

Senate Engrossed

legal tender; cryptocurrency

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SENATE BILL 1062

AN ACT

AMENDING TITLE 1, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 9; AMENDING SECTIONS 6-851, 9-1443, 11-1943, 43-1021, 43-1022, 43-1121 AND 43-1122, ARIZONA REVISED STATUTES; RELATING TO LEGAL TENDER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 1, Arizona Revised Statutes, is amended by adding
3 chapter 9, to read:

4 CHAPTER 9

5 LEGAL TENDER

6 ARTICLE 1. GENERAL PROVISIONS

7 1-901. Legal tender; definitions

8 A. LEGAL TENDER IN THIS STATE CONSISTS OF ALL OF THE FOLLOWING:

9 1. ANY MEDIUM OF EXCHANGE THAT IS AUTHORIZED BY THE UNITED STATES
10 CONSTITUTION OR CONGRESS FOR THE PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES
11 AND DUES.

12 2. SPECIE.

13 3. CRYPTOCURRENCY.

14 B. FOR THE PURPOSES OF THIS SECTION:

15 1. "CRYPTOCURRENCY" MEANS ANY FORM OF DIGITAL CURRENCY IN WHICH
16 ENCRYPTION TECHNIQUES ARE USED TO REGULATE THE GENERATION OF UNITS OF
17 CURRENCY AND VERIFY THE TRANSFER OF MONIES, INCLUDING BITCOIN, XRP,
18 ETHEREUM, LITECOIN AND BITCOIN CASH.

19 2. "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

20 Sec. 2. Section 6-851, Arizona Revised Statutes, is amended to
21 read:

22 6-851. Definitions

23 A. In this chapter, unless the context otherwise requires:

24 1. "Trust business" means the holding out by a person to the public
25 at large by advertising, solicitation or other means that the person is
26 available to act as a fiduciary in this state and accepting and
27 undertaking to perform the duties as such a fiduciary in the regular
28 course of business.

29 2. "Trust company" means a corporation holding a certificate issued
30 under this article.

31 B. In this article, unless the context otherwise requires:

32 1. "Agent" means a person who receives compensation to regularly
33 perform services specifically related to the conduct of the trust
34 business.

35 2. "Asset" means any property or property right held by a licensee
36 for the benefit of another.

37 3. "Capital" means the total of outstanding common stock, preferred
38 stock and surplus and undivided profits.

39 4. "Certificate" means a certificate of authority issued under this
40 chapter to engage in trust business.

41 5. "Contingency plan" means a document stating a trust company's
42 means of conducting business and preserving records in the event of any
43 power outage, flood or other physical emergency.

1 6. "Discretionary assets" means those assets in which the trust
2 company has the unilateral authority to determine investment strategies
3 and execute investment transactions without seeking the concurrence,
4 approval or authority from the customer or any other external party.

5 7. "Fiduciary" means a personal representative, administrator,
6 guardian, conservator, trustee, agent or other person who acts in a
7 fiduciary capacity and who is not exempt by section 6-852.

8 8. "Impaired" or "insolvent" means the trust company does not
9 possess assets that are at least equal to liabilities, required reserves
10 and total issued and outstanding capital.

11 9. "Legal tender" means ~~a medium of exchange, including specie,~~
12 ~~that is authorized by the United States Constitution or Congress for the~~
13 ~~payment of debts, public charges, taxes and dues~~ LEGAL TENDER AS
14 PRESCRIBED IN SECTION 1-901.

15 10. "Liquid capital" means legal tender, capital in the form of
16 certificates of deposit issued by banks, savings banks or savings and loan
17 associations doing business in this state and insured by the federal
18 deposit insurance corporation or any successor institution, including
19 deposits to a single depository where excess deposit insurance is provided
20 through a reciprocal deposit arrangement by participating banks, or direct
21 obligations of the United States government with maturity of not more than
22 five years.

23 11. "Nondiscretionary assets" means those assets for which the
24 trust company must obtain from the customer, broker or investment advisor
25 specific direction and instructions regarding both investment strategies
26 and investment executions.

27 12. "Specie" means coins having precious metal content.

28 13. "Surplus" means the total amount paid by shareholders in excess
29 of the par or stated value of the shares of capital stock of a trust
30 business in consideration for the shares.

31 Sec. 3. Section 9-1443, Arizona Revised Statutes, is amended to
32 read:

33 9-1443. License fee; requirements, conditions and
34 limitations; pass through to subscribers

35 A. For the privilege of a video service provider to occupy or use,
36 in whole or in part, any highway within the boundaries of a local
37 government to provide video service through a video service network, the
38 local government may require a video service provider to pay a license fee
39 to the local government based on the gross revenue that the video service
40 provider receives from its subscribers located within the boundaries of
41 the local government. The license fee both:

42 1. Is subject to the limit prescribed in section 9-1442, subsection
43 B and to offset, including amounts collected from subscribers, as
44 prescribed by section 9-1442, subsections A and I and subsection D of this
45 section.

1 2. Shall be due ~~no~~ NOT more often than quarterly.

2 B. If the local government requires a license fee pursuant to

3 subsection A of this section, the local government shall adopt a local law

4 that imposes the license fee equally and uniformly on all of the following

5 that are operating within the boundaries of the local government:

6 1. Video service providers.

7 2. Holdover cable operators.

8 C. A video service provider shall pay the entire amount of the

9 license fee directly to the local government in a check, draft or note or

10 automated clearinghouse transaction that is payable in legal tender as

11 ~~defined~~ PRESCRIBED in section ~~43-1021~~ 1-901.

12 D. A video service provider may do all of the following:

13 1. Pass the license fee through to and collect the license fee from

14 its subscribers within the boundaries of the local government, including

15 for an incumbent cable operator any change in license fees that results

16 from a change in the applicable definition of gross revenue.

17 2. Designate the amount of the license fee collected from each

18 subscriber as a separate line item on the subscriber's bill.

19 Sec. 4. Section 11-1943, Arizona Revised Statutes, is amended to

20 read:

21 11-1943. License fee; requirements; conditions and

22 limitations; pass through to subscribers

23 A. For the privilege of a video service provider to occupy or use,

24 in whole or in part, any highway within the boundaries of a county to

25 provide video service through a video service network, the county may

26 require a video service provider to pay a license fee to the county based

27 on the gross revenue that the video service provider receives from its

28 subscribers located within the boundaries of the county. The license fee

29 both:

30 1. Is subject to the limit prescribed by section 11-1942,

31 subsection B and to offset, including amounts collected from subscribers,

32 as prescribed by section 11-1942, subsections A and I and subsection D of

33 this section.

34 2. Shall be due ~~no~~ NOT more often than quarterly.

35 B. If the county requires a license fee pursuant to subsection A of

36 this section, the county shall adopt a local law that imposes the license

37 fee equally and uniformly on all of the following that are operating

38 within the boundaries of the county:

39 1. Video service providers.

40 2. Holdover cable operators.

41 C. A video service provider shall pay the entire amount of the

42 license fee directly to the county in a check, draft or note or automated

43 clearinghouse transaction that is payable in legal tender as ~~defined~~

44 PRESCRIBED in section ~~43-1021~~ 1-901.

1 D. A video service provider may do all of the following:

2 1. Pass the license fee through to and collect the license fee from
3 its subscribers within the boundaries of the county, including for an
4 incumbent cable operator any change in license fees that results from a
5 change in the applicable definition of gross revenue.

6 2. Designate the amount of the license fee collected from each
7 subscriber as a separate line item on the subscriber's bill.

8 Sec. 5. Section 43-1021, Arizona Revised Statutes, is amended to
9 read:

10 43-1021. Addition to Arizona gross income

11 In computing Arizona adjusted gross income, the following amounts
12 shall be added to Arizona gross income:

13 1. A beneficiary's share of the fiduciary adjustment to the extent
14 that the amount determined by section 43-1333 increases the beneficiary's
15 Arizona gross income.

16 2. An amount equal to the ordinary income portion of a lump sum
17 distribution that was excluded from federal adjusted gross income pursuant
18 to the special rule for individuals who attained fifty years of age before
19 January 1, 1986 under Public Law 99-514, section 1122(h)(3).

20 3. The amount of interest income received on obligations of any
21 state, territory or possession of the United States, or any political
22 subdivision thereof, located outside of this state, reduced, for taxable
23 years beginning from and after December 31, 1996, by the amount of any
24 interest on indebtedness and other related expenses that were incurred or
25 continued to purchase or carry those obligations and that are not
26 otherwise deducted or subtracted in arriving at Arizona gross income.

27 4. The excess of a partner's share of partnership taxable income
28 required to be included under chapter 14, article 2 of this title over the
29 income required to be reported under section 702(a)(8) of the internal
30 revenue code.

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

34 6. Any amount of agricultural water conservation expenses that were
35 deducted pursuant to the internal revenue code for which a credit is
36 claimed under section 43-1084.

37 7. The amount by which the depreciation or amortization computed
38 under the internal revenue code with respect to property for which a
39 credit was taken under section 43-1081.01 or that is pollution control
40 equipment for which a credit was taken before taxable year 2022 exceeds
41 the amount of depreciation or amortization computed pursuant to the
42 internal revenue code on the Arizona adjusted basis of the property.

1 8. The amount by which the adjusted basis computed under the
2 internal revenue code with respect to property for which a credit was
3 claimed under section 43-1074.02 or 43-1081.01 or that is pollution
4 control equipment for which a credit was taken before taxable year 2022
5 and that is sold or otherwise disposed of during the taxable year exceeds
6 the adjusted basis of the property computed under section 43-1074.02 or
7 43-1081.01 or for pollution control equipment, the section in which the
8 credit was taken, as applicable.

9 9. The deduction referred to in section 1341(a)(4) of the internal
10 revenue code for restoration of a substantial amount held under a claim of
11 right.

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

16 11. The amount of any depreciation allowance allowed pursuant to
17 section 167(a) of the internal revenue code to the extent not previously
18 added.

19 12. The amount of a nonqualified withdrawal, as defined in section
20 15-1871, from a college savings plan established pursuant to section 529
21 of the internal revenue code that is made to a distributee to the extent
22 the amount is not included in computing federal adjusted gross income,
23 except that the amount added under this paragraph shall not exceed the
24 difference between the amount subtracted under section 43-1022 in prior
25 taxable years and the amount added under this section in any prior taxable
26 years.

27 13. If a subtraction is or has been taken by the taxpayer under
28 section 43-1024, in the current or a prior taxable year for the full
29 amount of eligible access expenditures paid or incurred to comply with the
30 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
31 or title 41, chapter 9, article 8, any amount of eligible access
32 expenditures that is recognized under the internal revenue code, including
33 any amount that is amortized according to federal amortization schedules,
34 and that is included in computing taxable income for the current taxable
35 year.

36 14. For taxable years beginning from and after December 31, 2017,
37 the amount of any net capital loss included in Arizona gross income for
38 the taxable year that is derived from the exchange of one kind of legal
39 tender for another kind of legal tender. For the purposes of this
40 paragraph, ~~—~~

41 ~~(a) "legal tender" means a medium of exchange, including specie,~~
42 ~~that is authorized by the United States Constitution or Congress to pay~~
43 ~~debts, public charges, taxes and dues~~ LEGAL TENDER AS PRESCRIBED IN
44 SECTION 1-901.

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

1 15. For taxable years beginning from and after December 31, 2021,
2 the amount deducted by the partnership or S corporation pursuant to the
3 internal revenue code for the amount paid to this state under section
4 43-1014 and for taxes that the department determines are substantially
5 similar to the tax imposed under section 43-1014. This amount shall be
6 reflected in the partner's or shareholder's Arizona gross income and the
7 partnership's or S corporation's Arizona taxable income.

8 16. The amount of any motion picture production costs that was
9 deducted pursuant to the internal revenue code for which a tax credit is
10 claimed under section 43-1082.

11 Sec. 6. Section 43-1022, Arizona Revised Statutes, is amended to
12 read:

13 43-1022. Subtractions from Arizona gross income

14 In computing Arizona adjusted gross income, the following amounts
15 shall be subtracted from Arizona gross income:

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

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

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

24 (b) The Arizona state retirement system, the corrections officer
25 retirement plan, the public safety personnel retirement system, the
26 elected officials' retirement plan, an optional retirement program
27 established by the Arizona board of regents under section 15-1628, an
28 optional retirement program established by a community college district
29 board under section 15-1451 or a retirement plan established for employees
30 of a county, city or town in this state.

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

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

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

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

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

1 8. The portion of any wages or salaries paid or incurred by the
2 taxpayer for the taxable year that is equal to the amount of the federal
3 work opportunity credit, the empowerment zone employment credit, the
4 credit for employer paid social security taxes on employee cash tips and
5 the Indian employment credit that the taxpayer received under sections
6 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

16 11. To the extent not already excluded from Arizona gross income
17 under the internal revenue code, compensation received for active service
18 as a member of the reserves, the national guard or the armed forces of the
19 United States, including compensation for service in a combat zone as
20 determined under section 112 of the internal revenue code.

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

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

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

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

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

1 17. For property placed in service:

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

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

19 (c) In taxable years beginning from and after December 31, 2013
20 through December 31, 2015, an amount equal to the depreciation allowable
21 pursuant to section 167(a) of the internal revenue code for the taxable
22 year as computed as if the additional allowance for depreciation had been
23 ten percent of the amount allowed pursuant to section 168(k) of the
24 internal revenue code.

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

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

36 18. With respect to property that is sold or otherwise disposed of
37 during the taxable year by a taxpayer that complied with section 43-1021,
38 paragraph 11 with respect to that property, the amount of depreciation
39 that has been allowed pursuant to section 167(a) of the internal revenue
40 code to the extent that the amount has not already reduced Arizona taxable
41 income in the current or prior taxable years.

42 19. The amount contributed during the taxable year to college
43 savings plans established pursuant to section 529 of the internal revenue
44 code on behalf of the designated beneficiary to the extent that the

1 contributions were not deducted in computing federal adjusted gross
2 income. The amount subtracted may not exceed:

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

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

10 20. The portion of the net operating loss carryforward that would
11 have been allowed as a deduction in the current year pursuant to section
12 172 of the internal revenue code if the election described in section
13 172(b)(1)(H) of the internal revenue code had not been made in the year of
14 the loss that exceeds the actual net operating loss carryforward that was
15 deducted in arriving at federal adjusted gross income. This subtraction
16 only applies to taxpayers who made an election under section 172(b)(1)(H)
17 of the internal revenue code as amended by section 1211 of the American
18 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
19 section 13 of the worker, homeownership, and business assistance act of
20 2009 (P.L. 111-92).

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

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

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

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

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

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

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

5 25. For taxable years beginning from and after December 31, 2017,
6 the amount of any net capital gain included in Arizona gross income for
7 the taxable year that is derived from the exchange of one kind of legal
8 tender for another kind of legal tender. For the purposes of this
9 paragraph, ~~—~~

10 ~~(a) "legal tender" means a medium of exchange, including specie,~~
11 ~~that is authorized by the United States Constitution or Congress to pay~~
12 ~~debts, public charges, taxes and dues~~ LEGAL TENDER AS PRESCRIBED IN
13 SECTION 1-901.

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

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

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

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

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

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

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

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

37 28. For taxable years beginning from and after December 31, 2020,
38 Arizona small business gross income but only if an individual taxpayer has
39 elected to separately report and pay tax on the taxpayer's Arizona small
40 business adjusted gross income on the Arizona small business income tax
41 return.

42 29. To the extent not already excluded from Arizona gross income
43 under the internal revenue code, the value of virtual currency and
44 non-fungible tokens the taxpayer received pursuant to an airdrop at the
45 time of the airdrop. This paragraph may not be interpreted as providing a

1 subtraction for any appreciation in value that occurs from holding the
2 virtual currency after the initial receipt of the airdrop. For the
3 purposes of this paragraph:

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

7 (b) "Non-fungible token" has the same meaning prescribed in section
8 43-1028.

9 (c) "Virtual currency" has the same meaning prescribed in section
10 43-1028.

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

14 Sec. 7. Section 43-1121, Arizona Revised Statutes, is amended to
15 read:

16 43-1121. Additions to Arizona gross income; corporations

17 In computing Arizona taxable income for a corporation, the following
18 amounts shall be added to Arizona gross income:

19 1. The amount of interest income received on obligations of any
20 state, territory or possession of the United States, or any political
21 subdivision thereof, located outside this state, reduced, for taxable
22 years beginning from and after December 31, 1996, by the amount of any
23 interest on indebtedness and other related expenses that were incurred or
24 continued to purchase or carry those obligations and that are not
25 otherwise deducted or subtracted in arriving at Arizona gross income.

26 2. The excess of a partner's share of partnership taxable income
27 required to be included under chapter 14, article 2 of this title over the
28 income required to be reported under section 702(a)(8) of the internal
29 revenue code.

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

33 4. The amount of any depreciation allowance allowed pursuant to
34 section 167(a) of the internal revenue code to the extent not previously
35 added.

36 5. The amount of dividend income received from corporations and
37 allowed as a deduction pursuant to sections 243, 245, 245A and
38 250(a)(1)(B) of the internal revenue code.

39 6. Taxes that are based on income paid to states, local governments
40 or foreign governments and that were deducted in computing federal taxable
41 income.

42 7. Expenses and interest relating to tax-exempt income on
43 indebtedness incurred or continued to purchase or carry obligations the
44 interest on which is wholly exempt from the tax imposed by this title.

1 Financial institutions, as defined in section 6-101, shall be governed by
2 section 43-961, paragraph 2.

3 8. Commissions, rentals and other amounts paid or accrued to a
4 domestic international sales corporation controlled by the payor
5 corporation if the domestic international sales corporation is not
6 required to report its taxable income to this state because its income is
7 not derived from or attributable to sources within this state. If the
8 domestic international sales corporation is subject to article 4 of this
9 chapter, the department shall prescribe by rule the method of determining
10 the portion of the commissions, rentals and other amounts that are paid or
11 accrued to the controlled domestic international sales corporation and
12 that shall be deducted by the payor. For the purposes of this paragraph,
13 "control" means direct or indirect ownership or control of fifty percent
14 or more of the voting stock of the domestic international sales
15 corporation by the payor corporation.

16 9. The amount of net operating loss taken pursuant to section 172
17 of the internal revenue code.

18 10. The amount of exploration expenses determined pursuant to
19 section 617 of the internal revenue code to the extent that they exceed
20 \$75,000 and to the extent that the election is made to defer those
21 expenses not in excess of \$75,000.

22 11. Amortization of costs incurred to install pollution control
23 devices and deducted pursuant to the internal revenue code or the amount
24 of deduction for depreciation taken pursuant to the internal revenue code
25 on pollution control devices for which an election is made pursuant to
26 section 43-1129.

27 12. The amount of depreciation or amortization of costs of child
28 care facilities deducted pursuant to section 167 or 188 of the internal
29 revenue code for which an election is made to amortize pursuant to section
30 43-1130.

31 13. The loss of an insurance company that is exempt under section
32 43-1201 to the extent that it is included in computing Arizona gross
33 income on a consolidated return pursuant to section 43-947.

34 14. The amount by which the depreciation or amortization computed
35 under the internal revenue code with respect to property for which a
36 credit was taken under section 43-1170 exceeds the amount of depreciation
37 or amortization computed pursuant to the internal revenue code on the
38 Arizona adjusted basis of the property.

39 15. The amount by which the adjusted basis computed under the
40 internal revenue code with respect to property for which a credit was
41 claimed under section 43-1170 and that is sold or otherwise disposed of
42 during the taxable year exceeds the adjusted basis of the property
43 computed under section 43-1170.

1 16. The deduction referred to in section 1341(a)(4) of the internal
2 revenue code for restoration of a substantial amount held under a claim of
3 right.

4 17. The amount by which a capital loss carryover allowable pursuant
5 to section 1341(b)(5) of the internal revenue code exceeds the capital
6 loss carryover allowable pursuant to section 43-1130.01, subsection F.

7 18. Any wage expenses deducted pursuant to the internal revenue
8 code for which a credit is claimed under section 43-1175 and representing
9 net increases in qualified employment positions for employment of
10 temporary assistance for needy families recipients.

11 19. Any amount of expenses that were deducted pursuant to the
12 internal revenue code and for which a credit is claimed under section
13 43-1178.

14 20. Any amount deducted pursuant to section 170 of the internal
15 revenue code representing contributions to a school tuition organization
16 for which a credit is claimed under section 43-1183 or 43-1184.

17 21. If a subtraction is or has been taken by the taxpayer under
18 section 43-1124, in the current or a prior taxable year for the full
19 amount of eligible access expenditures paid or incurred to comply with the
20 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
21 or title 41, chapter 9, article 8, any amount of eligible access
22 expenditures that is recognized under the internal revenue code, including
23 any amount that is amortized according to federal amortization schedules,
24 and that is included in computing Arizona taxable income for the current
25 taxable year.

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

31 ~~(a) "legal tender" means a medium of exchange, including specie,~~
32 ~~that is authorized by the United States Constitution or Congress to pay~~
33 ~~debts, public charges, taxes and dues~~ LEGAL TENDER AS PRESCRIBED IN
34 SECTION 1-901.

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

36 23. The amount of any deduction that is claimed in computing
37 Arizona gross income and that represents a donation of a school site for
38 which a credit is claimed under section 43-1181.

39 24. The amount of any motion picture production costs that was
40 deducted pursuant to the internal revenue code for which a tax credit is
41 claimed under section 43-1165.

1 Sec. 8. Section 43-1122, Arizona Revised Statutes, is amended to
2 read:

3 43-1122. Subtractions from Arizona gross income; corporations

4 In computing Arizona taxable income for a corporation, the following
5 amounts shall be subtracted from Arizona gross income:

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

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

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

14 4. The portion of any wages or salaries paid or incurred by the
15 taxpayer for the taxable year that is equal to the amount of the federal
16 work opportunity credit, the empowerment zone employment credit, the
17 credit for employer paid social security taxes on employee cash tips and
18 the Indian employment credit that the taxpayer received under sections
19 45A, 45B, 51(a) and 1396 of the internal revenue code.

20 5. With respect to property that is sold or otherwise disposed of
21 during the taxable year by a taxpayer that complied with section 43-1121,
22 paragraph 4 with respect to that property, the amount of depreciation that
23 has been allowed pursuant to section 167(a) of the internal revenue code
24 to the extent that the amount has not already reduced Arizona taxable
25 income in the current taxable year or prior taxable years.

26 6. With respect to a financial institution as defined in section
27 6-101, expenses and interest relating to tax-exempt income disallowed
28 pursuant to section 265 of the internal revenue code.

29 7. Dividends received from another corporation owned or controlled
30 directly or indirectly by a recipient corporation. For the purposes of
31 this paragraph, "control" means direct or indirect ownership or control of
32 fifty percent or more of the voting stock of the payor corporation by the
33 recipient corporation. Dividends shall have the meaning provided in
34 section 316 of the internal revenue code. This subtraction shall apply
35 without regard to section 43-961, paragraph 2 and article 4 of this
36 chapter.

37 8. Interest income received on obligations of the United States.

38 9. The amount of dividend income from foreign corporations. For
39 the purposes of this paragraph, gross up income as described in section 78
40 of the internal revenue code, global intangible low-taxed income as
41 defined in section 951A of the internal revenue code and subpart F income
42 as defined in section 952 of the internal revenue code shall be considered
43 foreign dividends.

44 10. The amount of net operating loss allowed by section 43-1123.

1 11. The amount of any state income tax refunds received that were
2 included as income in computing federal taxable income.

3 12. The amount of expense recapture included in income pursuant to
4 section 617 of the internal revenue code for mine exploration expenses.

5 13. The amount of deferred exploration expenses allowed by section
6 43-1127.

7 14. The amount of exploration expenses related to the exploration
8 of oil, gas or geothermal resources, computed in the same manner and on
9 the same basis as a deduction for mine exploration pursuant to section 617
10 of the internal revenue code. This computation is subject to the
11 adjustments contained in section 43-1121, paragraph 10 and paragraphs 12
12 and 13 of this section relating to exploration expenses.

13 15. The amortization of pollution control devices allowed by
14 section 43-1129.

15 16. The amount of amortization of the cost of child care facilities
16 pursuant to section 43-1130.

17 17. The amount of income from a domestic international sales
18 corporation required to be included in the income of its shareholders
19 pursuant to section 995 of the internal revenue code.

20 18. The income of an insurance company that is exempt under section
21 43-1201 to the extent that it is included in computing Arizona gross
22 income on a consolidated return pursuant to section 43-947.

23 19. The amount by which a capital loss carryover allowable pursuant
24 to section 43-1130.01, subsection F exceeds the capital loss carryover
25 allowable pursuant to section 1341(b)(5) of the internal revenue code.

26 20. An amount equal to the depreciation allowable pursuant to
27 section 167(a) of the internal revenue code for the taxable year computed
28 as if the election described in section 168(k)(7) of the internal revenue
29 code had been made for each applicable class of property in the year the
30 property was placed in service.

31 21. The amount of eligible access expenditures paid or incurred
32 during the taxable year to comply with the requirements of the Americans
33 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
34 article 8 as provided by section 43-1124.

35 22. For taxable years beginning from and after December 31, 2017,
36 the amount of any net capital gain included in Arizona gross income for
37 the taxable year that is derived from the exchange of one kind of legal
38 tender for another kind of legal tender. For the purposes of this
39 paragraph, ~~:-~~

40 ~~(a) "legal tender" means a medium of exchange, including specie,~~
41 ~~that is authorized by the United States Constitution or Congress to pay~~
42 ~~debts, public charges, taxes and dues~~ LEGAL TENDER AS PRESCRIBED IN
43 SECTION 1-901.

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

1 23. With respect to a public service corporation operating a water
2 system or sewage disposal facility, the amount of monies or property
3 received as a contribution in aid of construction. For the purposes of
4 this paragraph:

5 (a) "Contribution in aid of construction" means any amount of
6 monies or other property contributed to a public service corporation that
7 provides water or sewage disposal services to the extent that the purpose
8 of the contribution is to provide for expanding, improving or replacing
9 the public service corporation's water system or sewage disposal
10 facilities, including any amount of monies or other property contributed
11 to a public service corporation for a water system or sewage disposal
12 facility subject to a contingent obligation to repay the amount, in whole
13 or in part, to the contributor.

14 (b) "Public service corporation" means a public service corporation
15 as defined in article XV, section 2, Constitution of Arizona, that is
16 regulated by the corporation commission.