

OLSON SUBSTITUTE FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2617

I move the following SUBSTITUTE amendment to the WAYS AND MEANS Committee
Amendment to
HOUSE BILL 2617 (Reference to printed bill)

1 Page 1, between lines 1 and 2, insert:

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 review
6 the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087, 43-1088,
8 43-1090.01, 43-1167.01, 43-1175 and 43-1182.

9 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
10 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

11 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
12 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090,
13 43-1164, 43-1167, 43-1169, 43-1176 and 43-1181.

14 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
15 43-1170, ~~and~~ 43-1178 **AND 43-1089.04.**

16 5. For years ending in 4 and 9, sections 43-1076, 43-1076.01,
17 43-1081.01, 43-1083.01, 43-1084, 43-1162, 43-1162.01, 43-1164.01, 43-1170.01
18 and 43-1184 and, beginning in 2019, sections 43-1083.03 and 43-1164.04.

19 Sec. 2. Section 43-1021, Arizona Revised Statutes, is amended to read:

20 43-1021. Additions to Arizona gross income

21 In computing Arizona adjusted gross income, the following amounts shall
22 be added to Arizona gross income:

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

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

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

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

20 5. The excess of a partner's share of partnership taxable income
21 required to be included under chapter 14, article 2 of this title over the
22 income required to be reported under section 702(a)(8) of the internal
23 revenue code.

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

27 7. The amount by which the adjusted basis of property described in
28 this paragraph and computed pursuant to the internal revenue code exceeds the
29 adjusted basis of such property computed pursuant to this title and the
30 income tax act of 1954, as amended. This paragraph shall apply to all
31 property ~~which~~ THAT is held for the production of income and ~~which~~ THAT is

1 sold or otherwise disposed of during the taxable year, except depreciable
2 property used in a trade or business.

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

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

10 10. Amounts withdrawn from the Arizona state retirement system, the
11 corrections officer retirement plan, the public safety personnel retirement
12 system, the elected officials' retirement plan or a county or city retirement
13 plan by an employee ~~upon~~ ON termination of employment before retirement to
14 the extent they were deducted in arriving at Arizona taxable income in any
15 year.

16 11. That portion of the net operating loss included in federal adjusted
17 gross income ~~which~~ THAT has already been taken as a net operating loss for
18 Arizona purposes or ~~which~~ THAT is separately taken as a subtraction under the
19 special net operating loss transition rule.

20 12. Any nonitemized amount deducted pursuant to section 170 of the
21 internal revenue code representing contributions to an educational
22 institution ~~which~~ THAT denies admission, enrollment or board and room
23 accommodations on the basis of race, color or ethnic background except those
24 institutions primarily established for the education of American Indians.

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

28 14. Any amount of agricultural water conservation expenses that were
29 deducted pursuant to the internal revenue code for which a credit is claimed
30 under section 43-1084.

31 15. The amount by which the depreciation or amortization computed under
32 the internal revenue code with respect to property for which a credit was

1 taken under section 43-1080 exceeds the amount of depreciation or
2 amortization computed pursuant to the internal revenue code on the Arizona
3 adjusted basis of the property.

4 16. The amount by which the adjusted basis computed under the internal
5 revenue code with respect to property for which a credit was claimed under
6 section 43-1080 and ~~which~~ THAT is sold or otherwise disposed of during the
7 taxable year exceeds the adjusted basis of the property computed under
8 section 43-1080.

9 17. The amount by which the depreciation or amortization computed under
10 the internal revenue code with respect to property for which a credit was
11 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
12 depreciation or amortization computed pursuant to the internal revenue code
13 on the Arizona adjusted basis of the property.

14 18. The amount by which the adjusted basis computed under the internal
15 revenue code with respect to property for which a credit was claimed under
16 section 43-1074.02, 43-1081 or 43-1081.01 and ~~which~~ THAT is sold or otherwise
17 disposed of during the taxable year exceeds the adjusted basis of the
18 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
19 applicable.

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

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

27 21. Any amount deducted pursuant to section 170 of the internal revenue
28 code representing contributions to a school tuition organization or a public
29 school for which a credit is claimed under section 43-1089, 43-1089.01, ~~or~~
30 43-1089.03 OR 43-1089.04.

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

4 23. Any wage expenses deducted pursuant to the internal revenue code
5 for which a credit is claimed under section 43-1087 and representing net
6 increases in qualified employment positions for employment of temporary
7 assistance for needy families recipients.

8 24. Any amount deducted for conveying ownership or development rights
9 of property to an agricultural preservation district under section 48-5702
10 for which a credit is claimed under section 43-1081.02.

11 25. The amount of any depreciation allowance allowed pursuant to
12 section 167(a) of the internal revenue code to the extent not previously
13 added.

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

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

20 ~~28.~~ 27. The amount by which the depreciation or amortization computed
21 under the internal revenue code with respect to property for which a credit
22 was taken under section 43-1090.01 exceeds the amount of depreciation or
23 amortization computed pursuant to the internal revenue code on the Arizona
24 adjusted basis of the property.

25 ~~29.~~ 28. The amount by which the adjusted basis computed under the
26 internal revenue code with respect to property for which a credit was claimed
27 under section 43-1090.01 and ~~which~~ THAT is sold or otherwise disposed of
28 during the taxable year exceeds the adjusted basis of the property computed
29 under section 43-1090.01.

30 ~~30.~~ 29. The amount of a nonqualified withdrawal, as defined in section
31 15-1871, from a college savings plan established pursuant to section 529 of
32 the internal revenue code that is made to a distributee to the extent the

1 amount is not included in computing federal adjusted gross income, except
2 that the amount added under this paragraph shall not exceed the difference
3 between the amount subtracted under section 43-1022 in prior taxable years
4 and the amount added under this section in any prior taxable years.

5 ~~31.~~ 30. The amount of unemployment compensation that is excluded from
6 federal adjusted gross income pursuant to section 85(c) of the internal
7 revenue code as added by section 1007 of the American recovery and
8 reinvestment act of 2009 (P.L. 111-5).

9 ~~32.~~ 31. The amount of discharge of indebtedness income that is
10 deferred and excluded from the computation of federal adjusted gross income
11 or federal taxable income in the current taxable year pursuant to section
12 108(i) of the internal revenue code as added by section 1231 of the American
13 recovery and reinvestment act of 2009 (P.L. 111-5).

14 ~~33.~~ 32. The amount of any previously deferred original issue discount
15 that was deducted in computing federal adjusted gross income or federal
16 taxable income in the current year pursuant to section 108(i) of the internal
17 revenue code as added by section 1231 of the American recovery and
18 reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was
19 previously subtracted from Arizona gross income pursuant to section 43-1022,
20 paragraph 31.

21 ~~34.~~ 33. For taxable years beginning from and after December 31, 2011
22 through December 31, 2014, the amount of any deduction that is claimed in
23 computing federal adjusted gross income for health insurance premiums or
24 contributions to a health savings account for which a credit is claimed under
25 section 43-1087.01.

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

27 43-1022. Subtractions from Arizona gross income

28 In computing Arizona adjusted gross income, the following amounts shall
29 be subtracted from Arizona gross income:

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

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

4 (a) The United States government service retirement and disability
5 fund, retired or retainer pay of the uniformed services of the United States,
6 the United States foreign service retirement and disability system and any
7 other retirement system or plan established by federal law.

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

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

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

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

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

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

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

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

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

13 11. The amount by which the adjusted basis of property described in
14 this paragraph and computed pursuant to this title and the income tax act of
15 1954, as amended, exceeds the adjusted basis of such property computed
16 pursuant to the internal revenue code. This paragraph shall apply to all
17 property that is held for the production of income and that is sold or
18 otherwise disposed of during the taxable year other than depreciable property
19 used in a trade or business.

20 12. The amount allowed by section 43-1024 for amortization, by a
21 qualified defense contractor certified by the Arizona commerce authority
22 under section 41-1508, of a capital investment for private commercial
23 activities.

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

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

29 15. The portion of any wages or salaries paid or incurred by the
30 taxpayer for the taxable year that is equal to the amount of the federal work
31 opportunity credit, the empowerment zone employment credit, the credit for
32 employer paid social security taxes on employee cash tips and the Indian

1 employment credit that the taxpayer received under sections 45A, 45B, 51(a)
2 and 1396 of the internal revenue code.

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

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

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

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

22 20. The amount of unreimbursed medical and hospital costs, adoption
23 counseling, legal and agency fees and other nonrecurring costs of adoption
24 not to exceed three thousand dollars. In the case of a husband and wife who
25 file separate returns, the subtraction may be taken by either taxpayer or may
26 be divided between them, but the total subtractions allowed both husband and
27 wife shall not exceed three thousand dollars. The subtraction under this
28 paragraph may be taken for the costs that are described in this paragraph and
29 that are incurred in prior years, but the subtraction may be taken only in
30 the year during which the final adoption order is granted.

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

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

3 (a) An eligible individual may subtract:

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

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

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

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

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

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

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

28 27. For property placed in service:

29 (a) In taxable years ending through December 31, 2012, an amount equal
30 to the depreciation allowable pursuant to section 167(a) of the internal
31 revenue code for the taxable year computed as if the election described in

1 section 168(k)(2)(D)(iii) of the internal revenue code had been made for each
2 applicable class of property in the year the property was placed in service.

3 (b) In taxable years beginning from and after December 31, 2012
4 through December 31, 2013, an amount determined in the year the asset was
5 placed in service based on the calculation in subdivision (a) of this
6 paragraph. In the first taxable year beginning from and after December 31,
7 2013, the amount necessary to make the depreciation claimed to date for the
8 purposes of this title the same as it would have been if subdivision (c) of
9 this paragraph had applied for the entire time the asset was in service.
10 Subdivision (c) of this paragraph applies for the remainder of the asset's
11 life.

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

17 28. With respect to property that is sold or otherwise disposed of
18 during the taxable year by a taxpayer that complied with section 43-1021,
19 paragraph 25 with respect to that property, the amount of depreciation that
20 has been allowed pursuant to section 167(a) of the internal revenue code to
21 the extent that the amount has not already reduced Arizona taxable income in
22 the current or prior taxable years.

23 29. With respect to property for which an adjustment was made under
24 section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of
25 the adjustment pursuant to section 43-1021, paragraph 26 in the year in which
26 the amount was adjusted under section 43-1021, paragraph 26 and in each of
27 the following four years.

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

1 (a) Seven hundred fifty dollars for a single individual or a head of
2 household.

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

8 31. The amount of any original issue discount that was deferred and not
9 allowed to be deducted in computing federal adjusted gross income or federal
10 taxable income in the current taxable year pursuant to section 108(i) of the
11 internal revenue code as added by section 1231 of the American recovery and
12 reinvestment act of 2009 (P.L. 111-5).

13 32. The amount of previously deferred discharge of indebtedness income
14 that is included in the computation of federal adjusted gross income or
15 federal taxable income in the current taxable year pursuant to section 108(i)
16 of the internal revenue code as added by section 1231 of the American
17 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the
18 amount was previously added to Arizona gross income pursuant to section
19 43-1021, paragraph ~~32~~ 31.

20 33. The portion of the net operating loss carryforward that would have
21 been allowed as a deduction in the current year pursuant to section 172 of
22 the internal revenue code if the election described in section 172(b)(1)(H)
23 of the internal revenue code had not been made in the year of the loss that
24 exceeds the actual net operating loss carryforward that was deducted in
25 arriving at federal adjusted gross income. This subtraction only applies to
26 taxpayers who made an election under section 172(b)(1)(H) of the internal
27 revenue code as amended by section 1211 of the American recovery and
28 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the
29 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

30 34. For taxable years beginning from and after December 31, 2013, the
31 amount of any net capital gain included in federal adjusted gross income for

1 the taxable year derived from investment in a qualified small business as
2 determined by the Arizona commerce authority pursuant to section 41-1518.

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

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

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

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

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

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

22 Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
23 amended by adding section 43-1089.04, to read:

24 43-1089.04. Pro rata tax credit for business contributions to
25 school tuition organizations; definition

26 A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE
27 PRO RATA AMOUNT OF CONTRIBUTIONS MADE BY A BUSINESS PURSUANT TO SECTIONS
28 43-1183 AND 43-1184.

29 B. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP,
30 MEMBERS OF A LIMITED LIABILITY COMPANY AND STOCKHOLDERS OF A SMALL BUSINESS
31 CORPORATION THAT MAKES AN ELECTION PURSUANT TO SUBTITLE A, CHAPTER 1,
32 SUBCHAPTER S OF THE INTERNAL REVENUE CODE, MAY EACH CLAIM THE PRO RATA SHARE

1 OF THE CREDIT ALLOWED UNDER SECTIONS 43-1183 AND 43-1184 BASED ON THE
2 TAXPAYER'S OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL THE
3 OWNERS OF A BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED A
4 SOLE OWNER OF A BUSINESS.

5 C. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
6 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
7 TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE
8 TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
9 YEARS' INCOME TAX LIABILITY.

10 D. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY DEDUCTION
11 PURSUANT TO SECTION 170 OF THE INTERNAL REVENUE CODE AND TAKEN FOR STATE TAX
12 PURPOSES.

13 E. THE TAX CREDIT IS NOT ALLOWED IF THE BUSINESS DESIGNATES THE
14 CONTRIBUTION TO THE SCHOOL TUITION ORGANIZATION FOR THE DIRECT BENEFIT OF ANY
15 DEPENDENT OF THE TAXPAYER CLAIMING A CREDIT UNDER THIS SECTION OR IF THE
16 BUSINESS DESIGNATES A STUDENT BENEFICIARY AS A CONDITION OF THE CONTRIBUTION
17 TO THE SCHOOL TUITION ORGANIZATION. THE TAX CREDIT IS NOT ALLOWED IF THE
18 BUSINESS, WITH THE INTENT TO BENEFIT THE TAXPAYER'S DEPENDENT, AGREES WITH
19 ONE OR MORE OTHER BUSINESSES OR TAXPAYERS TO DESIGNATE EACH CONTRIBUTION TO
20 THE SCHOOL TUITION ORGANIZATION FOR THE DIRECT BENEFIT OF THE OTHER
21 TAXPAYER'S DEPENDENT.

22 F. FOR THE PURPOSES OF THIS SECTION, "BUSINESS" MEANS A PARTNERSHIP, A
23 LIMITED LIABILITY COMPANY OR A SMALL BUSINESS CORPORATION THAT MAKES AN
24 ELECTION PURSUANT TO SUBTITLE A, CHAPTER 1, SUBCHAPTER S OF THE INTERNAL
25 REVENUE CODE.

26 Sec. 5. Section 43-1121, Arizona Revised Statutes, is amended to read:

27 43-1121. Additions to Arizona gross income: corporations

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

30 1. The amounts computed pursuant to section 43-1021, paragraphs 3
31 through 9, 12, 25, 26, 31, 32, ~~AND 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. For the purposes of this paragraph, "control" means
22 direct or indirect ownership or control of fifty per cent or more of the
23 voting stock of the domestic international sales corporation by the payor
24 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 loss of an insurance company that is exempt under section
14 43-1201 to the extent that it is included in computing Arizona gross income
15 on a consolidated return pursuant to section 43-947.

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

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

26 15. The amount by which the depreciation or amortization computed under
27 the internal revenue code with respect to property for which a credit was
28 taken under either section 43-1170 or 43-1170.01 exceeds the amount of
29 depreciation or amortization computed pursuant to the internal revenue code
30 on the Arizona adjusted basis of the property.

31 16. The amount by which the adjusted basis computed under the internal
32 revenue code with respect to property for which a credit was claimed under

1 either section 43-1170 or 43-1170.01 and which is sold or otherwise disposed
2 of during the taxable year exceeds the adjusted basis of the property
3 computed under section 43-1170 or 43-1170.01, as applicable.

4 17. The deduction referred to in section 1341(a)(4) of the internal
5 revenue code for restoration of a substantial amount held under a claim of
6 right.

7 18. The amount by which a capital loss carryover allowable pursuant to
8 section 1341(b)(5) of the internal revenue code exceeds the capital loss
9 carryover allowable pursuant to section 43-1130.01, subsection F.

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

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

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

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

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

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

28 ~~25.~~ 24. Any amount deducted in computing Arizona taxable income as
29 expenses for installing water conservation system plumbing stub outs in this
30 state with respect to which a credit is claimed pursuant to section 43-1182.

- 1 ~~26.~~ 25. Any amount deducted pursuant to section 170 of the internal
2 revenue code representing contributions to a school tuition organization for
3 which a credit is claimed under section 43-1183 or 43-1184."
- 4 Renumber to conform
- 5 Page 1, line 31, after the period strike remainder of line; line 32, strike
6 "ESTABLISH A WEBSITE TO ACCEPT AND PROCESS THESE REQUESTS ELECTRONICALLY."
7 Lines 33 and 34, strike "~~within twenty days~~" insert "within twenty days"
8 Line 35, strike "AND SHALL ISSUE A PRINTABLE NOTICE THAT THE REQUEST WAS
9 APPROVED OR DENIED"
- 10 Page 2, line 10, after the comma insert "MEMBERS OF A LIMITED LIABILITY COMPANY AND
11 STOCKHOLDERS OF A SMALL BUSINESS CORPORATION THAT MAKES AN ELECTION PURSUANT
12 TO SUBTITLE A, CHAPTER 1, SUBCHAPTER S OF THE INTERNAL REVENUE CODE,"
- 13 Strike lines 22 through 35
- 14 Reletter to conform
- 15 Line 39, strike the colon insert a comma
- 16 Strike lines 40 and 41
- 17 Line 42, strike "2."
- 18 Line 43, strike "(a)" insert "1."
- 19 Line 45, strike "SUBSECTION" insert "SUBCHAPTER"; after the period strike
20 remainder of line; strike line 46
- 21 Page 3, line 1, strike "(b)" insert "2."; after "COMPANY" strike remainder of line
22 Line 2, strike "CORPORATION FOR FEDERAL INCOME TAX PURPOSES"
- 23 Line 30, after the period strike remainder of line
- 24 Line 31, strike "ESTABLISH A WEBSITE TO ACCEPT AND PROCESS THESE REQUESTS
25 ELECTRONICALLY."
26 Lines 32 and 33, strike "~~within twenty days~~" insert "within twenty days"
27 Line 34, strike "AND SHALL ISSUE A PRINTABLE NOTICE THAT THE REQUEST WAS
28 APPROVED OR DENIED"
- 29 Page 4, line 7, after the comma insert "MEMBERS OF A LIMITED LIABILITY COMPANY AND
30 STOCKHOLDERS OF A SMALL BUSINESS CORPORATION THAT MAKES AN ELECTION PURSUANT
31 TO SUBTITLE A, CHAPTER 1, SUBCHAPTER S OF THE INTERNAL REVENUE CODE,"
- 32 Strike lines 19 through 31

- 1 Reletter to conform
- 2 Page 4, line 34, strike the colon insert a comma
- 3 Strike lines 35 and 36
- 4 Line 37, strike "2."
- 5 Line 38, strike "(a)" insert "1."
- 6 Line 40, strike "SUBSECTION" insert "SUBCHAPTER"; after the period strike
- 7 remainder of line; strike line 41
- 8 Line 42, strike "(b)" insert "2."; after "COMPANY" strike remainder of line
- 9 Line 43, strike "CORPORATION FOR FEDERAL INCOME TAX PURPOSES"
- 10 After line 43, insert:
- 11 "Sec. 8. Purpose
- 12 The purpose of section 43-1089.04, Arizona Revised Statutes, as added
- 13 by this act, is to provide an individual credit for contributions made by a
- 14 business to school tuition organizations."
- 15 Amend title to conform

JUSTIN OLSON

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