House Engrossed

income tax; exemption; minors

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2601

AN ACT

AMENDING SECTION 43-403, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1043; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 43-403, Arizona Revised Statutes, is amended to read:

43-403. Employment excluded from withholding

A. No amount shall be deducted or retained from:

1. Wages or salary paid to an employee of a common carrier when such employee is a nonresident of this state as defined in section 43-104 and regularly performs services both within and without this state.

2. Wages paid for domestic service in a private home.

3. Wages paid for casual labor not in the course of the employer's trade or business.

4. Wages paid to part-time or seasonal employees whose services to the employer consist solely of labor in connection with the planting, cultivating, harvesting or field packing of seasonal agricultural crops, except such employees whose principal duties are operating any mechanically-driven device in such operations.

5. Wages or salary paid to a nonresident of this state who is:

(a) An employee of an individual, fiduciary, partnership, corporation or limited liability company having property, payroll and sales in this state, or of a related entity having more than fifty per cent direct or indirect common ownership.

(b) Physically present in this state for less than sixty days in a calendar year for the purpose of performing a service that will benefit the employer or the related entity. For purposes of determining the number of days of service in this state, days spent in the following activities are not included:

(i) In transit.

(ii) Engaging in personal activities.

(iii) Participating in training or professional development activities or attending meetings that are not directly connected to the Arizona operations of the employer or the related entity.

6. Wages or salary paid to a nonresident who is in this state on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period as defined in section 42-1130.

7. THE FIRST $50,000 OF WAGES PAID TO AN EMPLOYEE WHO IS UNDER EIGHTEEN YEARS OF AGE.

B. In addition to the exemptions from the withholding provisions contained in subsection A of this section, because of the temporary nature of such employment, no amount shall be deducted or retained from wages paid to a nonresident of this state engaged in any phase of motion picture production when, prior to the time of payment of such wages, an application is made by the employer to the department, on forms prescribed by the department, for an exemption from the withholding provisions of this section and the department determines that the nonresident would be allowed a credit under section 43-1096 against all of the taxes upon such wages imposed by this chapter.

C. Subsection A, paragraph 5 of this section does not apply to a nonresident employee who is in this state solely for athletic or entertainment purposes.

D. Notwithstanding subsection A, paragraph 5 of this section:

1. The nonresident employee may elect to have withholding deducted in the manner prescribed by section 43-401, subsection E and the employer shall withhold tax pursuant to that election.

2. The employer may elect to withhold tax from the nonresident employee before the sixty-day limitation has elapsed.

Sec. 2. Heading change

The article heading of title 43, chapter 10, article 4, Arizona Revised Statutes, is changed from "DEDUCTIONS" to "DEDUCTIONS AND EXEMPTIONS".

Sec. 3. Title 43, chapter 10, article 4, Arizona Revised Statutes, is amended by adding section 43-1043, to read:

43-1043. Exemption; persons under eighteen years of age

A. AN INDIVIDUAL WHO IS UNDER EIGHTEEN YEARS OF AGE AND WHOSE ARIZONA GROSS INCOME IS $50,000 OR LESS FOR THE TAXABLE YEAR IS EXEMPT FROM THE TAX IMPOSED UNDER THIS CHAPTER WITH RESPECT TO THAT TAXABLE YEAR, REGARDLESS OF THE SOURCE OR NATURE OF THE INCOME.

B. THE DEPARTMENT SHALL ESTABLISH A PROCESS FOR VERIFYING ELIGIBILITY FOR THE EXEMPTION UNDER THIS SECTION.

Sec. 4. Applicability

This act applies to taxable years beginning from and after December 31, 2025.