

REFERENCE TITLE: affordable housing; tax credits

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 2644

Introduced by
Representatives Liguori: Abeytia, Aguilar, Austin, Cavero, Connolly, De
Los Santos, Gutierrez, Márquez, Peshlakai, Simacek, Volk

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.04; REPEALING SECTION 20-224.04, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 37, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3954; REPEALING SECTION 41-3954, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-225; REPEALING SECTION 43-225, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; REPEALING SECTION 43-1075, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1163; REPEALING SECTION 43-1163, ARIZONA REVISED STATUTES; RELATING TO TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 20, chapter 2, article 1, Arizona Revised
3 Statutes, is amended by adding section 20-224.04, to read:

4 20-224.04. Affordable housing premium tax credit; rules

5 A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE PREMIUM TAX AGAINST
6 THE PREMIUM TAX LIABILITY IMPOSED PURSUANT TO SECTION 20-224, 20-837,
7 20-1010, 20-1060 OR 20-1097.07 IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES
8 AN ELIGIBILITY STATEMENT FOR A QUALIFIED PROJECT PURSUANT TO SECTION
9 41-3954. THE AMOUNT OF THE CREDIT:

10 1. IS EQUAL TO THE AMOUNT DETERMINED BY THE DEPARTMENT OF REVENUE
11 PURSUANT TO SECTION 41-3954 FOR THE QUALIFIED PROJECT.

12 2. ON NOTICE TO THE DEPARTMENT OF INSURANCE AND FINANCIAL
13 INSTITUTIONS, MAY BE ALLOCATED AMONG THE PARTNERS, MEMBERS OR
14 SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES, REGARDLESS OF THE SIZE
15 OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE TOTAL OF THE ALLOCATED
16 CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED THE AMOUNT OF THE
17 CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF HOUSING. THIS PARAGRAPH DOES
18 NOT PROHIBIT A PARTNER, MEMBER OR SHAREHOLDER FROM HOLDING AN INVESTMENT
19 EXCLUSIVELY IN EITHER THE STATE CREDITS OR FEDERAL CREDITS ALLOCATED TO
20 THE QUALIFIED PROJECT.

21 B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT
22 THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING
23 UNDER SECTION 41-3954 TO THE DEPARTMENT OF INSURANCE AND FINANCIAL
24 INSTITUTIONS WITH THE TAXPAYER'S PREMIUM TAX RETURN. A CREDIT UNDER THIS
25 SECTION IS NOT ALLOWED UNTIL THE TAXPAYER FURNISHES THE REQUIRED
26 DOCUMENTATION.

27 C. IF THE AMOUNT OF THE CREDIT UNDER THIS SECTION EXCEEDS THE
28 TAXPAYER'S STATE PREMIUM TAX LIABILITY, THE AMOUNT OF THE CLAIM NOT USED
29 TO OFFSET THE PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD FOR NOT MORE
30 THAN FIVE CONSECUTIVE TAXABLE YEARS' PREMIUM TAX LIABILITY.

31 D. IF ALL OR PART OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT WITH
32 RESPECT TO THE QUALIFIED PROJECT IS SUBJECT TO RECAPTURE UNDER SECTION 42
33 OF THE INTERNAL REVENUE CODE DURING THE FIRST TEN TAXABLE YEARS AFTER THE
34 PROJECT IS PLACED IN SERVICE, THE CREDIT UNDER THIS SECTION IS ALSO
35 SUBJECT TO RECAPTURE IN A PROPORTIONAL AMOUNT FROM ALL TAXPAYERS THAT
36 CLAIMED THE CREDIT. THE RECAPTURE IS CALCULATED BY INCREASING THE AMOUNT
37 OF TAXES IMPOSED IN THE FOLLOWING YEAR BY THE AMOUNT RECAPTURED.

38 E. A TAXPAYER THAT CLAIMS A TAX CREDIT AGAINST STATE PREMIUM TAX
39 LIABILITY IS NOT REQUIRED TO PAY ANY ADDITIONAL RETALIATORY TAX IMPOSED
40 PURSUANT TO SECTION 20-230 AS A RESULT OF CLAIMING THAT TAX CREDIT. THE
41 CREDIT MAY FULLY OFFSET ANY RETALIATORY TAX IMPOSED BY SECTION 20-230.

42 F. THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS, WITH THE
43 COOPERATION OF THE DEPARTMENT OF REVENUE AND THE ARIZONA DEPARTMENT OF
44 HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
45 AS NECESSARY TO ADMINISTER THIS SECTION.

1 F. THE ARIZONA DEPARTMENT OF HOUSING, WITH THE COOPERATION OF THE
2 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE DEPARTMENT OF
3 REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
4 AS NECESSARY TO ADMINISTER THIS SECTION, INCLUDING CRITERIA ON WHICH
5 ELIGIBILITY STATEMENTS ARE ISSUED UNDER THIS SECTION.

6 G. ON OR BEFORE JULY 30 OF EACH YEAR, THE DEPARTMENT SHALL HOLD A
7 PUBLIC HEARING TO SOLICIT AND ACCEPT PUBLIC COMMENTS RELATING TO THE
8 AMOUNT OF THE CREDIT UNDER THIS SECTION TO BE USED FOR QUALIFIED PROJECTS
9 THAT ARE FINANCED THROUGH TAX-EXEMPT BOND ISSUANCE AS PART OF THE
10 QUALIFIED ALLOCATION PLAN PROCESS AND OTHER AFFORDABLE HOUSING TAX CREDIT
11 ISSUES. THE DEPARTMENT SHALL POST A COPY OF ALL COMMENTS SUBMITTED DURING
12 EACH PUBLIC HEARING ON THE DEPARTMENT'S WEBSITE BEFORE SEPTEMBER 15 OF THE
13 YEAR IN WHICH THE PUBLIC HEARING IS HELD.

14 H. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE DEPARTMENT SHALL
15 SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
16 REPRESENTATIVES A REPORT THAT ADDRESSES WHETHER THE CREDITS APPROVED UNDER
17 THIS SECTION PRODUCED A SIGNIFICANT NUMBER OF ADDITIONAL AFFORDABLE
18 HOUSING UNITS IN THIS STATE AND THAT ANALYZES THE ECONOMIC IMPACT OF THE
19 CREDITS APPROVED UNDER THIS SECTION ON THIS STATE. THE DEPARTMENT SHALL
20 PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE.

21 I. FOR THE PURPOSES OF THIS SECTION:

22 1. "INTERNAL REVENUE CODE" HAS THE SAME MEANING PRESCRIBED IN
23 SECTION 43-105.

24 2. "QUALIFIED PROJECT" MEANS A QUALIFIED LOW-INCOME BUILDING AS
25 DEFINED IN SECTION 42(c)(2) OF THE INTERNAL REVENUE CODE.

26 3. "TAXPAYER" MEANS A PERSON, FIRM OR CORPORATION THAT IS SUBJECT
27 TO TAXATION UNDER TITLE 20 OR UNDER TITLE 43, CHAPTER 10 OR 11.

28 Sec. 4. Delayed repeal

29 Section 41-3954, Arizona Revised Statutes, as added by this act, is
30 repealed from and after December 31, 2031.

31 Sec. 5. Title 43, chapter 2, article 2, Arizona Revised Statutes,
32 is amended by adding section 43-225, to read:

33 43-225. Affordable housing tax credit review committee;
34 reports

35 A. THE AFFORDABLE HOUSING TAX CREDIT REVIEW COMMITTEE IS
36 ESTABLISHED CONSISTING OF THE FOLLOWING MEMBERS:

37 1. THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR, NOT MORE THAN
38 TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.

39 2. THREE MEMBERS WHO ARE APPOINTED BY THE PRESIDENT OF THE SENATE,
40 NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME POLITICAL PARTY.

41 3. THREE MEMBERS WHO ARE APPOINTED BY THE SPEAKER OF THE HOUSE OF
42 REPRESENTATIVES, NOT MORE THAN TWO OF WHOM ARE MEMBERS OF THE SAME
43 POLITICAL PARTY.

44 B. APPOINTED MEMBERS SERVE AT THE PLEASURE OF THE PERSON WHO MADE
45 THE APPOINTMENT.

1 C. COMMITTEE MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT
2 ARE ELIGIBLE TO RECEIVE REIMBURSEMENT FOR EXPENSES PURSUANT TO TITLE 38,
3 CHAPTER 4, ARTICLE 2.

4 D. THE COMMITTEE SHALL REVIEW THE AFFORDABLE HOUSING TAX CREDITS
5 ALLOWED UNDER SECTIONS 20-224.04, 41-3954, 43-1075 AND 43-1163 ON THE
6 THIRD YEAR AFTER THE EFFECTIVE DATE OF THE CREDIT AND EVERY THREE YEARS
7 THEREAFTER. THE COMMITTEE'S REVIEW MUST INCLUDE THE FOLLOWING:

8 1. THE HISTORY, RATIONALE AND ESTIMATED REVENUE IMPACT OF THE
9 CREDIT.

10 2. WHETHER THE CREDIT HAS PROVIDED A BENEFIT TO THIS STATE THAT
11 INCLUDES, FOR CORPORATE TAX CREDITS, MEASURABLE ECONOMIC DEVELOPMENT, NEW
12 INVESTMENTS, CREATION OF NEW JOBS OR RETENTION OF EXISTING JOBS IN THIS
13 STATE.

14 3. WHETHER THE CREDIT IS UNNECESSARILY COMPLEX IN THE APPLICATION,
15 ADMINISTRATION AND APPROVAL PROCESSES.

16 4. THE NUMBER OF HOUSING UNITS GENERATED AS A RESULT OF THE TAX
17 CREDIT AND THE AVERAGE INCOME OF RESIDENTS OFFERED HOUSING UNITS.

18 E. ON OR BEFORE DECEMBER 15 OF THE YEAR THE COMMITTEE REVIEWS THE
19 CREDIT, THE COMMITTEE SHALL REPORT ITS FINDINGS AND RECOMMENDATIONS TO THE
20 PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND
21 THE GOVERNOR AND SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF
22 STATE.

23 Sec. 6. Delayed repeal

24 Section 43-225, Arizona Revised Statutes, as added by this act, is
25 repealed from and after December 31, 2031.

26 Sec. 7. Title 43, chapter 10, article 5, Arizona Revised Statutes,
27 is amended by adding section 43-1075, to read:

28 43-1075. Affordable housing tax credit; rules

29 A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS
30 TITLE IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT
31 FOR A QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE
32 CREDIT:

33 1. IS EQUAL TO THE AMOUNT DETERMINED BY THE DEPARTMENT OF REVENUE
34 PURSUANT TO SECTION 41-3954.

35 2. ON NOTICE TO THE DEPARTMENT OF REVENUE, MAY BE ALLOCATED AMONG
36 THE PARTNERS, MEMBERS OR SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES
37 REGARDLESS OF THE SIZE OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE
38 TOTAL OF THE ALLOCATED CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED
39 THE AMOUNT OF THE CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF
40 HOUSING. THIS PARAGRAPH DOES NOT PROHIBIT A PARTNER, MEMBER OR
41 SHAREHOLDER FROM HOLDING AN INVESTMENT EXCLUSIVELY IN EITHER THE STATE
42 CREDITS OR FEDERAL CREDITS ALLOCATED TO THE QUALIFIED PROJECT.

43 B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT
44 THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING
45 UNDER SECTION 41-3954 TO THE DEPARTMENT OF REVENUE WITH THE TAXPAYER'S

1 INCOME TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE
2 TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.

3 C. IF THE AMOUNT OF THE CREDIT FOR A TAXABLE YEAR EXCEEDS THE
4 AMOUNT OF TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME,
5 OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE
6 AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD
7 FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

8 D. IF ALL OR PART OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT WITH
9 RESPECT TO THE QUALIFIED PROJECT IS SUBJECT TO RECAPTURE UNDER SECTION 42
10 OF THE INTERNAL REVENUE CODE DURING THE FIRST TEN TAXABLE YEARS AFTER THE
11 PROJECT IS PLACED IN SERVICE, THE CREDIT UNDER THIS SECTION IS ALSO
12 SUBJECT TO RECAPTURE IN A PROPORTIONAL AMOUNT FROM ALL TAXPAYERS WHO
13 CLAIMED THE CREDIT. THE RECAPTURE IS CALCULATED BY INCREASING THE AMOUNT
14 OF TAXES IMPOSED IN THE FOLLOWING YEAR BY THE AMOUNT RECAPTURED.

15 E. THE DEPARTMENT OF REVENUE, WITH THE COOPERATION OF THE
16 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE ARIZONA
17 DEPARTMENT OF HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
18 AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION.

19 Sec. 8. Delayed repeal

20 Section 43-1075, Arizona Revised Statutes, as added by this act, is
21 repealed from and after December 31, 2031.

22 Sec. 9. Title 43, chapter 11, article 6, Arizona Revised Statutes,
23 is amended by adding section 43-1163, to read:

24 43-1163. Affordable housing tax credit; rules

25 A. A TAXPAYER IS ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS
26 TITLE IF THE ARIZONA DEPARTMENT OF HOUSING ISSUES AN ELIGIBILITY STATEMENT
27 FOR A QUALIFIED PROJECT PURSUANT TO SECTION 41-3954. THE AMOUNT OF THE
28 CREDIT:

29 1. IS EQUAL TO THE AMOUNT DETERMINED BY THE DEPARTMENT OF REVENUE
30 PURSUANT TO SECTION 41-3954.

31 2. ON NOTICE TO THE DEPARTMENT OF REVENUE, MAY BE ALLOCATED AMONG
32 THE PARTNERS, MEMBERS OR SHAREHOLDERS, AS THEY MAY AGREE AMONG THEMSELVES
33 REGARDLESS OF THE SIZE OF SUCH PARTICIPANT'S OWNERSHIP INTEREST. THE
34 TOTAL OF THE ALLOCATED CREDITS AMONG ALL SUCH PARTICIPANTS MAY NOT EXCEED
35 THE AMOUNT OF THE CREDIT APPROVED BY THE ARIZONA DEPARTMENT OF
36 HOUSING. THIS PARAGRAPH DOES NOT PROHIBIT A PARTNER, MEMBER OR
37 SHAREHOLDER FROM HOLDING AN INVESTMENT EXCLUSIVELY IN EITHER THE STATE
38 CREDITS OR FEDERAL CREDITS ALLOCATED TO THE QUALIFIED PROJECT.

39 B. TO CLAIM THE CREDIT UNDER THIS SECTION, THE TAXPAYER MUST SUBMIT
40 THE ELIGIBILITY STATEMENT PROVIDED BY THE ARIZONA DEPARTMENT OF HOUSING
41 UNDER SECTION 41-3954 TO THE DEPARTMENT OF REVENUE WITH THE TAXPAYER'S
42 INCOME TAX RETURN. A CREDIT UNDER THIS SECTION IS NOT ALLOWED UNTIL THE
43 TAXPAYER FURNISHES THE REQUIRED DOCUMENTATION.

1 C. IF THE AMOUNT OF THE CREDIT FOR A TAXABLE YEAR EXCEEDS THE
2 AMOUNT OF TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME,
3 OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE
4 AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD
5 FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

6 D. IF ALL OR PART OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT WITH
7 RESPECT TO THE QUALIFIED PROJECT IS SUBJECT TO RECAPTURE UNDER SECTION 42
8 OF THE INTERNAL REVENUE CODE DURING THE FIRST TEN TAXABLE YEARS AFTER THE
9 PROJECT IS PLACED IN SERVICE, THE CREDIT UNDER THIS SECTION IS ALSO
10 SUBJECT TO RECAPTURE IN A PROPORTIONAL AMOUNT FROM ALL TAXPAYERS THAT
11 CLAIMED THE CREDIT. THE RECAPTURE IS CALCULATED BY INCREASING THE AMOUNT
12 OF TAXES IMPOSED IN THE FOLLOWING YEAR BY THE AMOUNT RECAPTURED.

13 E. THE DEPARTMENT OF REVENUE, WITH THE COOPERATION OF THE
14 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS AND THE ARIZONA
15 DEPARTMENT OF HOUSING, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
16 AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION.

17 Sec. 10. Delayed repeal

18 Section 43-1163, Arizona Revised Statutes, as added by this act, is
19 repealed from and after December 31, 2031.

20 Sec. 11. Implementation and administration

21 The Arizona department of housing shall implement and administer
22 section 41-3954, Arizona Revised Statutes, as added by this act, for
23 Arizona's 2027 qualified allocation plan for the low-income housing tax
24 credit and for future qualified allocation plans for the low-income
25 housing tax credits authorized by this act.

26 Sec. 12. Purpose

27 Pursuant to section 43-223, Arizona Revised Statutes, the
28 legislature enacts sections 43-1075 and 43-1163, Arizona Revised Statutes,
29 as added by this act, to support the construction of new affordable
30 housing projects in this state.

31 Sec. 13. Saving clause

32 The repeal of sections 20-224.04, 41-3954, 43-225, 43-1075 and
33 43-1163, Arizona Revised Statutes, as added by this act, does not:

34 1. Limit or impair the issuance of premium tax credits or income
35 tax credits for qualified projects that receive a reservation from the
36 Arizona department of housing pursuant to section 41-3954, Arizona Revised
37 Statutes, as added by this act, before December 31, 2031 or a taxpayer's
38 ability to redeem such tax credits in accordance with sections 20-224.04,
39 41-3954, 43-1075 and 43-1163, Arizona Revised Statutes, as added by this
40 act.

41 2. Affect any act done or right accruing or accrued or any suit or
42 proceeding had or commenced in any civil cause of action before the
43 repeal. All rights and liabilities under such acts continue and may be
44 enforced in the same manner as allowed before the repeal.