taxable  
21 year as computed as if the additional allowance for depreciation had been  
22 fifty-five percent of the amount allowed pursuant to section 168(k) of the  
23 internal revenue code.

24           (e) In taxable years beginning from and after December 31, 2016, an  
25 amount equal to the depreciation allowable pursuant to section 167(a) of  
26 the internal revenue code for the taxable year as computed as if the  
27 additional allowance for depreciation had been the full amount allowed  
28 pursuant to section 168(k) of the internal revenue code.

29           18. With respect to property that is sold or otherwise disposed of  
30 during the taxable year by a taxpayer that complied with section 43-1021,  
31 paragraph 11 with respect to that property, the amount of depreciation that  
32 has been allowed pursuant to section 167(a) of the internal revenue code to

1 the extent that the amount has not already reduced Arizona taxable income  
2 in the current or prior taxable years.

3 19. The amount contributed during the taxable year to college  
4 savings plans established pursuant to section 529 of the internal revenue  
5 code on behalf of the designated beneficiary to the extent that the  
6 contributions were not deducted in computing federal adjusted gross income.  
7 The amount subtracted may not exceed:

8 (a) \$2,000 per beneficiary for a single individual or a head of  
9 household.

10 (b) \$4,000 per beneficiary for a married couple filing a joint  
11 return. In the case of a husband and wife who file separate returns, the  
12 subtraction may be taken by either taxpayer or may be divided between them,  
13 but the total subtractions allowed both husband and wife may not exceed  
14 \$4,000 per beneficiary.

15 20. The portion of the net operating loss carryforward that would  
16 have been allowed as a deduction in the current year pursuant to section  
17 172 of the internal revenue code if the election described in section  
18 172(b)(1)(H) of the internal revenue code had not been made in the year of  
19 the loss that exceeds the actual net operating loss carryforward that was  
20 deducted in arriving at federal adjusted gross income. This subtraction  
21 only applies to taxpayers who made an election under section 172(b)(1)(H)  
22 of the internal revenue code as amended by section 1211 of the American  
23 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section  
24 13 of the worker, homeownership, and business assistance act of 2009  
25 (P.L. 111-92).

26 21. For taxable years beginning from and after December 31, 2013,  
27 the amount of any net capital gain included in federal adjusted gross  
28 income for the taxable year derived from investment in a qualified small  
29 business as determined by the Arizona commerce authority pursuant to  
30 section 41-1518.

1           22. An amount of any net long-term capital gain included in federal  
2 adjusted gross income for the taxable year that is derived from an  
3 investment in an asset acquired after December 31, 2011, as follows:

4           (a) For taxable years beginning from and after December 31, 2012  
5 through December 31, 2013, ten percent of the net long-term capital gain  
6 included in federal adjusted gross income.

7           (b) For taxable years beginning from and after December 31, 2013  
8 through December 31, 2014, twenty percent of the net long-term capital gain  
9 included in federal adjusted gross income.

10          (c) For taxable years beginning from and after December 31, 2014,  
11 twenty-five percent of the net long-term capital gain included in federal  
12 adjusted gross income. For the purposes of this paragraph, a transferee  
13 that receives an asset by gift or at the death of a transferor is  
14 considered to have acquired the asset when the asset was acquired by the  
15 transferor. If the date an asset is acquired cannot be verified, a  
16 subtraction under this paragraph is not allowed.

17          23. If an individual is not claiming itemized deductions pursuant to  
18 section 43-1042, the amount of premium costs for long-term care insurance,  
19 as defined in section 20-1691.

20          24. The amount of eligible access expenditures paid or incurred  
21 during the taxable year to comply with the requirements of the Americans  
22 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,  
23 article 8 as provided by section 43-1024.

24          25. For taxable years beginning from and after December 31, 2017,  
25 the amount of any net capital gain included in Arizona gross income for the  
26 taxable year that is derived from the exchange of one kind of legal tender  
27 for another kind of legal tender. For the purposes of this paragraph:

28           (a) "Legal tender" means a medium of exchange, including specie,  
29 that is authorized by the United States Constitution or Congress to pay  
30 debts, public charges, taxes and dues.

31           (b) "Specie" means coins having precious metal content.

1           26. Benefits, annuities and pensions received as retired or retainer  
2 pay of the uniformed services of the United States in amounts as follows:

3           (a) For taxable years through December 31, 2018, an amount totaling  
4 not more than \$2,500.

5           (b) For taxable years beginning from and after December 31, 2018  
6 through December 31, 2020, an amount totaling not more than \$3,500.

7           (c) For taxable years beginning from and after December 31, 2020,  
8 the full amount received.

9           27. For taxable years beginning from and after December 31, 2020,  
10 the amount contributed during the taxable year to an achieving a better  
11 life experience account established pursuant to section 529A of the  
12 internal revenue code on behalf of the designated beneficiary to the extent  
13 that the contributions were not deducted in computing federal adjusted  
14 gross income. The amount subtracted may not exceed:

15           (a) \$2,000 per beneficiary for a single individual or a head of  
16 household.

17           (b) \$4,000 per beneficiary for a married couple filing a joint  
18 return. In the case of a husband and wife who file separate returns, the  
19 subtraction may be taken by either taxpayer or may be divided between them,  
20 but the total subtractions allowed both husband and wife may not exceed  
21 \$4,000 per beneficiary.

22           28. For taxable years beginning from and after December 31, 2020,  
23 Arizona small business gross income but only if an individual taxpayer has  
24 elected to separately report and pay tax on the taxpayer's Arizona small  
25 business adjusted gross income on the Arizona small business income tax  
26 return.

27           29. To the extent not already excluded from Arizona gross income  
28 under the internal revenue code, the value of virtual currency and  
29 non-fungible tokens the taxpayer received pursuant to an airdrop at the  
30 time of the airdrop. This paragraph may not be interpreted as providing a  
31 subtraction for any appreciation in value that occurs from holding the

1 virtual currency after the initial receipt of the airdrop. For the  
2 purposes of this paragraph:

3 (a) "Airdrop" means the receipt of virtual currency through a means  
4 of distribution of virtual currency to the distributed ledger addresses of  
5 multiple taxpayers.

6 (b) "Non-fungible token" has the same meaning prescribed in section  
7 43-1028.

8 (c) "Virtual currency" has the same meaning prescribed in section  
9 43-1028.

10 30. The amount allowed as a subtraction by section 43-1028 for gas  
11 fees not already included in the taxpayer's virtual currency or  
12 non-fungible token basis.

13 Sec. 2. Effective date

14 This act is effective to taxable years beginning from and after  
15 December 31, 2023."

16 Amend title to conform

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