

ADAMS FLOOR AMENDMENT

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2156

(Reference to printed bill)

- 1 Page 1, line 33, after "(P.L. 111-5)" insert "EXCEPT SECTION 1211, THE CONSUMER
- 2 ASSISTANCE TO RECYCLE AND SAVE ACT OF 2009 (P.L. 111-32)"
- 3 Line 34, after "(P.L. 111-92)" insert "EXCEPT SECTION 13"
- 4 Page 2, line 4, after "111-5)" insert "EXCEPT SECTION 1211"
- 5 Line 5, after "(P.L. 111-92)" insert "EXCEPT SECTION 13"
- 6 Line 20, strike "and," insert "and"
- 7 Line 21, after "(P.L. 110-458)" strike remainder of line
- 8 Strike line 22
- 9 Line 23, strike "HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009 (P.L.
- 10 111-92)"
- 11 Line 37, strike "and," insert "and"
- 12 Line 38, after "(P.L. 110-289)" strike remainder of line
- 13 Strike line 39
- 14 Line 40, strike "BUSINESS ASSISTANCE ACT OF 2009 (P.L. 111-92)"
- 15 Page 3, line 8, strike "and," insert "and"
- 16 Line 9, after "(P.L. 110-289)" strike remainder of line
- 17 Strike line 10
- 18 Line 11, strike "BUSINESS ASSISTANCE ACT OF 2009 (P.L. 111-92)"
- 19 Line 25, strike "and," insert "and"
- 20 Line 26, after "110-246)" strike remainder of line
- 21 Strike line 27
- 22 Line 41, strike "and," insert "and"
- 23 Line 42, after "(P.L. 110-246)" strike remainder of line
- 24 Strike line 43
- 25 Line 44, strike "OF 2009 (P.L. 111-92)"

1 Page 4, line 11, strike "~~and,~~" insert "and"

2 Line 12, after "(P.L. 110-246)" strike remainder of line

3 Strike line 13

4 Line 14, strike "(P.L. 111-92)"

5 Page 5, between lines 9 and 10, insert:

6 "Sec. 3. Section 43-1021, Arizona Revised Statutes, is amended to
7 read:

8 43-1021. Additions to Arizona gross income

9 In computing Arizona adjusted gross income, the following amounts shall
10 be added to Arizona gross income:

11 1. A beneficiary's share of the fiduciary adjustment to the extent
12 that the amount determined by section 43-1333 increases the beneficiary's
13 Arizona gross income.

14 2. An amount equal to the "ordinary income portion" of a lump sum
15 distribution that was excluded from federal adjusted gross income pursuant to
16 section 402(d) of the internal revenue code.

17 3. The amount of interest income received on obligations of any state,
18 territory or possession of the United States, or any political subdivision
19 thereof, located outside the state of Arizona, reduced, for tax years
20 beginning from and after December 31, 1996, by the amount of any interest on
21 indebtedness and other related expenses that were incurred or continued to
22 purchase or carry those obligations and that are not otherwise deducted or
23 subtracted in arriving at Arizona gross income.

24 4. Annuity income received during the taxable year to the extent that
25 the sum of the proceeds received from such annuity in all taxable years prior
26 to and including the current taxable year exceeds the total consideration and
27 premiums paid by the taxpayer. This paragraph applies only to those
28 annuities with respect to which the first payment was received prior to
29 December 31, 1978.

30 5. The excess of a partner's share of partnership taxable income
31 required to be included under chapter 14, article 2 of this title over the

1 income required to be reported under section 702(a)(8) of the internal
2 revenue code.

3 6. The excess of a partner's share of partnership losses determined
4 pursuant to section 702(a)(8) of the internal revenue code over the losses
5 allowable under chapter 14, article 2 of this title.

6 7. The amount by which the adjusted basis of property described in
7 this paragraph and computed pursuant to the internal revenue code exceeds the
8 adjusted basis of such property computed pursuant to this title and the
9 income tax act of 1954, as amended. This paragraph shall apply to all
10 property which is held for the production of income and which is sold or
11 otherwise disposed of during the taxable year, except depreciable property
12 used in a trade or business.

13 8. The amount of depreciation or amortization of costs of any capital
14 investment that is deducted pursuant to section 167 or 179 of the internal
15 revenue code by a qualified defense contractor with respect to which an
16 election is made to amortize pursuant to section 43-1024.

17 9. The amount of gain from the sale or other disposition of a capital
18 investment which a qualified defense contractor has elected to amortize
19 pursuant to section 43-1024.

20 10. Amounts withdrawn from the Arizona state retirement system, the
21 corrections officer retirement plan, the public safety personnel retirement
22 system, the elected officials' retirement plan or a county or city retirement
23 plan by an employee upon termination of employment before retirement to the
24 extent they were deducted in arriving at Arizona taxable income in any year.

25 11. That portion of the net operating loss included in federal adjusted
26 gross income which has already been taken as a net operating loss for Arizona
27 purposes or which is separately taken as a subtraction under the special net
28 operating loss transition rule.

29 12. Any nonitemized amount deducted pursuant to section 170 of the
30 internal revenue code representing contributions to an educational
31 institution which denies admission, enrollment or board and room

1 accommodations on the basis of race, color or ethnic background except those
2 institutions primarily established for the education of American Indians.

3 13. The amount paid as taxes on property in this state with respect to
4 which a credit is claimed under section 43-1078.

5 14. Amounts withdrawn from a medical savings account by the individual
6 during the taxable year computed pursuant to section 220(f) of the internal
7 revenue code and not included in federal adjusted gross income.

8 15. Any amount of agricultural water conservation expenses that were
9 deducted pursuant to the internal revenue code for which a credit is claimed
10 under section 43-1084.

11 16. The amount by which the depreciation or amortization computed under
12 the internal revenue code with respect to property for which a credit was
13 taken under section 43-1080 exceeds the amount of depreciation or
14 amortization computed pursuant to the internal revenue code on the Arizona
15 adjusted basis of the property.

16 17. The amount by which the adjusted basis computed under the internal
17 revenue code with respect to property for which a credit was claimed under
18 section 43-1080 and which is sold or otherwise disposed of during the taxable
19 year exceeds the adjusted basis of the property computed under section
20 43-1080.

21 18. The amount by which the depreciation or amortization computed under
22 the internal revenue code with respect to property for which a credit was
23 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
24 depreciation or amortization computed pursuant to the internal revenue code
25 on the Arizona adjusted basis of the property.

26 19. The amount by which the adjusted basis computed under the internal
27 revenue code with respect to property for which a credit was claimed under
28 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise
29 disposed of during the taxable year exceeds the adjusted basis of the
30 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
31 applicable.

1 20. The deduction referred to in section 1341(a)(4) of the internal
2 revenue code for restoration of a substantial amount held under a claim of
3 right.

4 21. The amount by which a net operating loss carryover or capital loss
5 carryover allowable pursuant to section 1341(b)(5) of the internal revenue
6 code exceeds the net operating loss carryover or capital loss carryover
7 allowable pursuant to section 43-1029, subsection F.

8 22. Any amount deducted pursuant to section 170 of the internal revenue
9 code representing contributions to a school tuition organization or a public
10 school for which a credit is claimed under section 43-1089 or 43-1089.01.

11 23. Any amount deducted in computing Arizona gross income as expenses
12 for installing solar stub outs or electric vehicle recharge outlets in this
13 state with respect to which a credit is claimed pursuant to section 43-1090.

14 24. Any wage expenses deducted pursuant to the internal revenue code
15 for which a credit is claimed under section 43-1087 and representing net
16 increases in qualified employment positions for employment of temporary
17 assistance for needy families recipients.

18 25. Any amount deducted for conveying ownership or development rights
19 of property to an agricultural preservation district under section 48-5702
20 for which a credit is claimed under section 43-1081.02.

21 26. The amount of any depreciation allowance allowed pursuant to
22 section 167(a) of the internal revenue code to the extent not previously
23 added.

24 27. With respect to property for which an expense deduction was taken
25 pursuant to section 179 of the internal revenue code, the amount in excess of
26 twenty-five thousand dollars.

27 28. The amount of any deductions that are claimed in computing federal
28 adjusted gross income representing expenses for which a credit is claimed
29 under either section 43-1075 or 43-1075.01 or both.

30 29. The amount by which the depreciation or amortization computed under
31 the internal revenue code with respect to property for which a credit was
32 taken under section 43-1090.01 exceeds the amount of depreciation or

1 amortization computed pursuant to the internal revenue code on the Arizona
2 adjusted basis of the property.

3 30. The amount by which the adjusted basis computed under the internal
4 revenue code with respect to property for which a credit was claimed under
5 section 43-1090.01 and which is sold or otherwise disposed of during the
6 taxable year exceeds the adjusted basis of the property computed under
7 section 43-1090.01.

8 31. The amount of a nonqualified withdrawal, as defined in section
9 15-1871, from a college savings plan established pursuant to section 529 of
10 the internal revenue code that is made to a distributee to the extent the
11 amount is not included in computing federal adjusted gross income, except
12 that the amount added under this paragraph shall not exceed the difference
13 between the amount subtracted under section 43-1022 in prior taxable years
14 and the amount added under THIS section ~~43-1021~~ in any prior taxable years.

15 32. THE AMOUNT OF UNEMPLOYMENT COMPENSATION THAT IS EXCLUDED FROM
16 FEDERAL ADJUSTED GROSS INCOME PURSUANT TO SECTION 85(c) OF THE INTERNAL
17 REVENUE CODE AS ADDED BY SECTION 1007 OF THE AMERICAN RECOVERY AND
18 REINVESTMENT ACT OF 2009 (P.L. 111-5).

19 33. THE AMOUNT OF DISCHARGE OF INDEBTEDNESS INCOME THAT IS DEFERRED AND
20 EXCLUDED FROM THE COMPUTATION OF FEDERAL ADJUSTED GROSS INCOME OR FEDERAL
21 TAXABLE INCOME IN THE CURRENT TAXABLE YEAR PURSUANT TO SECTION 108(i) OF THE
22 INTERNAL REVENUE CODE AS ADDED BY SECTION 1231 OF THE AMERICAN RECOVERY AND
23 REINVESTMENT ACT OF 2009 (P.L. 111-5).

24 34. THE AMOUNT OF ANY PREVIOUSLY DEFERRED ORIGINAL ISSUE DISCOUNT THAT
25 WAS DEDUCTED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME OR FEDERAL TAXABLE
26 INCOME IN THE CURRENT YEAR PURSUANT TO SECTION 108(i) OF THE INTERNAL REVENUE
27 CODE AS ADDED BY SECTION 1231 OF THE AMERICAN RECOVERY AND REINVESTMENT ACT
28 OF 2009 (P.L. 111-5), TO THE EXTENT THAT THE AMOUNT WAS PREVIOUSLY SUBTRACTED
29 FROM ARIZONA GROSS INCOME PURSUANT TO SECTION 43-1022, PARAGRAPH 33.

1 Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:
2 43-1022. Subtractions from Arizona gross income

3 In computing Arizona adjusted gross income, the following amounts shall
4 be subtracted from Arizona gross income:

5 1. The amount of exemptions allowed by section 43-1023.

6 2. Benefits, annuities and pensions in an amount totaling not more
7 than two thousand five hundred dollars received from one or more of the
8 following:

9 (a) The United States government service retirement and disability
10 fund, retired or retainer pay of the uniformed services of the United States,
11 the United States foreign service retirement and disability system and any
12 other retirement system or plan established by federal law.

13 (b) The Arizona state retirement system, the corrections officer
14 retirement plan, the public safety personnel retirement system, the elected
15 officials' retirement plan, an optional retirement program established by the
16 Arizona board of regents under section 15-1628, an optional retirement
17 program established by a community college district board under section
18 15-1451 or a retirement plan established for employees of a county, city or
19 town in this state.

20 3. A beneficiary's share of the fiduciary adjustment to the extent
21 that the amount determined by section 43-1333 decreases the beneficiary's
22 Arizona gross income.

23 4. The amount of any distributions from an individual retirement
24 account as provided for in section 408 of the internal revenue code or from a
25 qualified retirement plan of a self-employed individual as provided for in
26 section 401 of the internal revenue code to the extent that total adjustments
27 made pursuant to this paragraph in all tax years do not exceed the total of
28 all contributions made by the taxpayer to such plans prior to December 31,
29 1975, which were included in computing Arizona taxable income.

30 5. The amount of income on an installment receivable which is
31 recognized pursuant to the internal revenue code and which has already been

1 recognized on the death of the taxpayer for purposes of this title for tax
2 years ending before January 1, 1990.

3 6. Interest income received on obligations of the United States, less
4 any interest on indebtedness, or other related expenses, and deducted in
5 arriving at Arizona gross income, which were incurred or continued to
6 purchase or carry such obligations.

7 7. The amount of any income tax refunds which were received from
8 states other than Arizona and which were included as income in computing
9 federal adjusted gross income.

10 8. Annuity income included in federal adjusted gross income pursuant
11 to section 72 of the internal revenue code if the first payment with respect
12 to such annuity was received prior to December 31, 1978.

13 9. The excess of a partner's share of income required to be included
14 under section 702(a)(8) of the internal revenue code over the income required
15 to be included under chapter 14, article 2 of this title.

16 10. The excess of a partner's share of partnership losses determined
17 pursuant to chapter 14, article 2 of this title over the losses allowable
18 under section 702(a)(8) of the internal revenue code.

19 11. The amount by which the adjusted basis of property described in
20 this paragraph and computed pursuant to this title and the income tax act of
21 1954, as amended, exceeds the adjusted basis of such property computed
22 pursuant to the internal revenue code. This paragraph shall apply to all
23 property which is held for the production of income and which is sold or
24 otherwise disposed of during the taxable year other than depreciable property
25 used in a trade or business.

26 12. The amount allowed by section 43-1024 for amortization, by a
27 qualified defense contractor certified by the department of commerce under
28 section 41-1508, of a capital investment for private commercial activities.

29 13. The amount of gain included in federal adjusted gross income on the
30 sale or other disposition of a capital investment that a qualified defense
31 contractor has elected to amortize pursuant to section 43-1024.

1 14. The amount allowed by section 43-1025 for contributions during the
2 taxable year of agricultural crops to charitable organizations.

3 15. The portion of any wages or salaries paid or incurred by the
4 taxpayer for the taxable year that is equal to the amount of the federal work
5 opportunity credit, the empowerment zone employment credit, the credit for
6 employer paid social security taxes on employee cash tips and the Indian
7 employment credit that the taxpayer received under sections 45A, 45B, 51(a)
8 and 1396 of the internal revenue code.

9 16. The amount of prizes or winnings less than five thousand dollars in
10 a single taxable year from any of the state lotteries established and
11 operated pursuant to title 5, chapter 5, article 1, except that all such
12 winnings before March 22, 1983, including periodic distributions from such
13 winnings made after March 22, 1983, may be subtracted.

14 17. The amount of exploration expenses that is determined pursuant to
15 section 617 of the internal revenue code, that has been deferred in a taxable
16 year ending before January 1, 1990 and for which a subtraction has not
17 previously been made. The subtraction shall be made on a ratable basis as
18 the units of produced ores or minerals discovered or explored as a result of
19 this exploration are sold.

20 18. The amount included in federal adjusted gross income pursuant to
21 section 86 of the internal revenue code, relating to taxation of social
22 security and railroad retirement benefits.

23 19. To the extent not already excluded from Arizona gross income under
24 the internal revenue code, compensation received for active service as a
25 member of the reserves, the national guard or the armed forces of the United
26 States, including compensation for service in a combat zone as determined
27 under section 112 of the internal revenue code.

28 20. The amount of unreimbursed medical and hospital costs, adoption
29 counseling, legal and agency fees and other nonrecurring costs of adoption
30 not to exceed three thousand dollars. In the case of a husband and wife who
31 file separate returns, the subtraction may be taken by either taxpayer or may
32 be divided between them, but the total subtractions allowed both husband and

1 wife shall not exceed three thousand dollars. The subtraction under this
2 paragraph may be taken for the costs that are described in this paragraph and
3 that are incurred in prior years, but the subtraction may be taken only in
4 the year during which the final adoption order is granted.

5 21. The amount authorized by section 43-1027 for the taxable year
6 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

7 22. With respect to a medical savings account established pursuant to
8 section 43-1028:

9 (a) An eligible individual may subtract:

10 (i) The amount of contributions made by the individual's employer
11 during the taxable year to the individual's medical savings account pursuant
12 to section 43-1028 to the extent that the employer contributions are included
13 in the individual's federal adjusted gross income.

14 (ii) The amount deposited by the individual in the account during the
15 taxable year to the extent that the individual's contributions are included
16 in the individual's federal adjusted gross income.

17 (b) The individual's employer may subtract the amount of contributions
18 made by the employer to a medical savings account established on the
19 individual's behalf to the extent that the contributions are not deductible
20 under the internal revenue code.

21 23. The amount by which a net operating loss carryover or capital loss
22 carryover allowable pursuant to section 43-1029, subsection F exceeds the net
23 operating loss carryover or capital loss carryover allowable pursuant to
24 section 1341(b)(5) of the internal revenue code.

25 24. Any amount of qualified educational expenses that is distributed
26 from a qualified state tuition program determined pursuant to section 529 of
27 the internal revenue code and that is included in income in computing federal
28 adjusted gross income.

29 25. Any item of income resulting from an installment sale that has been
30 properly subjected to income tax in another state in a previous taxable year
31 and that is included in Arizona gross income in the current taxable year.

1 26. The amount authorized by section 43-1030 relating to holocaust
2 survivors.

3 27. The amount authorized by section 43-1031 for constructing an energy
4 efficient residence.

5 28. An amount equal to the depreciation allowable pursuant to section
6 167(a) of the internal revenue code for the taxable year computed as if the
7 election described in section 168(k)(2)(D)(iii) of the internal revenue code
8 had been made for each applicable class of property in the year the property
9 was placed in service.

10 29. With respect to property that is sold or otherwise disposed of
11 during the taxable year by a taxpayer that complied with section 43-1021,
12 paragraph 26 with respect to that property, the amount of depreciation that
13 has been allowed pursuant to section 167(a) of the internal revenue code to
14 the extent that the amount has not already reduced Arizona taxable income in
15 the current or prior taxable years.

16 30. With respect to property for which an adjustment was made under
17 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
18 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
19 the amount was adjusted under section 43-1021, paragraph 27 and in each of
20 the following four years.

21 31. For taxable years beginning from and after December 31, 2007
22 through December 31, 2012, the amount contributed during the taxable year to
23 college savings plans established pursuant to section 529 of the internal
24 revenue code to the extent that the contributions were not deducted in
25 computing federal adjusted gross income. The amount subtracted shall not
26 exceed:

27 (a) Seven hundred fifty dollars for a single individual or a head of
28 household.

29 (b) One thousand five hundred dollars for a married couple filing a
30 joint return. In the case of a husband and wife who file separate returns,
31 the subtraction may be taken by either taxpayer or may be divided between

1 them, but the total subtractions allowed both husband and wife shall not
2 exceed one thousand five hundred dollars.

3 32. To the extent not already excluded from Arizona gross income under
4 the internal revenue code, the amount authorized by section 43-1032 for
5 displaced pupils choice grants.

6 33. THE AMOUNT OF ANY ORIGINAL ISSUE DISCOUNT THAT WAS DEFERRED AND NOT
7 ALLOWED TO BE DEDUCTED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME OR FEDERAL
8 TAXABLE INCOME IN THE CURRENT TAXABLE YEAR PURSUANT TO SECTION 108(i) OF THE
9 INTERNAL REVENUE CODE AS ADDED BY SECTION 1231 OF THE AMERICAN RECOVERY AND
10 REINVESTMENT ACT OF 2009 (P.L. 111-5).

11 34. THE AMOUNT OF PREVIOUSLY DEFERRED DISCHARGE OF INDEBTEDNESS INCOME
12 THAT IS INCLUDED IN THE COMPUTATION OF FEDERAL ADJUSTED GROSS INCOME OR
13 FEDERAL TAXABLE INCOME IN THE CURRENT TAXABLE YEAR PURSUANT TO SECTION 108(i)
14 OF THE INTERNAL REVENUE CODE AS ADDED BY SECTION 1231 OF THE AMERICAN
15 RECOVERY AND REINVESTMENT ACT OF 2009 (P.L. 111-5), TO THE EXTENT THAT THE
16 AMOUNT WAS PREVIOUSLY ADDED TO ARIZONA GROSS INCOME PURSUANT TO SECTION
17 43-1021, PARAGRAPH 33.

18 35. THE PORTION OF THE NET OPERATING LOSS CARRYFORWARD THAT WOULD HAVE
19 BEEN ALLOWED AS A DEDUCTION IN THE CURRENT YEAR PURSUANT TO SECTION 172 OF
20 THE INTERNAL REVENUE CODE IF THE ELECTION DESCRIBED IN SECTION 172(b)(1)(h)
21 OF THE INTERNAL REVENUE CODE HAD NOT BEEN MADE IN THE YEAR OF THE LOSS THAT
22 EXCEEDS THE ACTUAL NET OPERATING LOSS CARRYFORWARD THAT WAS DEDUCTED IN
23 ARRIVING AT FEDERAL ADJUSTED GROSS INCOME. THIS SUBTRACTION ONLY APPLIES TO
24 TAXPAYERS WHO MADE AN ELECTION UNDER SECTION 172(b)(1)(h) OF THE INTERNAL
25 REVENUE CODE AS AMENDED BY SECTION 1211 OF THE AMERICAN RECOVERY AND
26 REINVESTMENT ACT OF 2009 (P.L. 111-5) OR AS AMENDED BY SECTION 13 OF THE
27 WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009 (P.L. 111-92).

28 Sec. 5. Section 43-1042, Arizona Revised Statutes, is amended to read:
29 43-1042. Itemized deductions

30 A. Except as provided by subsections B, D, ~~and~~ E AND G of this
31 section, at the election of the taxpayer, and in lieu of the standard
32 deduction allowed by section 43-1041, in computing taxable income the

1 taxpayer may take the amount of itemized deductions allowable for the taxable
2 year pursuant to subtitle A, chapter 1, subchapter B, parts VI and VII, but
3 subject to the limitations prescribed by sections 67, 68 and 274, of the
4 internal revenue code.

5 B. In lieu of the amount of the federal itemized deduction for
6 expenses paid for medical care allowed under section 213 of the internal
7 revenue code, the taxpayer may deduct the full amount of such expenses.

8 C. Notwithstanding subsection B of this section, expenses for medical
9 care that are paid or reimbursed from the taxpayer's medical savings account
10 pursuant to section 43-1028 shall not be deducted pursuant to this section.

11 D. A qualified defense contractor that is identified and certified by
12 the department of commerce pursuant to section 41-1508 shall not claim both a
13 deduction as provided by this section and a credit under section 43-1078 with
14 respect to the same property taxes paid.

15 E. A taxpayer shall not claim both a deduction provided by this
16 section and a credit allowed by this title with respect to the same
17 charitable contributions.

18 F. The taxpayer may add any interest expense paid by the taxpayer for
19 the taxable year that is equal to the amount of federal credit for interest
20 on certain home mortgages allowed by section 25 of the internal revenue code.

21 G. A TAXPAYER SHALL NOT CLAIM ANY AMOUNT THAT WAS DEDUCTED PURSUANT TO
22 SECTION 164(b)(6) OF THE INTERNAL REVENUE CODE, AS ADDED BY SECTION 1008 OF
23 THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (P.L. 111-5), FOR
24 QUALIFIED MOTOR VEHICLE TAXES.

25 Sec. 6. Section 43-1121, Arizona Revised Statutes, is amended to read:
26 43-1121. Additions to Arizona gross income; corporations

27 In computing Arizona taxable income for a corporation, the following
28 amounts shall be added to Arizona gross income:

29 1. The amounts computed pursuant to section 43-1021, paragraphs 3
30 through 9, 12, 26, ~~and~~ 27, 33 AND 34.

1 2. The amount of dividend income received from corporations and
2 allowed as a deduction pursuant to sections 243, 244 and 245 of the internal
3 revenue code.

4 3. Taxes which are based on income paid to states, local governments
5 or foreign governments and which were deducted in computing federal taxable
6 income.

7 4. Expenses and interest relating to tax-exempt income on indebtedness
8 incurred or continued to purchase or carry obligations the interest on which
9 is wholly exempt from the tax imposed by this title. Financial institutions,
10 as defined in section 6-101, shall be governed by section 43-961,
11 paragraph 2.

12 5. Commissions, rentals and other amounts paid or accrued to a
13 domestic international sales corporation controlled by the payor corporation
14 if the domestic international sales corporation is not required to report its
15 taxable income to this state because its income is not derived from or
16 attributable to sources within this state. If the domestic international
17 sales corporation is subject to article 4 of this chapter, the department
18 shall prescribe by rule the method of determining the portion of the
19 commissions, rentals and other amounts which are paid or accrued to the
20 controlled domestic international sales corporation and which shall be
21 deducted by the payor. ~~"Control"~~ For THE purposes of this paragraph,
22 "CONTROL" means direct or indirect ownership or control of fifty per cent or
23 more of the voting stock of the domestic international sales corporation by
24 the payor corporation.

25 6. Federal income tax refunds received during the taxable year to the
26 extent they were deducted in arriving at Arizona taxable income in a previous
27 year.

28 7. The amount of net operating loss taken pursuant to section 172 of
29 the internal revenue code.

30 8. The amount of exploration expenses determined pursuant to section
31 617 of the internal revenue code to the extent that they exceed seventy-five

1 thousand dollars and to the extent that the election is made to defer those
2 expenses not in excess of seventy-five thousand dollars.

3 9. Amortization of costs incurred to install pollution control devices
4 and deducted pursuant to the internal revenue code or the amount of deduction
5 for depreciation taken pursuant to the internal revenue code on pollution
6 control devices for which an election is made pursuant to section 43-1129.

7 10. The amount of depreciation or amortization of costs of child care
8 facilities deducted pursuant to section 167 or 188 of the internal revenue
9 code for which an election is made to amortize pursuant to section 43-1130.

10 11. Arizona state income tax refunds received, to the extent the amount
11 of the refunds is not already included in Arizona gross income, if a tax
12 benefit was derived by deduction of this amount in a prior year.

13 12. The amount paid as taxes on property in this state by a qualified
14 defense contractor with respect to which a credit is claimed under section
15 43-1166.

16 13. The loss of an insurance company that is exempt under section
17 43-1201 to the extent that it is included in computing Arizona gross income
18 on a consolidated return pursuant to section 43-947.

19 14. The amount by which the depreciation or amortization computed under
20 the internal revenue code with respect to property for which a credit was
21 taken under section 43-1169 exceeds the amount of depreciation or
22 amortization computed pursuant to the internal revenue code on the Arizona
23 adjusted basis of the property.

24 15. The amount by which the adjusted basis computed under the internal
25 revenue code with respect to property for which a credit was claimed under
26 section 43-1169 and which is sold or otherwise disposed of during the taxable
27 year exceeds the adjusted basis of the property computed under section
28 43-1169.

29 16. The amount by which the depreciation or amortization computed under
30 the internal revenue code with respect to property for which a credit was
31 taken under either section 43-1170 or 43-1170.01 exceeds the amount of

1 depreciation or amortization computed pursuant to the internal revenue code
2 on the Arizona adjusted basis of the property.

3 17. The amount by which the adjusted basis computed under the internal
4 revenue code with respect to property for which a credit was claimed under
5 either section 43-1170 or 43-1170.01 and which is sold or otherwise disposed
6 of during the taxable year exceeds the adjusted basis of the property
7 computed under section 43-1170 or 43-1170.01, as applicable.

8 18. The deduction referred to in section 1341(a)(4) of the internal
9 revenue code for restoration of a substantial amount held under a claim of
10 right.

11 19. The amount by which a capital loss carryover allowable pursuant to
12 section 1341(b)(5) of the internal revenue code exceeds the capital loss
13 carryover allowable pursuant to section 43-1130.01, subsection F.

14 20. Any amount deducted in computing Arizona taxable income as expenses
15 for installing solar stub outs or electric vehicle recharge outlets in this
16 state with respect to which a credit is claimed pursuant to section 43-1176.

17 21. Any wage expenses deducted pursuant to the internal revenue code
18 for which a credit is claimed under section 43-1175 and representing net
19 increases in qualified employment positions for employment of temporary
20 assistance for needy families recipients.

21 22. Any amount of expenses that were deducted pursuant to the internal
22 revenue code and for which a credit is claimed under section 43-1178.

23 23. Any amount deducted for conveying ownership or development rights
24 of property to an agricultural preservation district under section 48-5702
25 for which a credit is claimed under section 43-1180.

26 24. The amount of any deduction that is claimed in computing Arizona
27 gross income and that represents a donation of a school site for which a
28 credit is claimed under section 43-1181.

29 25. The amount of any deductions that are claimed in computing federal
30 taxable income representing expenses for which a credit is claimed under
31 either section 43-1163 or 43-1163.01 or both.

1 26. Any amount deducted in computing Arizona taxable income as expenses
2 for installing water conservation system plumbing stub outs in this state
3 with respect to which a credit is claimed pursuant to section 43-1182.

4 27. Any amount deducted pursuant to section 170 of the internal revenue
5 code representing contributions to a school tuition organization for which a
6 credit is claimed under section 43-1183 or 43-1184.

7 Sec. 7. Section 43-1122, Arizona Revised Statutes, is amended to read:

8 43-1122. Subtractions from Arizona gross income: corporations

9 In computing Arizona taxable income for a corporation, the following
10 amounts shall be subtracted from Arizona gross income:

11 1. The amounts computed pursuant to section 43-1022, paragraphs 8
12 through 15, 28, 29, ~~and~~ 30, 33 AND 34. For THE purposes of this paragraph,
13 "federal adjusted gross income" as used in section 43-1022 means "federal
14 taxable income".

15 2. The amount of Arizona capital loss carryover as defined in section
16 43-1124 in an amount not to exceed one thousand dollars.

17 3. With respect to a financial institution as defined in section
18 6-101, expenses and interest relating to tax-exempt income disallowed
19 pursuant to section 265 of the internal revenue code.

20 4. Dividends received from another corporation owned or controlled
21 directly or indirectly by a recipient corporation. ~~"Control"~~ For THE
22 purposes of this paragraph, "CONTROL" means direct or indirect ownership or
23 control of fifty per cent or more of the voting stock of the payor
24 corporation by the recipient corporation. Dividends shall have the meaning
25 provided in section 316 of the internal revenue code. This subtraction shall
26 apply without regard to the provisions of section 43-961, paragraph 2 and
27 article 4 of this chapter. A corporation that has its commercial domicile,
28 as defined in section 43-1131, in this state may subtract the full amount of
29 the dividends. A corporation that does not have its commercial domicile in
30 this state may subtract:

31 (a) For its taxable year beginning in 1990, an amount equal to
32 one-half of the dividends.

1 (b) For taxable years beginning in 1991 and thereafter, the full
2 amount of the dividends.

3 5. Interest income received on obligations of the United States.

4 6. The amount of dividend income from foreign corporations.

5 7. The amount of net operating loss allowed by section 43-1123.

6 8. The amount of any state income tax refunds received which were
7 included as income in computing federal taxable income.

8 9. The amount of expense recapture included in income pursuant to
9 section 617 of the internal revenue code for mine exploration expenses.

10 10. The amount of deferred exploration expenses allowed by section
11 43-1127.

12 11. The amount of exploration expenses related to the exploration of
13 oil, gas or geothermal resources, computed in the same manner and on the same
14 basis as a deduction for mine exploration pursuant to section 617 of the
15 internal revenue code. This computation is subject to the adjustments
16 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this
17 section relating to exploration expenses.

18 12. The amortization of pollution control devices allowed by section
19 43-1129.

20 13. The amount of amortization of the cost of child care facilities
21 pursuant to section 43-1130.

22 14. The amount of income from a domestic international sales
23 corporation required to be included in the income of its shareholders
24 pursuant to section 995 of the internal revenue code.

25 15. The income of an insurance company that is exempt under section
26 43-1201 to the extent that it is included in computing Arizona gross income
27 on a consolidated return pursuant to section 43-947.

28 16. The amount of contributions by the taxpayer during the taxable year
29 to medical savings accounts established on behalf of the taxpayer's employees
30 as provided by section 43-1028, to the extent that the contributions are not
31 deductible under the internal revenue code.

1 17. The amount by which a capital loss carryover allowable pursuant to
2 section 43-1130.01, subsection F exceeds the capital loss carryover allowable
3 pursuant to section 1341(b)(5) of the internal revenue code."

4 Renumber to conform

5 Page 5, line 11, before "Pursuant" insert "A."

6 After line 17, insert:

7 "B. It is the intent of the legislature that by not adopting the
8 extended net operating loss carryback provisions of section 1211 of the
9 American recovery and reinvestment act of 2009 (P.L. 111-5) and section 13 of
10 the worker, homeownership, and business assistance act of 2009 (P.L. 111-92),
11 taxpayers in this state may still carry back net operating losses to the
12 extent the losses would have been carried back if the elections under section
13 1211 of the American recovery and reinvestment act of 2009 (P.L. 111-5) and
14 section 13 of the worker, homeownership, and business assistance act of 2009
15 (P.L. 111-92) had not been made when computing federal adjusted gross income.

16 C. Arizona does not conform to the provisions of the Acceleration of
17 Income Tax Benefits for Haiti Relief act (P.L. 111-126) which allows
18 taxpayers who make cash contributions for relief of victims of the earthquake
19 in Haiti on January 12, 2010 for which a charitable contribution deduction is
20 allowed under section 170 of the Internal Revenue Code of 1986 to treat the
21 contributions made after January 11, 2010 and before March 1, 2010, as if the
22 contributions were made on December 31, 2009 and not in 2010. By not
23 conforming to that act it is the intent of the legislature that any 2010
24 contributions deducted on a taxpayer's 2009 federal income tax return
25 pursuant to that act is not allowed on the 2009 Arizona state income tax
26 return and will instead be treated as contributions made in 2010.

27 Sec. 9. Retroactivity

28 A. Sections 43-1021, 43-1022, 43-1121 and 43-1122, Arizona Revised
29 Statutes, as amended by this act, apply retroactively to taxable years ending
30 from and after December 31, 2008.

1 B. Section 43-1042, Arizona Revised Statutes, as amended by this act,
2 applies retroactively to taxable years beginning from and after December 31,
3 2008."
4 Amend title to conform

KIRK D. ADAMS

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