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**FILED**

Jane Dee Hull  
Secretary of State

CHAPTER 93

**SENATE BILL 1036**

AN ACT

AMENDING SECTIONS 41-1531, 41-1532, 42-162, 42-1310.16, 43-1079 AND 43-1167,  
ARIZONA REVISED STATUTES; RELATING TO MILITARY REUSE ZONES.

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

Section 1. Section 41-1531, Arizona Revised Statutes, is amended to read:

41-1531. Designating military reuse zone; term; renewal

A. ~~Within one year~~ AFTER EXECUTING A LEASE WITH A TERM OF FIFTEEN YEARS OR LONGER FOR THE USE OR OCCUPANCY OF REAL PROPERTY OR IMPROVEMENTS THAT ARE LOCATED ON A CLOSED MILITARY FACILITY OR after title to ANY PART OF a closed military facility is transferred to this state or to another public or private entity, the governor, after consulting with the director of the department of commerce, may designate the property as a military reuse zone. Only properties that were used for operational and training purposes of the active uniformed services of the United States qualify for consideration as a military reuse zone.

B. The governor shall set a termination date for the military reuse zone that is not more than five years after the date the zone is designated. During the last year before termination the department may recommend and the governor and the legislature may renew the military reuse zone by joint resolution for consecutive ~~one year~~ terms OF NOT MORE THAN FIVE YEARS EACH.

Sec. 2. Section 41-1532, Arizona Revised Statutes, is amended to read:

41-1532. Tax incentives; conditions

A. A prime contractor may qualify for an exemption from transaction privilege tax with respect to activities in a military reuse zone as

1 provided, and subject to the terms and conditions prescribed, by section  
2 42-1310.16, subsection B, paragraph 4.

3 B. A taxpayer that owns or leases income producing property located  
4 in a military reuse zone is eligible for an income tax credit for net  
5 increases in employment of full-time employees who are primarily engaged IN  
6 PROVIDING AVIATION OR AEROSPACE SERVICES OR in manufacturing, assembling or  
7 fabricating aviation or aerospace products as provided, and subject to the  
8 terms and conditions prescribed, by section 43-1079 or 43-1167, as  
9 applicable.

10 C. Taxable property in a military reuse zone that is devoted TO  
11 PROVIDING AVIATION OR AEROSPACE SERVICES OR to manufacturing, assembling or  
12 fabricating aviation or aerospace products qualifies for assessment as class  
13 eight property as provided, and subject to the terms and conditions  
14 prescribed, by sections 42-162 and 42-227.

15 D. To qualify for a tax incentive described in this section the  
16 taxpayer shall:

17 1. Agree with the department of commerce in writing to furnish  
18 information relating to the amount of tax benefits the taxpayer receives each  
19 year. If the taxpayer fails to provide the required information, the  
20 department of commerce shall immediately revoke the taxpayer's qualification  
21 and notify the department of revenue.

22 2. Enter into a memorandum of understanding with this state through  
23 the department of commerce containing employment goals. Each year the  
24 taxpayer shall report in writing to the department of commerce its  
25 performance in achieving the goals. The memorandum shall contain provisions  
26 that allow:

27 (a) The department of commerce to stop, readjust or recapture all or  
28 part of the tax incentives provided to the taxpayer on noncompliance with the  
29 terms of the memorandum.

30 (b) The department of commerce to notify the department of revenue of  
31 the conditions of noncompliance.

32 (c) The department of revenue to require the taxpayer to file  
33 appropriate amended tax returns reflecting the recapture of the tax  
34 incentives.

35 Sec. 3. Section 42-162, Arizona Revised Statutes, is amended to read:  
36 42-162. Classification of property for taxation

37 A. There are established the following classes of property for  
38 taxation:

39 1. Class one:

40 (a) Producing mines and mining claims, the personal property used  
41 thereon, the improvements thereto and the mills and smelters operated in  
42 conjunction therewith valued under the provisions of section 42-143.

43 (b) Standing timber.

44 2. Class two:

1 (a) All real and personal property used to provide local  
2 telecommunications service valued under chapter 4, article 5 of this title.

3 (b) All property, both real and personal, of gas, water and electric  
4 utility companies and pipeline companies valued under the provisions of  
5 section 42-144 or 42-201, whichever is applicable.

6 3. Class three, consisting of two subclasses:

7 (a) Class three (R) consisting of all real property and improvements  
8 devoted to any commercial or industrial use other than property included in  
9 class one, two, four, six, seven, eight, nine or ten.

10 (b) Class three (P) consisting of all personal property devoted to any  
11 commercial or industrial use other than property included in class one, two,  
12 four, six, seven, eight, nine or ten.

13 4. Class four, consisting of two subclasses:

14 (a) Class four (R) consisting of:

15 (i) All real property and the improvements to such property, if any,  
16 used for agricultural purposes, and all other real property and the  
17 improvements to such property, if any, not included in class one, two, three,  
18 five, six, eight, nine or ten.

19 (ii) All real property and the improvements to such property which  
20 are primarily used for agricultural purposes in the production of trees,  
21 other than trees intended for use as standing timber, vines, rosebushes,  
22 ornamental plants or other horticultural crops, without regard to whether  
23 such crops are grown in containers, soil or any other medium and which are  
24 not included in class one, two, three, five, six, eight, nine or ten.

25 (iii) Real property and improvements to the property that are owned  
26 and controlled by a nonprofit organization that qualifies as exempt from  
27 taxation pursuant to section 501(c)(3), (4), (7), (10) or (14) of the  
28 internal revenue code if the property is not used or intended for the  
29 financial benefit of members of the organization or any other individual or  
30 organization, unless the financial benefit is for charitable, religious,  
31 scientific, literary or educational purposes.

32 (b) Class four (P) consisting of personal property that is:

33 (i) Used for agricultural purposes, and all other personal property  
34 not included in class one, two, three, five, six, eight, nine or ten.

35 (ii) Primarily used for agricultural purposes in producing trees,  
36 other than trees intended for use as standing timber, vines, rosebushes,  
37 ornamental plants or other horticultural crops, without regard to whether  
38 such crops are grown in containers, soil or any other medium and which ~~are~~  
39 IS not included in class one, two, three, five, six, eight, nine or ten.

40 (iii) Owned and controlled by a nonprofit organization that qualifies  
41 as exempt from taxation pursuant to section 501(c)(3), (4), (7), (10) or (14)  
42 of the internal revenue code if the property is not used or intended for the  
43 financial benefit of members of the organization or any other individual or

1 organization, unless the financial benefit is for charitable, religious,  
2 scientific, literary or educational purposes.

3 5. Class five:

4 All real property and the improvements to such property and personal  
5 property used for residential purposes and not otherwise included in class  
6 one, two, three, four, six, eight, nine or ten.

7 6. Class six:

8 (a) All real and personal property and improvements to such property  
9 that are not included in class one, two, three, four, five, eight, nine or  
10 ten and that are devoted to use as leased or rented property solely for  
11 residential purposes.

12 (b) Day care centers licensed under title 36, chapter 7.1.

13 (c) All real property and the improvements to such property and  
14 personal property used for the operation of residential housing facilities  
15 not used or held for profit and structured to the care or housing of  
16 handicapped persons or persons sixty-two years of age or older.

17 (d) All real property and improvements to such property and personal  
18 property used for the operation of licensed residential care institutions or  
19 licensed nursing care institutions which provide medical services, nursing  
20 services or health related services and are structured to the care or housing  
21 of handicapped persons or persons sixty-two years of age or older. Nothing  
22 in this subdivision shall be construed to limit eligibility for an exemption  
23 pursuant to section 42-271.

24 (e) Real and personal property consisting of no more than four rooms  
25 of owner-occupied residential property that are leased or rented to transient  
26 lodgers at no more than a fifty per cent average annual occupancy rate,  
27 together with furnishing no more than a breakfast meal, by the owner of the  
28 property.

29 7. Class seven:

30 (a) All real and personal property of railroad companies used in the  
31 continuous operation of a railroad valued under chapter 4, article 4 of this  
32 title.

33 (b) All real and personal property used in the operation of private  
34 car companies valued under chapter 4, article 3 of this title.

35 (c) Flight property valued under chapter 4, article 1 of this title.

36 8. Class eight:

37 (a) Noncommercial historic property as defined in section 42-161.

38 (b) Any real and personal property located within the boundaries of  
39 a foreign trade zone or subzone established pursuant to 19 United States Code  
40 section 81 and title 44, chapter 18. The property classification authorized  
41 by this subdivision shall apply only to the area of a foreign trade zone or  
42 subzone which has been activated for foreign trade zone use by the district  
43 director of the United States customs service, pursuant to 19 Code of Federal  
44 Regulations section 146.6.

1 (c) Real and personal property and improvements that are located in  
2 a military reuse zone that is established under title 41, chapter 10, article  
3 3 and that is devoted TO PROVIDING AVIATION OR AEROSPACE SERVICES OR to  
4 manufacturing, assembling or fabricating aviation or aerospace products.  
5 Property may not be classified under this subdivision for more than five tax  
6 years. Any new addition or improvement to property already classified under  
7 this subdivision qualifies separately for classification under this  
8 subdivision for not more than five tax years. If a military reuse zone is  
9 terminated, the property in that zone that was previously classified under  
10 this subdivision shall be reclassified as prescribed by this section.

11 (d) Real and personal property and improvements owned or used by a  
12 qualified manufacturing business, as defined in section 41-1521. Property  
13 may not be classified under this subdivision for more than ten tax years.

14 (e) Beginning for tax year 1994, real and personal property and  
15 improvements or a portion of such property comprising a qualified  
16 environmental technology manufacturing, producing or processing facility as  
17 described in section 41-1514.02 shall be classified under this subdivision  
18 for twenty tax years from the date placed in service. Any addition or  
19 improvement to property already classified under this subdivision qualifies  
20 separately for classification under this subdivision for an additional twenty  
21 tax years from the date placed in service. Following revocation of  
22 certification pursuant to section 41-1514.02, property previously classified  
23 under this subdivision shall be reclassified as prescribed by this section.

24 9. Class nine:

25 Real property, improvements and personal property that meet the  
26 criteria for property included in class three and also the criteria for  
27 commercial historic property as defined in section 42-161.

28 10. Class ten:

29 Real property, improvements and personal property that meet the  
30 criteria for property included in class six and also meet the criteria for  
31 commercial historic property as defined in section 42-161.

32 11. Class eleven:

33 (a) Improvements located on federal, state, county or municipal  
34 property, AND owned by the lessee of such property provided that the  
35 improvements shall become the property of the owner of the federal, state,  
36 county or municipal property upon termination of the leasehold interest in  
37 the federal, state, county or municipal property and that both the  
38 improvements and the federal, state, county or municipal property are used  
39 primarily for athletic, recreational, entertainment, artistic, cultural or  
40 convention activities.

41 (b) Improvements located on federal, state, county or municipal  
42 property, AND owned by the lessee of such property provided:

1 (i) That the improvements shall become the property of the owner of  
2 the federal, state, county or municipal property upon termination of the  
3 leasehold interest in the federal, state, county or municipal property.

4 (ii) That both the improvements and the federal, state, county or  
5 municipal property are used for or in connection with aviation, including  
6 hangars, tie-downs, aircraft maintenance, sales of aviation-related items,  
7 charter and rental activities, parking facilities and restaurants, stores and  
8 other services located in a terminal.

9 (iii) That both the improvements and the federal, state, county or  
10 municipal property are located on a state, county, city or town airport or  
11 a public airport operating pursuant to sections 2-311, 2-312 and 2-313.

12 (c) Property that is leased to or acquired by the government and used  
13 to perform a government contract and that is defined as "contractor-acquired  
14 property" or "government-furnished property" in the federal acquisition  
15 regulations ~~(48 , 48 Code of Federal Regulations section 45.101. , as amended~~  
16 ~~or superseded by federal law or regulation).~~

17 (d) Property of a corporation organized by or at the direction of this  
18 state or a county, city or town to develop, construct, improve, repair,  
19 replace or own any property, improvement, building or other facility to be  
20 used for public purposes that the state, county, city or town pledges to  
21 lease or lease-purchase with state, county or municipal special or general  
22 revenues and not otherwise exempt under section 42-271.

23 B. For the purposes of classification of property under this section,  
24 partially completed or vacant improvements on the land including improved  
25 common area tracts shall be classified according to their intended use as  
26 demonstrated by objective evidence. For property not valued by the  
27 department, an improvement on the land is considered to be partially  
28 completed when the foundation of the structure or structures to be located  
29 on the property is in place. The only portion affected by the  
30 reclassification is the improvement on the land and that portion of the land  
31 that is necessary to support the use of the structure or structures, except  
32 that common area tracts in residential developments associated with partially  
33 completed improvements shall receive the same classification as the partially  
34 completed improvements. Property that is not valued by the department, that  
35 does not have a structure or structures and that is actively used for  
36 commercial purposes shall be classified as prescribed by subsection A of this  
37 section. This subsection does not apply to property that is classified as  
38 agricultural pursuant to section 42-167.

1           Sec. 4. Section 42-1310.16, Arizona Revised Statutes, is amended to  
2 read:

3           42-1310.16. Prime contracting classification; definitions;  
4                           exemptions

5           A. The prime contracting classification is comprised of the business  
6 of prime contracting and dealership of manufactured buildings. The sale of  
7 a used manufactured building is not taxable under this chapter.

8           B. The tax base for the prime contracting classification is sixty-five  
9 per cent of the gross proceeds of sales or gross income derived from the  
10 business. The following amounts shall be deducted from the gross proceeds  
11 of sales or gross income before computing the tax base:

12           1. The sales price of land, which shall not exceed the fair market  
13 value.

14           2. Sales and installation of groundwater measuring devices required  
15 under section 45-604 and groundwater monitoring wells required by law,  
16 including monitoring wells installed for acquiring information for a permit  
17 required by law.

18           3. The sales price of furniture, furnishings, fixtures, appliances,  
19 and attachments that are not incorporated as component parts of or attached  
20 to a manufactured building or the setup site. The sale of such items may be  
21 subject to the taxes imposed by this article separately and distinctly from  
22 the sale of the manufactured building.

23           4. The gross proceeds of sales or gross income received from a  
24 contract entered into for the construction, alteration, repair, addition,  
25 subtraction, improvement, movement, wrecking or demolition of any building,  
26 highway, road, railroad, excavation or other structure, project, development  
27 or improvement located in a military reuse zone FOR PROVIDING AVIATION OR  
28 AEROSPACE SERVICES OR for a manufacturer, assembler or fabricator of aviation  
29 or aerospace products within five years after the zone is initially  
30 established under section 41-1531. To qualify for this deduction, before  
31 beginning work under the contract the prime contractor must obtain a letter  
32 of qualification from the department of revenue.

33           5. The gross proceeds of sales or gross income derived from a contract  
34 to construct a qualified environmental technology manufacturing, producing  
35 or processing facility, as described in section 41-1514.02, and from  
36 subsequent construction and installation contracts that begin within ten  
37 years after the start of initial construction. To qualify for this  
38 deduction, before beginning work under the contract the prime contractor must  
39 obtain a letter of qualification from the department of revenue. This  
40 paragraph shall apply for ten full consecutive calendar or fiscal years after  
41 the start of initial construction.

42           6. The gross proceeds of sales or gross income from a contract to  
43 provide one or more of the following actions in response to a release or  
44 suspected release of a hazardous substance, pollutant or contaminant from a

1 facility to the environment, unless the release was authorized by a permit  
2 issued by a governmental authority:

3 (a) Actions to monitor, assess and evaluate such a release or a  
4 suspected release.

5 (b) Excavation, removal and transportation of contaminated soil and  
6 its treatment or disposal.

7 (c) Treatment of contaminated soil by vapor extraction, chemical or  
8 physical stabilization, soil washing, or biological treatment to reduce the  
9 concentration, toxicity, or mobility of a contaminant.

10 (d) Pumping and treatment or in situ treatment of contaminated  
11 groundwater or surface water to reduce the concentration or toxicity of a  
12 contaminant.

13 (e) The installation of structures, such as cutoff walls or caps, to  
14 contain contaminants present in groundwater or soil and prevent them from  
15 reaching a location where they could threaten human health or welfare or the  
16 environment.

17 This paragraph does not include asbestos removal or the construction or use  
18 of pollution control equipment, facilities or other control items required  
19 or to be used by a person to prevent or control contamination before it  
20 reaches the environment. The sale of tangible personal property used in  
21 activities under this paragraph does not qualify for the exemption under  
22 section 42-1310.01, subsection A, paragraph 27 or section 42-1409, subsection  
23 A, paragraph 13, subdivision (g).

24 C. Through December 31, 1996, in computing the tax base, the  
25 contractor shall deduct the contractor's cost of solar energy devices that  
26 the contractor supplies and installs pursuant to contracts, but the deduction  
27 shall not exceed five thousand dollars for each solar energy device. Before  
28 deducting any amount under this subsection, the contractor shall register  
29 with the department as a solar energy contractor. By registering, the  
30 contractor acknowledges that it will make its books and records relating to  
31 sales of solar energy devices available to the department for examination.

32 D. Subcontractors or others who perform services in respect to any  
33 improvement, building, highway, road, railroad, excavation, manufactured  
34 building or other structure, project, development or improvement are not  
35 subject to tax if they can demonstrate that the job was within the control  
36 of a prime contractor or contractors or a dealership of manufactured  
37 buildings and that the prime contractor or dealership is liable for the tax  
38 on the gross income, gross proceeds of sales or gross receipts attributable  
39 to the job and from which the subcontractors or others were paid.

40 E. Amounts received by a contractor for a project are excluded from  
41 the contractor's gross proceeds of sales or gross income derived from the  
42 business if the person who hired the contractor executes and provides a  
43 certificate to the contractor stating that the person providing the  
44 certificate is a prime contractor and is liable for the tax under this

1 article. The department shall prescribe the form of the certificate. If the  
2 contractor has reason to believe that the information contained on the  
3 certificate is erroneous or incomplete, the department may disregard the  
4 certificate. If the person who provides the certificate is not liable for  
5 the tax as a prime contractor, that person is nevertheless deemed to be the  
6 prime contractor in lieu of the contractor and is subject to the tax under  
7 this section on the gross receipts or gross proceeds received by the  
8 contractor.

9 F. For purposes of this section:

10 1. "Contracting" means engaging in business as a contractor.

11 2. "Contractor" is synonymous with the term "builder" and means ~~a~~ ANY  
12 person, firm, partnership, corporation, association or other organization,  
13 or a combination of any of them, that undertakes to or offers to undertake  
14 to, or purports to have the capacity to undertake to, or submits a bid to,  
15 or does himself or by or through others, construct, alter, repair, add to,  
16 subtract from, improve, move, wreck or demolish any building, highway, road,  
17 railroad, excavation, manufactured building or other structure, project,  
18 development or improvement, or to do any part thereof, including the erection  
19 of scaffolding or other structure or works in connection therewith, and  
20 includes subcontractors and specialty contractors. For all purposes of  
21 taxation or deduction, this definition shall govern without regard to whether  
22 or not such contractor is acting in fulfillment of a contract.

23 3. "Dealership of manufactured buildings" means a dealer who either:

24 (a) Is licensed pursuant to title 41, chapter 16 and who sells at  
25 retail manufactured buildings.

26 (b) Supervises, performs or coordinates the excavation and completion  
27 of site improvements, setup or moving of a manufactured building including  
28 the contracting, if any, with any subcontractor or specialty contractor for  
29 the completion of the contract.

30 4. "Manufactured building" means a manufactured home, mobile home or  
31 factory-built building, as defined in section 41-2142.

32 5. "Prime contracting" means engaging in business as a prime  
33 contractor.

34 6. "Prime contractor" means a contractor who supervises, performs or  
35 coordinates the construction, alteration, repair, addition, subtraction,  
36 improvement, movement, wreckage or demolition of any building, highway, road,  
37 railroad, excavation, manufactured building or other structure, project,  
38 development or improvement including the contracting, if any, with any  
39 subcontractors or specialty contractors and WHO is responsible for the  
40 completion of the contract.

41 7. "Sale of a used manufactured building" does not include a lease of  
42 a used manufactured building.

43 G. Every person engaging or continuing in this state in the business  
44 of prime contracting or dealership of manufactured buildings shall present

1 to the purchaser of such prime contracting or manufactured building a written  
2 receipt of the gross income or gross proceeds of sales from such activity and  
3 shall separately state the taxes to be paid pursuant to this section.

4 Sec. 5. Section 43-1079, Arizona Revised Statutes, is amended to read:  
5 43-1079. Credit for increased employment in military reuse  
6 zones: definition

7 A. A credit is allowed against the taxes imposed by this title for net  
8 increases in employment by the taxpayer of full-time employees working in a  
9 military reuse zone, established under title 41, chapter 10, article 3, AND  
10 who are primarily engaged IN PROVIDING AVIATION OR AEROSPACE SERVICES OR in  
11 manufacturing, assembling or fabricating aviation or aerospace products. The  
12 amount of the credit is a dollar amount allowed for each new employee,  
13 determined as follows:

14 1. With respect to each employee other than a dislocated military base  
15 employee:

16	1st year of employment	\$ 500
17	2nd year of employment	\$1,000
18	3rd year of employment	\$1,500
19	4th year of employment	\$2,000
20	5th year of employment	\$2,500

21 2. With respect to each dislocated military base employee:

22	1st year of employment	\$1,000
23	2nd year of employment	\$1,500
24	3rd year of employment	\$2,000
25	4th year of employment	\$2,500
26	5th year of employment	\$3,000

27 B. If the allowable tax credit exceeds the taxes otherwise due under  
28 this title on the claimant's income, or if there are no taxes due under this  
29 title, the amount of the claim not used to offset the taxes under this title  
30 may be carried forward as a credit against subsequent years' income tax  
31 liability for the period, not to exceed five taxable years, if the business  
32 remains in the military reuse zone.

33 C. The net increase in the number of employees for purposes of this  
34 section shall be determined by comparing the taxpayer's average employment  
35 in the military reuse zone during the taxable year with the taxpayer's  
36 previous year's fourth quarter employment in the zone, based on the  
37 taxpayer's report to the department of economic security for unemployment  
38 insurance purposes but considering only employment in the zone.

39 D. Co-owners of a business, including partners in a partnership and  
40 shareholders of an S corporation, as defined in section 1361 of the internal  
41 revenue code, may each claim only the pro rata share of the credit allowed  
42 under this section based on the ownership interest. The total of the credits  
43 allowed all such owners may not exceed the amount that would have been  
44 allowed for a sole owner of the business.

1 E. A credit is not allowed under this section with respect to an  
2 employee whose place of employment is relocated by the taxpayer from a  
3 location in this state to the military reuse zone, unless the employee is  
4 engaged IN AVIATION OR AEROSPACE SERVICES OR in manufacturing, assembling or  
5 fabricating aviation or aerospace products and the taxpayer maintains at  
6 least the same number of employees in this state but outside the zone.

7 F. A taxpayer who claims a credit under section 43-1077 may not claim  
8 a credit under this section with respect to the same employees.

9 G. For purposes of this section "dislocated military base employee"  
10 means a civilian who previously had permanent full-time civilian employment  
11 on the military facility as of the date the closure of the facility was  
12 finally determined under federal law, as certified by the department of  
13 commerce.

14 Sec. 6. Section 43-1167, Arizona Revised Statutes, is amended to read:

15 43-1167. Credit for increased employment in military reuse  
16 zones: definition

17 A. A credit is allowed against the taxes imposed by this title for net  
18 increases in employment by the taxpayer of full-time employees working in a  
19 military reuse zone, established under title 41, chapter 10, article 3, AND  
20 who are primarily engaged IN PROVIDING AVIATION OR AEROSPACE SERVICES OR in  
21 manufacturing, assembling or fabricating aviation or aerospace products. The  
22 amount of the credit is a dollar amount allowed for each new employee,  
23 determined as follows:

24 1. With respect to each employee other than a dislocated military base  
25 employee:

26 1st year of employment	\$ 500
27 2nd year of employment	\$1,000
28 3rd year of employment	\$1,500
29 4th year of employment	\$2,000
30 5th year of employment	\$2,500

31 2. With respect to each dislocated military base employee:

32 1st year of employment	\$1,000
33 2nd year of employment	\$1,500
34 3rd year of employment	\$2,000
35 4th year of employment	\$2,500
36 5th year of employment	\$3,000

37 B. If the allowable tax credit exceeds the taxes otherwise due under  
38 this title on the claimant's income, or if there are no taxes due under this  
39 title, the amount of the claim not used to offset the taxes under this title  
40 may be carried forward as a credit against subsequent years' income tax  
41 liability for the period, not to exceed five taxable years, if the business  
42 remains in the military reuse zone.

43 C. The net increase in the number of employees for purposes of this  
44 section shall be determined by comparing the taxpayer's average employment

1 in the military reuse zone during the taxable year with the taxpayer's  
2 previous year's fourth quarter employment in the zone, based on the  
3 taxpayer's report to the department of economic security for unemployment  
4 insurance purposes but considering only employment in the zone.

5 D. Co-owners of a business, including corporate partners in a  
6 partnership, may each claim only the pro rata share of the credit allowed  
7 under this section based on the ownership interest. The total of the credits  
8 allowed all such owners may not exceed the amount that would have been  
9 allowed for a sole owner of the business.

10 E. A credit is not allowed under this section with respect to an  
11 employee whose place of employment is relocated by the taxpayer from a  
12 location in this state to the military reuse zone unless the employee is  
13 engaged IN AVIATION OR AEROSPACE SERVICES OR in manufacturing, assembling or  
14 fabricating aviation or aerospace products and the taxpayer maintains at  
15 least the same number of employees in this state but outside the zone.

16 F. A taxpayer who claims a credit under section 43-1165 may not claim  
17 a credit under this section with respect to the same employees.

18 G. For purposes of this section "dislocated military base employee"  
19 means a civilian who previously had permanent full-time civilian employment  
20 on the military facility as of the date the closure of the facility was  
21 finally determined under federal law, as certified by the department of  
22 commerce.

23 Sec. 7. Emergency

24 This act is an emergency measure that is necessary to preserve the  
25 public peace, health or safety and is operative immediately as provided by  
26 law.

APPROVED BY THE GOVERNOR APRIL 5, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 8, 1996