

House Engrossed

income tax changes; notification; forms

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

HOUSE BILL 4029

AN ACT

AMENDING TITLE 41, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 41-112; AMENDING SECTIONS 42-1005 AND 43-323, ARIZONA
REVISED STATUTES; RELATING TO INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 1, article 1, Arizona Revised
3 Statutes, is amended by adding section 41-112, to read:

4 41-112. Evaluation and determination of income tax law
5 changes; special session analysis and notification

6 A. EACH YEAR, THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND
7 BUDGETING AND THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL INDIVIDUALLY
8 EVALUATE AND DETERMINE IF CONFORMING THE LAWS OF THIS STATE WITH CHANGES
9 MADE TO THE INTERNAL REVENUE CODE FOR CALCULATING FEDERAL ADJUSTED GROSS
10 INCOME FOR THE PURPOSE OF CALCULATING TAXABLE INCOME IN THIS STATE WILL
11 RESULT IN AN INCREASE OR DECREASE OF INCOME TAX REVENUES OF \$100,000,000
12 OR MORE COMPARED TO THE AMOUNT OF INCOME TAX REVENUES THAT WOULD BE
13 COLLECTED IF THE LAWS OF THIS STATE DID NOT CONFORM TO THE INTERNAL
14 REVENUE CODE CHANGES.

15 B. BEFORE SEPTEMBER 30 OF EACH YEAR IN WHICH THE EVALUATION MADE BY
16 EITHER THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING OR THE
17 JOINT LEGISLATIVE BUDGET COMMITTEE PURSUANT TO SUBSECTION A OF THIS
18 SECTION EXCEEDS AN INCREASE OR DECREASE OF INCOME TAX REVENUES OF
19 \$100,000,000 OR MORE, THE GOVERNOR SHALL DETERMINE IF A SPECIAL SESSION OF
20 THE LEGISLATURE IS NECESSARY TO CONFORM THE LAWS OF THIS STATE TO THE
21 CHANGES IN THE INTERNAL REVENUE CODE AND SHALL NOTIFY IN WRITING THE
22 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES OF
23 THAT DETERMINATION AND THE REASONS THAT SUPPORT THE DETERMINATION.

24 Sec. 2. Section 42-1005, Arizona Revised Statutes, is amended to
25 read:

26 42-1005. Powers and duties of director

27 A. The director shall be directly responsible to the governor for
28 the direction, control and operation of the department and shall:

29 1. Make such administrative rules as ~~the~~ THE DIRECTOR deems
30 necessary and proper to effectively administer the department and enforce
31 this title and title 43.

32 2. On or before November 15 of each year, issue a written report to
33 the governor and legislature concerning the department's activities during
34 the year. In any election year, a copy of this report shall be made
35 available to the governor-elect and to the legislature-elect.

36 3. On or before December 15 of each year, issue a supplemental
37 report ~~which~~ THAT shall also contain proposed legislation recommended by
38 the department for the improvement of the system of taxation in ~~the~~ THIS
39 state.

40 4. In addition to the report required by paragraph 2 of this
41 subsection, on or before November 15 of each year, issue a written report
42 to the governor and legislature detailing the approximate costs in lost
43 revenue for all state tax expenditures in effect at the time of the
44 report. For the purpose of this paragraph, "tax expenditure" means any
45 tax provision in state law ~~which~~ THAT exempts, in whole or in part, any

1 persons, income, goods, services or property from the impact of
2 established taxes, including deductions, subtractions, exclusions,
3 exemptions, allowances and credits.

4 5. ~~Annually,~~ On or before ~~January 10~~ SEPTEMBER 30 OF EACH YEAR,
5 prepare and submit to the legislature ~~a~~ AN INITIAL report containing a
6 summary of all the revisions made to the internal revenue code during the
7 preceding calendar year AND ON OR BEFORE JANUARY 10 OF EACH YEAR, SUBMIT A
8 FINAL REPORT TO THE LEGISLATURE.

9 6. Provide ~~such~~ assistance to the governor and the legislature as
10 they may require.

11 7. Delegate ~~such~~ administrative functions, duties or powers as ~~he~~
12 THE DIRECTOR deems necessary to carry out the efficient operation of the
13 department.

14 B. The director may enter into an agreement with the taxing
15 authority of any state ~~which~~ THAT imposes a tax on or measured by income
16 to provide that compensation paid in that state to residents of this state
17 is exempt in that state from liability for income tax, the requirement for
18 filing a tax return and withholding tax from compensation. Compensation
19 paid in this state to residents of that state is reciprocally exempt from
20 the requirements of title 43.

21 Sec. 3. Section 43-323, Arizona Revised Statutes, is amended to
22 read:

23 43-323. Place and form of filing returns

24 A. All returns required by this title shall be in such a form as
25 the department may from time to time prescribe and shall be filed with the
26 department.

27 B. The department shall prescribe a short form return for
28 individual taxpayers who:

29 1. Are eligible and elect to pay tax based on the optional tax
30 tables pursuant to section 43-1012.

31 2. Elect to claim the optional standard deduction pursuant to
32 section 43-1041, subsection A, but not the increased amount for charitable
33 deductions under section 43-1041, subsection I.

34 3. Elect not to file for credits against income tax liability other
35 than those contained in sections 43-1072, 43-1072.01, 43-1072.02, 43-1073
36 and 43-1073.01.

37 4. Are not required to add any income under section 43-1021 and do
38 not elect any subtractions under section 43-1022, except for the
39 exemptions allowed under section 43-1023.

40 C. The department may provide a simplified return form for
41 individual taxpayers who:

42 1. Are eligible and elect to pay tax based on the optional tax
43 tables pursuant to section 43-1012.

44 2. Are residents for the full taxable year.

1 3. File as single individuals or married couples filing joint
2 returns under section 43-309.

3 4. Are not sixty-five years of age or older or blind at the end of
4 the taxable year.

5 5. Claim no exemptions under section 43-1023 for the taxable year.

6 6. Elect to claim the optional standard deduction under section
7 43-1041, subsection A, but not the increased amount for charitable
8 deductions under section 43-1041, subsection I.

9 7. Are not required to add any income under section 43-1021 and do
10 not elect to claim any subtractions under section 43-1022 or file for any
11 credits under chapter 10, article 5 of this title, except the credits
12 provided by sections 43-1072.01, 43-1072.02 and 43-1073.

13 8. Do not elect to contribute a portion of any tax refund as
14 provided by any provision of chapter 6, article 1 of this title.
15 Notwithstanding any provision of chapter 6, article 1 of this title, a
16 simplified return form under this subsection shall not include any space
17 for the taxpayer to so contribute a portion of a refund.

18 D. The department shall prepare blank forms for the returns and
19 furnish them on request. Failure to receive or secure the form does not
20 relieve any taxpayer from making any return required.

21 E. An individual income tax preparer who prepares more than ten
22 original income tax returns that are timely filed during any taxable year
23 that begins from and after December 31, 2017 shall file electronically all
24 individual tax returns prepared by that tax preparer, for that taxable
25 year and each subsequent taxable year. An individual income tax preparer
26 may not charge a separate fee to the taxpayer for filing a return using
27 the department's electronic filing program. This subsection does not
28 apply if the taxpayer elects to have the return filed on paper or if the
29 return cannot be filed electronically for reasons outside of the tax
30 preparer's control.

31 F. Fiduciary returns, partnership returns, withholding returns and
32 corporate returns shall be filed electronically for taxable years
33 beginning from and after December 31, 2019, or when the department
34 establishes an electronic filing program, whichever is later. Any person
35 who is required to file electronically pursuant to this subsection may
36 apply to the director, on a form prescribed by the department, for an
37 annual waiver from the electronic filing requirement. The director may
38 grant the waiver, which may be renewed for one subsequent year, if any of
39 the following applies:

40 1. The taxpayer has no computer.

41 2. The taxpayer has no internet access.

42 3. Any other circumstance considered to be worthy by the director
43 exists.

1 G. A waiver is not required if the return cannot be electronically
2 filed for reasons beyond the taxpayer's control, including situations in
3 which the taxpayer was instructed by either the internal revenue service
4 or the department of revenue to file by paper.

5 H. THE DEPARTMENT MAY NOT PRESCRIBE FORMS FOR RETURNS PURSUANT TO
6 THIS SECTION THAT ARE INCONSISTENT WITH THE STATUTES THAT ARE IN EFFECT ON
7 THE DATE THAT THE FORMS ARE ISSUED.