

REFERENCE TITLE: tax credit; health reimbursement arrangement

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

HB 2694

Introduced by
Representative Livingston

AN ACT

AMENDING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1080; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 43-222. Income tax credit review schedule

5 The joint legislative income tax credit review committee shall
6 review the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
8 43-1089.04, 43-1167.01 and 43-1175.

9 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
10 ~~43-1075~~, 43-1076.01, 43-1077, 43-1078, 43-1080, 43-1083, 43-1083.02,
11 43-1162, 43-1164.03 and 43-1183.

12 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
13 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164,
14 43-1165, and 43-1181.

15 4. For years ending in 3 and 8, sections 43-1074.01, 43-1168,
16 43-1170 and 43-1178.

17 5. For years ending in 4 and 9, sections 43-1073.01, 43-1081.01,
18 43-1083.03, 43-1084, 43-1164.04, 43-1164.05 and 43-1184.

19 Sec. 2. Title 43, chapter 10, article 5, Arizona Revised Statutes,
20 is amended by adding section 43-1080, to read:

21 43-1080. Credit for individual coverage health reimbursement
22 arrangement; definition

23 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2026, A
24 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A TAXPAYER
25 THAT:

26 1. EMPLOYS AT LEAST ONE AND NOT MORE THAN FIFTY EMPLOYEES,
27 CUMULATIVELY AND REGARDLESS OF AN EMPLOYEE'S LENGTH OF TENURE DURING THE
28 TAXABLE YEAR.

29 2. PROVIDES AN INDIVIDUAL COVERAGE HEALTH REIMBURSEMENT ARRANGEMENT
30 TO THE TAXPAYER'S EMPLOYEES.

31 3. CONTRIBUTES AT LEAST \$400 FOR EACH EMPLOYEE TO THE INDIVIDUAL
32 COVERAGE HEALTH REIMBURSEMENT ARRANGEMENT DURING THE TAXABLE YEAR.

33 B. THE AMOUNT OF THE CREDIT IS EQUAL TO \$400 MULTIPLIED BY THE
34 NUMBER OF EMPLOYEES WHO RECEIVED HEALTH CARE BENEFITS UNDER THE INDIVIDUAL
35 COVERAGE HEALTH REIMBURSEMENT ARRANGEMENT DURING THE TAXABLE YEAR.

36 C. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
37 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
38 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS
39 TITLE MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
40 YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

41 D. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
42 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE
43 INTERNAL REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE
44 CREDIT ALLOWED UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE
45 TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS OF THE BUSINESS MAY NOT

1 EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE
2 BUSINESS.

3 E. THE DEPARTMENT MAY REQUEST THAT A TAXPAYER THAT CLAIMS A CREDIT
4 UNDER THIS SECTION PROVIDE NECESSARY INFORMATION TO SUPPORT THE AMOUNT OF
5 THE CREDIT THE TAXPAYER IS CLAIMING. THE DEPARTMENT MAY NOT AUTHORIZE THE
6 CREDIT UNTIL THE REQUESTED INFORMATION IS RECEIVED.

7 F. FOR THE PURPOSES OF THIS SECTION, "INDIVIDUAL COVERAGE HEALTH
8 REIMBURSEMENT ARRANGEMENT" MEANS A HEALTH REIMBURSEMENT ARRANGEMENT AS
9 PRESCRIBED IN 45 CODE OF FEDERAL REGULATIONS SECTION 146.123.

10 Sec. 3. Purpose

11 Pursuant to section 43-223, Arizona Revised Statutes, the
12 legislature enacts section 43-1080, Arizona Revised Statutes, as added by
13 this act, to support small businesses that provide an individual coverage
14 health reimbursement arrangement to their employees.