

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 235

HOUSE BILL 2637

AN ACT

AMENDING SECTIONS 43-1011, 43-1041, 43-1111 AND 43-1139, ARIZONA REVISED STATUTES; MAKING CONDITIONAL APPROPRIATIONS FOR THE DIFFERENT DEPARTMENTS OF THE STATE AND TAX REDUCTIONS BASED ON CERTAIN REVENUE PROJECTIONS; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Fiscal year 2001-2002 and 2002-2003 conditional
 3 appropriations; tax reductions

4 A. State general fund revenue for fiscal year 2000-2001, not including
 5 the beginning balance, is forecasted to be \$6,296,122,700 and for fiscal year
 6 2001-2002, not including the beginning balance and revenues collected from
 7 the six-tenths of one per cent transaction privilege tax for education, is
 8 forecasted to be \$6,619,874,000. The state general fund revenue forecast for
 9 both fiscal years 2000-2001 and 2001-2002 includes \$76,490,000 for
 10 disproportionate share revenue. The staff director of the joint legislative
 11 budget committee and the governor's office of strategic planning and
 12 budgeting may adjust the revenue forecast for either year to reflect changes
 13 in disproportionate share revenue resulting from the enactment of legislation
 14 to implement Proposition 204. If, as determined by the staff director of the
 15 joint legislative budget committee and the governor's office of strategic
 16 planning and budgeting, the actual state general fund revenue:

17 1. Exceeds the forecast for fiscal year 2000-2001 by \$79,708,400 or
 18 more, then the appropriations and tax reductions in columns I and II are
 19 enacted for the fiscal years indicated. If the actual state general fund
 20 revenue does not exceed the forecast for fiscal year 2000-2001 by \$79,708,400
 21 or more but does exceed the forecast for fiscal year 2001-2002 by \$73,512,300
 22 or more, then the appropriations and tax reductions in column III are enacted
 23 for fiscal year 2002-2003:

	I	II	III
	<u>2001-2002</u>	<u>2002-2003</u>	<u>2002-2003</u>

24
 25
 26 (a) Government information
 27 technology agency - no
 28 wrong door funding \$3,134,700 \$ 731,500 \$3,866,200

29 Before the expenditure of any monies for No Wrong Door, the government
 30 information technology agency shall submit a report on the allocation of
 31 monies to agencies and the cost of project components to the joint
 32 legislative budget committee for its review.

33 (b) Department of revenue -
 34 transaction privilege
 35 tax database 1,685,000 1,000,000 2,685,000

36 The department of revenue shall bill local jurisdictions for an
 37 additional \$2,685,000 to provide fifty per cent funding of reworking the
 38 sales tax database. The billing shall be in proportion to a local
 39 jurisdiction's share of total state of Arizona population. Before the
 40 expenditure of the state general fund appropriation, the department shall
 41 submit an expenditure plan to the joint legislative budget committee for
 42 review. The plan shall include a description of how this particular project
 43 interacts with the department's overall computer replacement plan.

1	(c) Department of commerce:			
2	(i) High technology			
3	cluster funding	500,000	500,000	500,000
4	(ii) Small community			
5	growing smarter	206,500	202,400	206,500
6	(d) Arizona state university			
7	<u>East campus</u>			
8	(i) Collections offset	36,000	1,322,800	1,322,800
9	<u>West campus</u>			
10	(ii) Collections offset	219,900	404,900	404,900
11	(e) Attorney general -			
12	additional salary			
13	adjustments	869,100	869,100	869,100
14	The \$869,100 general fund appropriation to the attorney general in			
15	fiscal years 2001-2002 and 2002-2003 shall be for salary increases for			
16	assistant attorney general positions. Of that amount, \$328,700 is to be			
17	appropriated to the department of economic security. Another \$89,700 is to			
18	be allocated among the following agencies: department of agriculture, state			
19	department of corrections, department of health services, department of			
20	insurance, department of public safety, department of revenue, state land			
21	department, state real estate department, school facilities board, department			
22	of education, state banking department and department of veterans' services.			
23	On or before October 1, 2001, the attorney general's office shall report the			
24	state general fund allocation by agency to the joint legislative budget			
25	committee staff. The department of administration shall allocate an amount			
26	to each agency or department as determined by the joint legislative budget			
27	committee.			
28	(f) Department of education -			
29	AIMS dropout prevention	500,000	500,000	500,000
30	(g) Department of environmental			
31	quality - Arizona-Mexico			
32	hazardous and solid waste			
33	issues	129,100	87,800	129,100
34	(h) Department of economic security:			
35	(i) Extra provider rate			
36	increase for			
37	developmental			
38	disability providers	500,000	500,000	500,000
39	(ii) Full year of new child			
40	protective services			
41	and adoption staffing	761,400	- 0 -	- 0 -

1	(iii) Adult home/community			
2	services increase	1,800,000	1,800,000	1,800,000
3	(iv) New developmental			
4	disability automation			
5	funding	1,876,100	2,002,100	3,658,700
6	(i) Department of water resources-			
7	rural water studies	500,000	500,000	500,000
8	(j) Tax reduction pursuant to			
9	section 2 of this act	- 0 -	6,570,000	6,570,000
10	2. Exceeds the forecast for fiscal year 2000-2001 by \$104,131,000 or			
11	more, then in addition to the appropriations and tax reductions enacted in			
12	paragraph 1, the appropriations and tax reductions in columns I and II are			
13	enacted for the fiscal years indicated. If the actual state general fund			
14	revenue does not exceed the forecast for fiscal year 2000-2001 by			
15	\$104,131,000 or more but does exceed the forecast for fiscal year 2001-2002			
16	by \$91,386,800 or more, then the appropriations and tax reductions in column			
17	III are enacted for fiscal year 2002-2003:			
18		I	II	III
19		<u>2001-2002</u>	<u>2002-2003</u>	<u>2002-2003</u>
20	(a) State land department:			
21	(i) Master planning and			
22	engineering on urban			
23	state trust land	\$ 220,000	\$ 220,000	\$ 220,000
24	(ii) Federal condemnations			
25	of state trust land	150,000	100,000	150,000
26	(b) Capital outlay:			
27	Department of			
28	administration			
29	building renewal	3,104,300	3,324,900	3,324,900
30	(c) Arizona state university			
31	<u>Main campus</u>			
32	(i) New facilities	201,500	532,300	532,300
33	<u>East campus</u>			
34	(ii) New facilities	327,300	1,437,600	1,437,600
35	(d) University of Arizona			
36	<u>Main campus</u>			
37	(i) New facilities	450,100	1,797,400	1,797,400
38	(ii) Collections offset	- 0 -	604,200	604,200
39	(e) Northern Arizona university			
40	(i) Collections offset	1,843,600	1,839,400	1,839,400
41	(ii) Yuma science complex	- 0 -	220,000	220,000

42 The Arizona board of regents may acquire for and on behalf of Northern
43 Arizona university a higher education and science complex in the Yuma area
44 and may issue revenue bonds for this purpose in one or more series but not
45 exceeding in the aggregate \$6,000,000 more than any remaining bonding

1 authority of Northern Arizona university. Before the issuance of the revenue
 2 bonds, the Arizona board of regents shall incorporate this project into its
 3 comprehensive multiyear bonding plan and shall submit the plan to the joint
 4 committee on capital review and to the governor. The joint committee on
 5 capital review shall review the multiyear bonding plan and any revisions that
 6 are submitted by the Arizona board of regents and shall solicit comment on
 7 the bonding plan from the governor's office. The Arizona board of regents
 8 shall not issue the revenue bonds unless the project is included in the
 9 multiyear bonding plan and the project is subsequently approved by the joint
 10 committee on capital review.

11	(f) Department of public safety:			
12	(i) Fingerprinting board			
13	staff	178,700	141,300	178,700
14	(ii) Sex offender			
15	notification	160,000	160,000	160,000
16	(iii) Radio infrastructure			
17	replacement	- 0 -	840,000	840,000

18 All monies appropriated in this act to the department of public safety
 19 for the board of fingerprinting revert to the state general fund if the
 20 forty-fifth legislature enacts legislation that permits the department of
 21 public safety to increase fingerprinting fees.

22	(g) Tax reduction pursuant to			
23	section 3 of this act	- 0 -	6,570,000	6,570,000

24 3. Exceeds the forecast for fiscal year 2000-2001 by \$138,131,000 or
 25 fiscal year 2001-2002 by \$125,386,800 or more, then in addition to the
 26 appropriations and tax reductions enacted in paragraphs 1 and 2, the
 27 following tax reductions are enacted:

28		<u>2002-2003</u>
29	Tax reduction pursuant to sections	
30	5 and 6 of this act	\$34,000,000

31 B. On or before September 1, 2001, the staff director of the joint
 32 legislative budget committee and the governor's office of strategic planning
 33 and budgeting shall jointly notify the governor, the president of the senate
 34 and the speaker of the house of representatives whether the total fiscal year
 35 2000-2001 state general fund revenue, excluding the beginning balance,
 36 exceeded \$6,296,122,700 and, if so, the total revenue amount. If the state
 37 general fund revenue exceeded \$6,296,122,700 by any of the amounts specified
 38 in subsection A, then on or before September 15, 2001, the governor shall
 39 issue a public notice stating the amounts appropriated from the state general
 40 fund and the tax reductions at the levels indicated and for the purposes
 41 provided by subsection A of this section.

42 C. On or before September 1, 2002, the staff director of the joint
 43 legislative budget committee and the governor's office of strategic planning
 44 and budgeting shall jointly notify the governor, the president of the senate
 45 and the speaker of the house of representatives whether the total fiscal year

1 2001-2002 state general fund revenue, excluding the beginning balance and
2 revenues collected from the six-tenths of one per cent transaction privilege
3 tax for education, exceeded \$6,619,874,000 and, if so, the total revenue
4 amount. If the state general fund revenue exceeded \$6,619,874,000 by any of
5 the amounts specified in subsection A, then on or before September 15, 2002,
6 the governor shall issue a public notice stating the amounts appropriated
7 from the state general fund and the tax reductions at the levels indicated
8 and for the purposes provided by subsection A of this section.

9 Sec. 2. Section 43-1011, Arizona Revised Statutes, is amended as
10 provided by section 1, subsection A, paragraph 1, subdivision (j) of this act
11 to read:

12 43-1011. Taxes and tax rates

13 There shall be levied, collected and paid for each taxable year upon
14 the entire taxable income of every resident of this state and upon the entire
15 taxable income of every nonresident which is derived from sources within this
16 state taxes determined in the following manner:

17 1. For taxable years beginning from and after December 31, 1996
18 through December 31, 1997:

19 (a) In the case of a single person or a married person filing
20 separately:

21 If taxable income is: The tax is:

22 \$0 - \$10,000	2.90% of taxable income
23 \$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
24 \$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
25 \$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
26 \$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

27 (b) In the case of a married couple filing a joint return or a single
28 person who is a head of a household:

29 If taxable income is: The tax is:

30 \$0 - \$20,000	2.90% of taxable income
31 \$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
32 \$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
33 \$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
34 \$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

35 2. For taxable years beginning from and after December 31, 1997
36 through December 31, 1998:

37 (a) In the case of a single person or a married person filing
38 separately:

39 If taxable income is: The tax is:

40 \$0 - \$10,000	2.88% of taxable income
41 \$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
42 \$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
43 \$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
44 \$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

1 (b) In the case of a married couple filing a joint return or a single
 2 person who is a head of a household:

3 If taxable income is: The tax is:

4 \$0 - \$20,000	2.88% of taxable income
5 \$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
6 \$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
7 \$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
8 \$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

9 3. For taxable years beginning from and after December 31, 1998
 10 THROUGH DECEMBER 31, 2001:

11 (a) In the case of a single person or a married person filing
 12 separately:

13 If taxable income is: The tax is:

14 \$0 - \$10,000	2.87% of taxable income
15 \$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
16 \$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000
17 \$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over \$50,000
18 \$150,001 and over	\$6,422, plus 5.04% of the excess over \$150,000

19 (b) In the case of a married couple filing a joint return or a single
 20 person who is a head of a household:

21 If taxable income is: The tax is:

22 \$0 - \$20,000	2.87% of taxable income
23 \$20,001 - \$50,000	\$574, plus 3.20% of the excess over \$20,000
24 \$50,001 - \$100,000	\$1,534, plus 3.74% of the excess over \$50,000
25 \$100,001 - \$300,000	\$3,404, plus 4.72% of the excess over \$100,000
26 \$300,001 and over	\$12,844, plus 5.04% of the excess over \$300,000

27 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2001:

28 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
 29 SEPARATELY:

30 IF TAXABLE INCOME IS: THE TAX IS:

31 \$0 - \$10,000	2.84% OF TAXABLE INCOME
32 \$10,001 - \$25,000	\$284, PLUS 3.20% OF THE EXCESS OVER \$10,000
33 \$25,001 - \$50,000	\$764, PLUS 3.74% OF THE EXCESS OVER \$25,000
34 \$50,001 - \$150,000	\$1,699, PLUS 4.72% OF THE EXCESS OVER \$50,000
35 \$150,001 AND OVER	\$6,419, PLUS 5.04% OF THE EXCESS OVER \$150,000

36 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
 37 PERSON WHO IS A HEAD OF A HOUSEHOLD:

38 IF TAXABLE INCOME IS: THE TAX IS:

39 \$0 - \$20,000	2.84% OF TAXABLE INCOME
40 \$20,001 - \$50,000	\$568, PLUS 3.20% OF THE EXCESS OVER \$20,000
41 \$50,001 - \$100,000	\$1,528, PLUS 3.74% OF THE EXCESS OVER \$50,000
42 \$100,001 - \$300,000	\$3,398, PLUS 4.72% OF THE EXCESS OVER \$100,000
43 \$300,001 AND OVER	\$12,838, PLUS 5.04% OF THE EXCESS OVER \$300,000

1 Sec. 3. Section 43-1011, Arizona Revised Statutes, is amended as
 2 provided by section 1, subsection A, paragraph 2, subdivision (g) or section
 3 1, subsection A, paragraph 3 of this act to read:

4 43-1011. Taxes and tax rates

5 There shall be levied, collected and paid for each taxable year upon
 6 the entire taxable income of every resident of this state and upon the entire
 7 taxable income of every nonresident which is derived from sources within this
 8 state taxes determined in the following manner:

9 1. For taxable years beginning from and after December 31, 1996
 10 through December 31, 1997:

11 (a) In the case of a single person or a married person filing
 12 separately:

13 If taxable income is: The tax is:

14 \$0 - \$10,000	2.90% of taxable income
15 \$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
16 \$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
17 \$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
18 \$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

19 (b) In the case of a married couple filing a joint return or a single
 20 person who is a head of a household:

21 If taxable income is: The tax is:

22 \$0 - \$20,000	2.90% of taxable income
23 \$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
24 \$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
25 \$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
26 \$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

27 2. For taxable years beginning from and after December 31, 1997
 28 through December 31, 1998:

29 (a) In the case of a single person or a married person filing
 30 separately:

31 If taxable income is: The tax is:

32 \$0 - \$10,000	2.88% of taxable income
33 \$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
34 \$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
35 \$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
36 \$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

37 (b) In the case of a married couple filing a joint return or a single
 38 person who is a head of a household:

39 If taxable income is: The tax is:

40 \$0 - \$20,000	2.88% of taxable income
41 \$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
42 \$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
43 \$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
44 \$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

1 3. For taxable years beginning from and after December 31, 1998
2 THROUGH DECEMBER 31, 2001:

3 (a) In the case of a single person or a married person filing
4 separately:

5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 - \$10,000	2.87% of taxable income
7	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
8	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000
9	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over \$50,000
10	\$150,001 and over	\$6,422, plus 5.04% of the excess over \$150,000

11 (b) In the case of a married couple filing a joint return or a single
12 person who is a head of a household:

13	<u>If taxable income is:</u>	<u>The tax is:</u>
14	\$0 - \$20,000	2.87% of taxable income
15	\$20,001 - \$50,000	\$574, plus 3.20% of the excess over \$20,000
16	\$50,001 - \$100,000	\$1,534, plus 3.74% of the excess over \$50,000
17	\$100,001 - \$300,000	\$3,404, plus 4.72% of the excess over \$100,000
18	\$300,001 and over	\$12,844, plus 5.04% of the excess over \$300,000

19 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2001:

20 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
21 SEPARATELY:

22	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
23	\$0 - \$10,000	2.81% OF TAXABLE INCOME
24	\$10,001 - \$25,000	\$281, PLUS 3.20% OF THE EXCESS OVER \$10,000
25	\$25,001 - \$50,000	\$761, PLUS 3.74% OF THE EXCESS OVER \$25,000
26	\$50,001 - \$150,000	\$1,696, PLUS 4.72% OF THE EXCESS OVER \$50,000
27	\$150,001 AND OVER	\$6,416, PLUS 5.04% OF THE EXCESS OVER \$150,000

28 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
29 PERSON WHO IS A HEAD OF A HOUSEHOLD:

30	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
31	\$0 - \$20,000	2.81% OF TAXABLE INCOME
32	\$20,001 - \$50,000	\$562, PLUS 3.20% OF THE EXCESS OVER \$20,000
33	\$50,001 - \$100,000	\$1,522, PLUS 3.74% OF THE EXCESS OVER \$50,000
34	\$100,001 - \$300,000	\$3,392, PLUS 4.72% OF THE EXCESS OVER \$100,000
35	\$300,001 AND OVER	\$12,832, PLUS 5.04% OF THE EXCESS OVER \$300,000

36 Sec. 4. Section 43-1041, Arizona Revised Statutes, is amended to read:
37 43-1041. Optional standard deduction

38 A. A taxpayer, ~~at his election,~~ may ELECT TO take a standard deduction
39 as follows:

40 1. In the case of a single person or a married person filing
41 separately, the standard deduction shall be three FOUR thousand six hundred
42 FIFTY dollars.

43 2. In the case of a married couple filing a joint return or a single
44 person who is a head of a household, the standard deduction shall be seven
45 EIGHT thousand two ONE hundred dollars.

1 B. The standard deduction provided for in subsection A of this section
2 shall be in lieu of all itemized deductions allowed by section 43-1042 which
3 are to be subtracted from Arizona adjusted gross income in computing taxable
4 income, but not in lieu of the personal exemption allowed by section 43-1043.

5 C. The standard deduction shall be allowed if the taxpayer so elects
6 ~~in his return~~, and the department shall by rule prescribe the manner of
7 signifying such election in the return.

8 D. In the case of a husband and wife, the standard deduction provided
9 for in subsection A of this section shall not be allowed to either if the
10 taxable income of one of the spouses is determined without regard to the
11 standard deduction.

12 E. The standard deduction provided for by subsection A of this section
13 shall not be allowed in the case of a taxable year of less than twelve months
14 on account of a change in the accounting period.

15 F. Under rules adopted by the department, a change of an election to
16 take, or not to take, the standard deduction for any taxable year may be made
17 after the filing of the return for such year. If the spouse of the taxpayer
18 filed a separate return for any taxable year corresponding, for the purposes
19 of subsection D of this section, to the taxable year of the taxpayer, the
20 change shall not be allowed unless, in accordance with such rules, both
21 paragraphs 1 and 2 of this subsection apply:

22 1. The spouse makes a change of election with respect to the standard
23 deduction for the taxable year covered in such separate return consistent
24 with the change of election sought by the taxpayer.

25 2. The taxpayer and his spouse consent in writing to the assessment,
26 within such period as may be agreed upon with the department, of any
27 deficiency, to the extent attributable to such change of election, even
28 though at the time of the filing of such consent the assessment of such
29 deficiency would otherwise be prevented by the operation of any law or rule
30 of law.

31 Sec. 5. Section 43-1111, Arizona Revised Statutes, is amended to read:
32 43-1111. Tax rates for corporations

33 There shall be levied, collected and paid for each taxable year upon
34 the entire Arizona taxable income of every corporation, unless exempt under
35 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
36 taxes in an amount of ~~6.968~~ 6.8 per cent of net income or fifty dollars,
37 whichever is greater.

38 Sec. 6. Section 43-1139, Arizona Revised Statutes, is amended to read:
39 43-1139. Allocation of business income

40 A. Except as provided in subsection B OF THIS SECTION, ~~at~~ EACH
41 TAXPAYER SHALL ELECT AN APPORTIONMENT OF business income ~~shall be apportioned~~
42 to this state by EITHER:

43 1. Multiplying the income by a fraction, the numerator of which is the
44 property factor plus the payroll factor plus two times the sales factor, and
45 the denominator of which is four.

1 2. MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
2 SEVENTEEN AND ONE-HALF TIMES THE PROPERTY FACTOR PLUS SEVENTEEN AND ONE-HALF
3 TIMES THE PAYROLL FACTOR PLUS SIXTY-FIVE TIMES THE SALES FACTOR, AND THE
4 DENOMINATOR OF WHICH IS ONE HUNDRED.

5 B. All business income of a taxpayer engaged in air commerce shall be
6 apportioned to this state by multiplying the income by a fraction, the
7 numerator of which is the revenue aircraft miles flown within this state for
8 flights beginning or ending in this state and the denominator of which is the
9 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
10 This subsection applies to each taxpayer, including a combined group filing
11 a combined return or an affiliated group electing to file a consolidated
12 return under section 43-947, if fifty per cent or more of that taxpayer's
13 gross income is derived from air commerce. For purposes of this subsection:

14 1. "Air commerce" means transporting persons or property for hire by
15 aircraft in interstate, intrastate or international transportation.

16 2. "Revenue aircraft miles flown" has the same meaning prescribed by
17 the United States department of transportation uniform system of accounts and
18 reports for large certificated air carriers (14 Code of Federal Regulations
19 part 241).

20 Sec. 7. Retroactivity

21 Section 43-1041, Arizona Revised Statutes, as amended by this act,
22 applies retroactively to taxable years beginning from and after December 31,
23 2000.

24 Sec. 8. Conditional enactment; effective dates

25 A. Section 2 of this act is effective only if the conditions described
26 in section 1, subsection A, paragraph 1 of this act occur and the conditions
27 described in section 1, subsection A, paragraphs 2 and 3 of this act do not
28 occur.

29 B. Section 3 of this act is effective only if the conditions described
30 in section 1, subsection A, paragraph 2 or 3 of this act occur.

31 C. Sections 5 and 6 of this act are effective and apply to taxable
32 years beginning from and after December 31, 2001 but only if the conditions
33 described in section 1, subsection A, paragraph 3 of this act occur.

APPROVED BY THE GOVERNOR APRIL 24, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2001.

Passed the House April 11, 2001,

Passed the Senate April 12, 2001,

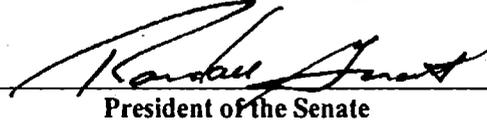
by the following vote: 52 Ayes,

by the following vote: 29 Ayes,

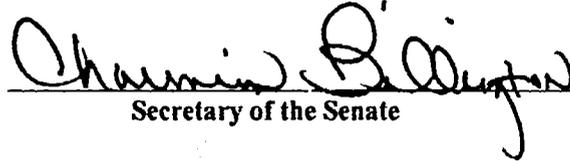
5 Nays, 3 Not Voting

1 Nays, 0 Not Voting


Speaker of the House


President of the Senate


Chief Clerk of the House


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

18 day of April, 2001,

at 9:44 o'clock A M.


Secretary to the Governor

Approved this 24 day of

April, 2001,

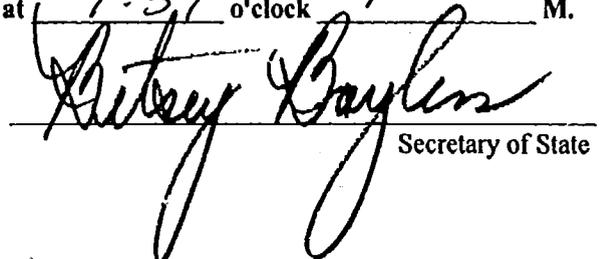
at 3:38 o'clock P M.


Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 24 day of April, 2001,

at 7:37 o'clock P M.


Secretary of State

H.B. 2637