

House Engrossed

income tax; refunds; veterans' organizations

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

HOUSE BILL 2373

AN ACT

AMENDING SECTION 41-608, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 6, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-623; RELATING TO INDIVIDUAL INCOME TAX REFUNDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-608, Arizona Revised Statutes, is amended to
3 read:

4 41-608. Veterans' donations fund; subaccounts; transfer;
5 grants

6 A. The veterans' donations fund is established consisting of
7 monies, gifts and contributions donated to the department and monies
8 deposited pursuant to sections 28-2414, 28-2428, 28-2431, 28-2447,
9 28-2454, 28-2470.10, 28-2473, 28-2474, 28-2475, 28-2476, ~~and~~ 43-620 ~~AND~~
10 ~~43-623~~. The department shall administer the fund. Monies in the fund are
11 continuously appropriated. The monies in the fund are exempt from the
12 provisions of section 35-190 relating to lapsing of appropriations. The
13 department shall annually transfer fifteen percent of all revenues
14 received by the department that are deposited in the veterans' donations
15 fund pursuant to this section to the subaccount established pursuant to
16 section 41-608.01 in the state homes for veterans trust fund. The
17 department shall adopt rules or policies for grants of less than \$5,000
18 that encourage as much competition as practicable.

19 B. The director or the director's designee may solicit and receive
20 donations, including in-kind donations, from the public for veterans. The
21 director shall deposit, pursuant to sections 35-146 and 35-147, the
22 monetary donations in the veterans' donations fund. Monies in the fund
23 are subject to state auditing procedures. Except for monies deposited
24 pursuant to sections 28-2431 and 28-2447, the donations may be used for
25 the benefit of the veterans within this state as grants, subject to
26 chapter 24 of this title, if applicable.

27 C. The director shall establish a separate subaccount in the
28 veterans' donations fund for the deposit of monies received pursuant to
29 section 28-2431, subsection C. The monies in the subaccount shall be used
30 for the construction and maintenance of the enduring freedom memorial
31 authorized pursuant to section 41-1363 for placement in Wesley Bolin
32 Plaza.

33 D. The director shall establish a separate subaccount in the
34 veterans' donations fund for the deposit of monies received pursuant to
35 section 28-2447, subsection F. The monies in the subaccount shall be used
36 for the benefit of women veterans in this state, including providing
37 shelter to homeless women veterans as grants, subject to chapter 24 of
38 this title, if applicable.

39 E. The director shall establish a separate subaccount in the
40 veterans' donations fund for the deposit of monies received pursuant to
41 section 28-2454, subsection C. The first \$32,000 in the subaccount shall
42 be reimbursed to the person that provides the \$32,000 pursuant to section
43 28-2454, subsection A. The director shall annually allocate monies from
44 the subaccount to a foundation that is qualified under section 501(c)(3)
45 of the ~~United States~~ internal revenue code for federal income tax purposes

1 and that is the nation's oldest and largest provider of need-based
2 scholarships to children of United States military members. The
3 foundation must:

- 4 1. Have been in existence for at least fifty-two years.
- 5 2. Have provided more than thirty-three thousand scholarships that
6 are valued at almost \$90,000,000.
- 7 3. Have a mission that includes honoring marines and educating
8 their children.
- 9 4. Award scholarship monies to children of marines and navy
10 corpsmen who were killed or wounded in combat or who have demonstrated
11 financial need.

12 F. The director shall establish a separate subaccount in the
13 veterans' donations fund for the deposit of monies received pursuant to
14 section 28-2470.10, subsection C. The first \$32,000 in the subaccount
15 shall be reimbursed to the person that provides the \$32,000 pursuant to
16 section 28-2470.10, subsection A. The director shall annually allocate
17 monies from the subaccount to a foundation that is qualified under section
18 501(c)(3) of the ~~United States~~ internal revenue code for federal income
19 tax purposes. The foundation must:

- 20 1. Have been in existence for at least twenty years.
- 21 2. Have a mission that includes providing college scholarships to:
 - 22 (a) The sons and daughters of those who have served the United
23 States honorably as soldiers in the United States army.
 - 24 (b) The spouses of enlisted soldiers on active duty in the United
25 States army.
- 26 3. Envision increasing its fundraising and visibility to encourage
27 more applicants to apply for scholarships and to provide larger
28 scholarships to an increasing number of deserving applicants to both:
 - 29 (a) Reward army families for the sacrifices that army soldiers make
30 every day to serve their nation.
 - 31 (b) Help the spouses and children of army soldiers become leaders
32 in society.
- 33 4. Award scholarship monies to:
 - 34 (a) Children of former United States army members who were killed
35 while serving in the United States army or who received an honorable
36 discharge or medical discharge.
 - 37 (b) Children of United States army members in good standing serving
38 in regular active duty, active duty reserve or active duty national guard.
 - 39 (c) Spouses of United States army members in good standing serving
40 in regular active duty, active duty reserve or active duty national guard.

41 G. THE DIRECTOR SHALL ESTABLISH A SEPARATE SUBACCOUNT IN THE
42 VETERANS' DONATIONS FUND FOR THE DEPOSIT OF MONIES RECEIVED PURSUANT TO
43 SECTION 43-623. THE DIRECTOR SHALL ANNUALLY ALLOCATE MONIES FROM THE
44 SUBACCOUNT TO A VETERANS' SERVICE ORGANIZATION THAT IS QUALIFIED UNDER
45 501(c)(19) OF THE INTERNAL REVENUE CODE FOR FEDERAL INCOME TAX PURPOSES.

1 ~~G.~~ H. The director shall inventory and account for the use of any
2 tangible personal property donated to the fund.

3 ~~H.~~ I. The department may use up to \$150,000 from the veterans'
4 donations fund each fiscal year to administer this section. In addition
5 to any other full-time equivalent positions authorized by law, the
6 department is authorized two full-time equivalent positions to administer
7 this section.

8 ~~I.~~ J. On notice from the director, the state treasurer shall
9 invest and divest monies in the fund as provided by section 35-313, and
10 monies earned from investment shall be credited to the fund.

11 Sec. 2. Title 43, chapter 6, article 1, Arizona Revised Statutes,
12 is amended by adding section 43-623, to read:

13 43-623. Contribution to veterans' service organization fund

14 A. THE DEPARTMENT SHALL PROVIDE A SPACE ON THE INDIVIDUAL INCOME
15 TAX RETURN FORM IN WHICH A TAXPAYER MAY DESIGNATE AN AMOUNT OF THE
16 TAXPAYER'S REFUND AS A VOLUNTARY CONTRIBUTION TO THE VETERANS' DONATIONS
17 FUND ESTABLISHED BY SECTION 41-608 TO BE ALLOCATED TO A VETERANS' SERVICE
18 ORGANIZATION THAT IS QUALIFIED UNDER 501(c)(19) OF THE INTERNAL REVENUE
19 CODE.

20 B. AFTER SUBTRACTING ANY SETOFF FOR DEBTS PURSUANT TO SECTION
21 42-1122, THE DEPARTMENT OF REVENUE SHALL SUBTRACT THE DESIGNATED AMOUNT
22 FROM THE REFUND DUE THE TAXPAYER AND TRANSFER IT TO THE DEPARTMENT OF
23 VETERANS' SERVICES FOR DEPOSIT IN THE VETERANS' DONATIONS FUND ESTABLISHED
24 BY SECTION 41-608. THE DEPARTMENT OF REVENUE SHALL DETERMINE THE INITIAL
25 ADMINISTRATIVE COST OF THIS SECTION AND REPORT THAT AMOUNT TO THE
26 DEPARTMENT OF VETERANS' SERVICES. THE DEPARTMENT OF VETERANS' SERVICES
27 SHALL TRANSFER THAT AMOUNT TO THE STATE GENERAL FUND.

28 C. THE TAXPAYER MAY ALSO DONATE ANY AMOUNT TO THE VETERANS'
29 DONATIONS FUND ESTABLISHED BY SECTION 41-608 TO BE ALLOCATED TO A
30 VETERANS' SERVICE ORGANIZATION BY AN APPROPRIATE INDICATION ON THE RETURN
31 AND BY INCLUDING THAT AMOUNT WITH THE RETURN.

32 Sec. 3. Applicability

33 This act applies to taxable years beginning from and after December
34 31, 2026.