

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:

## CHAPTER 9

# LEGAL TENDER

## ARTICLE 1. GENERAL PROVISIONS

### 1-901. Legal tender; definitions

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

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

## 2. SPECIE.

### 3. CRYPTOCURRENCY.

B. FOR THE PURPOSES OF THIS SECTION:

1. "CRYPTOCURRENCY" MEANS ANY FORM OF DIGITAL CURRENCY IN WHICH  
PTION TECHNIQUES ARE USED TO REGULATE THE GENERATION OF UNITS OF  
NCY AND VERIFY THE TRANSFER OF MONIES, INCLUDING BITCOIN, XRP,  
EUM, LITECOIN AND BITCOIN CASH.

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

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

## 6-851. Definitions

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

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

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

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

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

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

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

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

5. "Contingency plan" means a document stating a trust company's means of conducting business and preserving records in the event of any

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.