REFERENCE TITLE: individual income tax; credit; education

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

HB 4037

Introduced by
Representative Peña

AN ACT

AMENDING SECTIONS 43-222 AND 43-323, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1073.02; RELATING TO INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

43-222. Income tax credit review schedule

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

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

2. For years ending in 1 and 6, sections 43-1072.02, 43-1073.02, 43-1074.02, ~~43-1075,~~ 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162, 43-1164.03 and 43-1183.

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

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

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

Sec. 2. Section 43-323, Arizona Revised Statutes, is amended to read:

43-323. Place and form of filing returns

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

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

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

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

3. Elect not to file for credits against income tax liability other than those contained in sections 43-1072, 43-1072.01, 43-1072.02, 43-1073, ~~and~~ 43-1073.01 AND 43-1073.02.

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

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

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

2. Are residents for the full taxable year.

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

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

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

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

7. Are not required to add any income under section 43-1021 and do not elect to claim any subtractions under section 43-1022 or file for any credits under chapter 10, article 5 of this title, except the credits provided by sections 43-1072.01, 43-1072.02, ~~and~~ 43-1073, 43-1073.01 AND 43-1073.02.

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

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

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

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

1. The taxpayer has no computer.

2. The taxpayer has no internet access.

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

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

Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is amended by adding section 43-1073.02, to read:

43-1073.02. Education opportunity tax credit; rules; definition

A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2025, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS CHAPTER FOR EACH QUALIFYING CHILD OF A TAXPAYER AS PROVIDED BY THIS SECTION.

B. THE AMOUNT OF THE CREDIT IS:

1. FOR A QUALIFYING CHILD WHO WAS NOT ENROLLED IN A PUBLIC SCHOOL AND DID NOT PARTICIPATE IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO SECTION 15-2402 DURING THE TAXABLE YEAR, EQUAL TO EIGHTY PERCENT OF THE AMOUNT OF THE BASE SUPPORT LEVEL AS DETERMINED BY SECTION 15-943 FOR THE QUALIFYING CHILD OF THE TAXPAYER.

2. FOR A QUALIFYING CHILD WHO WAS EITHER ENROLLED IN A PUBLIC SCHOOL OR PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO SECTION 15-2402 FOR NOT MORE THAN FIFTY PERCENT OF THE INSTRUCTIONAL DAYS OF THE TAXABLE YEAR, EQUAL TO FORTY PERCENT OF THE AMOUNT OF THE BASE SUPPORT LEVEL AS DETERMINED BY SECTION 15-943 FOR THE QUALIFYING CHILD OF THE TAXPAYER.

C. IF THE ALLOWABLE AMOUNT UNDER SUBSECTION B OF THIS SECTION EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS TITLE FOR THE TAXABLE YEAR, AFTER APPLYING ALL OTHER CREDITS TO WHICH THE CLAIMANT MAY BE ENTITLED AND AFTER ANY SETOFF UNDER SECTION 42-1122, THE EXCESS AMOUNT SHALL BE PAID IN THE SAME MANNER AS A REFUND UNDER SECTION 42-1118.

D. THE DEPARTMENT OF REVENUE SHALL ADOPT RULES AND PRESCRIBE FORMS TO ADMINISTER THIS SECTION AND MAY CONSULT WITH THE DEPARTMENT OF EDUCATION TO DETERMINE WHETHER A QUALIFYING CHILD OF A TAXPAYER WHO IS CLAIMING THE CREDIT UNDER THIS SECTION WAS ENROLLED IN A PUBLIC SCHOOL OR PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO SECTION 15-2402.

E. FOR THE PURPOSES OF THIS SECTION, "QUALIFYING CHILD" MEANS A CHILD WHO:

1. IS A DEPENDENT OF THE TAXPAYER AS DEFINED IN SECTION 152 OF THE INTERNAL REVENUE CODE.

2. IS ELIGIBLE TO ENROLL IN A PUBLIC SCHOOL IN THIS STATE BUT WAS NOT ENROLLED IN A PUBLIC SCHOOL IN THIS STATE FOR MORE THAN FIFTY PERCENT OF THE INSTRUCTIONAL DAYS DURING THE TAXABLE YEAR.

3. DID NOT PARTICIPATE IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO SECTION 15-2402 FOR MORE THAN FIFTY PERCENT OF THE INSTRUCTIONAL DAYS DURING THE TAXABLE YEAR.

Sec. 4. Purpose

Pursuant to section 43-223, Arizona Revised Statutes, the legislature enacts section 43-1073.02, Arizona Revised Statutes, as added by this act, to open and improve the statewide educational landscape by providing additional stronger educational choices for families in this state.