

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2264

(Reference to the Forese 11-page s/e amendment dated 02/18/2013)

1 Page 11, between lines 21 and 22, insert:

2 "Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall
6 be subtracted from Arizona gross income:

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

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

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

15 (b) The Arizona state retirement system, the corrections officer
16 retirement plan, the public safety personnel retirement system, the elected
17 officials' retirement plan, an optional retirement program established by the
18 Arizona board of regents under section 15-1628, an optional retirement
19 program established by a community college district board under section
20 15-1451 or a retirement plan established for employees of a county, city or
21 town in this state.

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

25 4. The amount of any distributions from an individual retirement
26 account as provided for in section 408 of the internal revenue code or from a
27 qualified retirement plan of a self-employed individual as provided for in
28 section 401 of the internal revenue code to the extent that total adjustments

1 made pursuant to this paragraph in all tax years do not exceed the total of
2 all contributions made by the taxpayer to such plans before December 31,
3 1975, which were included in computing Arizona taxable income.

4 5. The amount of income on an installment receivable that is
5 recognized pursuant to the internal revenue code and that has already been
6 recognized on the death of the taxpayer for purposes of this title for tax
7 years ending before January 1, 1990.

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

12 7. The amount of any income tax refunds that were received from states
13 other than Arizona and that were included as income in computing federal
14 adjusted gross income.

15 8. Annuity income included in federal adjusted gross income pursuant
16 to section 72 of the internal revenue code if the first payment with respect
17 to such annuity was received before December 31, 1978.

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

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

24 11. The amount by which the adjusted basis of property described in
25 this paragraph and computed pursuant to this title and the income tax act of
26 1954, as amended, exceeds the adjusted basis of such property computed
27 pursuant to the internal revenue code. This paragraph shall apply to all
28 property that is held for the production of income and that is sold or
29 otherwise disposed of during the taxable year other than depreciable property
30 used in a trade or business.

31 12. The amount allowed by section 43-1024 for amortization, by a
32 qualified defense contractor certified by the Arizona commerce authority

1 under section 41-1508, of a capital investment for private commercial
2 activities.

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

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

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

14 16. The amount of prizes or winnings less than five thousand dollars in
15 a single taxable year from any of the state lotteries established and
16 operated pursuant to title 5, chapter 5.1, article 1, except that all such
17 winnings before March 22, 1983, including periodic distributions from such
18 winnings made after March 22, 1983, may be subtracted.

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

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

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

1 20. The amount of unreimbursed medical and hospital costs, adoption
2 counseling, legal and agency fees and other nonrecurring costs of adoption
3 not to exceed three thousand dollars. In the case of a husband and wife who
4 file separate returns, the subtraction may be taken by either taxpayer or may
5 be divided between them, but the total subtractions allowed both husband and
6 wife shall not exceed three thousand dollars. The subtraction under this
7 paragraph may be taken for the costs that are described in this paragraph and
8 that are incurred in prior years, but the subtraction may be taken only in
9 the year during which the final adoption order is granted.

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

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

14 (a) An eligible individual may subtract:

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

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

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

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

30 24. Any amount of qualified educational expenses that is distributed
31 from a qualified state tuition program determined pursuant to section 529 of

1 the internal revenue code and that is included in income in computing federal
2 adjusted gross income.

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

6 26. The amount authorized by section 43-1030 relating to holocaust
7 survivors.

8 27. For property placed in service:

9 (a) In taxable years ending through December 31, 2012, an amount equal
10 to the depreciation allowable pursuant to section 167(a) of the internal
11 revenue code for the taxable year computed as if the election described in
12 section 168(k)(2)(D)(iii) of the internal revenue code had been made for each
13 applicable class of property in the year the property was placed in service.

14 (b) In taxable years beginning from and after December 31, 2012
15 through December 31, 2013, an amount determined in the year the asset was
16 placed in service based on the calculation in subdivision (a) of this
17 paragraph. In the first taxable year beginning from and after December 31,
18 2013, the amount necessary to make the depreciation claimed to date for the
19 purposes of this title the same as it would have been if subdivision (c) of
20 this paragraph had applied for the entire time the asset was in service.
21 Subdivision (c) of this paragraph applies for the remainder of the asset's
22 life.

23 (c) In taxable years beginning from and after December 31, 2013, an
24 amount equal to the depreciation allowable pursuant to section 167(a) of the
25 internal revenue code for the taxable year as computed as if the additional
26 allowance for depreciation had been ten per cent of the amount allowed
27 pursuant to section 168(k) of the internal revenue code.

28 28. With respect to property that is sold or otherwise disposed of
29 during the taxable year by a taxpayer that complied with section 43-1021,
30 paragraph 25 with respect to that property, the amount of depreciation that
31 has been allowed pursuant to section 167(a) of the internal revenue code to

1 the extent that the amount has not already reduced Arizona taxable income in
2 the current or prior taxable years.

3 29. With respect to property for which an adjustment was made under
4 section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of
5 the adjustment pursuant to section 43-1021, paragraph 26 in the year in which
6 the amount was adjusted under section 43-1021, paragraph 26 and in each of
7 the following four years.

8 30. The amount contributed during the taxable year to college savings
9 plans established pursuant to section 529 of the internal revenue code to the
10 extent that the contributions were not deducted in computing federal adjusted
11 gross income. The amount subtracted shall not exceed:

12 (a) Seven hundred fifty dollars for a single individual or a head of
13 household.

14 (b) One thousand five hundred dollars for a married couple filing a
15 joint return. In the case of a husband and wife who file separate returns,
16 the subtraction may be taken by either taxpayer or may be divided between
17 them, but the total subtractions allowed both husband and wife shall not
18 exceed one thousand five hundred dollars.

19 31. The amount of any original issue discount that was deferred and not
20 allowed to be deducted in computing 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 32. The amount of previously deferred discharge of indebtedness income
25 that is included in the computation of federal adjusted gross income or
26 federal taxable income in the current taxable year pursuant to section 108(i)
27 of the internal revenue code as added by section 1231 of the American
28 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
29 amount was previously added to Arizona gross income pursuant to section
30 43-1021, paragraph 32.

31 33. The portion of the net operating loss carryforward that would have
32 been allowed as a deduction in the current year pursuant to section 172 of

1 the internal revenue code if the election described in section 172(b)(1)(H)
2 of the internal revenue code had not been made in the year of the loss that
3 exceeds the actual net operating loss carryforward that was deducted in
4 arriving at federal adjusted gross income. This subtraction only applies to
5 taxpayers who made an election under section 172(b)(1)(H) of the internal
6 revenue code as amended by section 1211 of the American recovery and
7 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the
8 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

9 34. For taxable years beginning from and after December 31, 2013, the
10 amount of any net capital gain included in federal adjusted gross income for
11 the taxable year derived from investment in a qualified small business as
12 determined by the Arizona commerce authority pursuant to section 41-1518.

13 35. An amount of any net long-term capital gain included in federal
14 adjusted gross income for the taxable year that is derived from an investment
15 in an asset acquired after December 31, 2011, as follows:

16 (a) For taxable years beginning from and after December 31, 2012
17 through December 31, 2013, ten per cent of the net long-term capital gain
18 included in federal adjusted gross income.

19 (b) For taxable years beginning from and after December 31, 2013
20 through December 31, 2014, twenty per cent of the net long-term capital gain
21 included in federal adjusted gross income.

22 (c) For taxable years beginning from and after December 31, 2014,
23 twenty-five per cent of the net long-term capital gain included in federal
24 adjusted gross income.

25 36. If an individual is not claiming itemized deductions pursuant to
26 section 43-1042, the amount of premium costs for long-term care insurance, as
27 defined in section 20-1691.

28 37. With respect to a long-term health care savings account established
29 pursuant to section 43-1032, the amount deposited by the taxpayer in the
30 account during the taxable year to the extent that the taxpayer's
31 contributions are included in the taxpayer's federal adjusted gross income.

1 38. THE FOLLOWING PERCENTAGE OF COMPENSATION AND NET INCOME FROM
2 SELF-EMPLOYMENT, UP TO ONE HUNDRED THIRTEEN THOUSAND SEVEN HUNDRED DOLLARS OF
3 COMPENSATION AND NET INCOME FROM SELF-EMPLOYMENT, TO THE EXTENT THAT THE
4 COMPENSATION AND NET INCOME ARE NOT OTHERWISE SUBTRACTED PURSUANT TO THIS
5 SECTION:

6 (a) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
7 THROUGH DECEMBER 31, 2013, ONE-HALF PER CENT.

8 (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013
9 THROUGH DECEMBER 31, 2014, ONE PER CENT.

10 (c) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014
11 THROUGH DECEMBER 31, 2015, ONE AND ONE-HALF PER CENT.

12 (d) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015, TWO
13 PER CENT."

14 Renumber to conform

15 Amend title to conform

THOMAS FORESE

2264-p1-forese
2/19/13
10:49 AM
H:lae

2264tf2.doc *
02/19/2013
9:25 AM
C: kcb