

State of Arizona
House of Representatives
Forty-seventh Legislature
First Regular Session
2005

CHAPTER 292

HOUSE BILL 2323

AN ACT

AMENDING SECTIONS 43-222 AND 43-1021, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1090.01; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1182; RELATING TO INDIVIDUAL AND CORPORATE INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)



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

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 43-222. Income tax credit review schedule

5 Each year the joint legislative income tax credit review committee
6 shall review the following income tax credits:

- 7 1. In 2004, sections 43-1081.01, 43-1083, 43-1084 and 43-1170.01.
- 8 2. In 2005, sections 43-1087, 43-1088 and 43-1175.
- 9 3. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
10 43-1090, 43-1176 and 43-1181.
- 11 4. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
12 43-1166, 43-1167 and 43-1169.
- 13 5. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
14 43-1178.
- 15 6. In 2009, sections 43-1076 and 43-1162.
- 16 7. IN 2010, SECTIONS 43-1090.01 AND 43-1182.

17 Sec. 2. Section 43-1021, Arizona Revised Statutes, is amended to read:
18 43-1021. Additions to Arizona gross income

19 In computing Arizona adjusted gross income, the following amounts shall
20 be added to Arizona gross income:

- 21 1. A beneficiary's share of the fiduciary adjustment to the extent
22 that the amount determined by section 43-1333 increases the beneficiary's
23 Arizona gross income.
- 24 2. An amount equal to the "ordinary income portion" of a lump sum
25 distribution that was excluded from federal adjusted gross income pursuant to
26 section 402(d) of the internal revenue code.
- 27 3. The amount of interest income received on obligations of any state,
28 territory or possession of the United States, or any political subdivision
29 thereof, located outside the state of Arizona, reduced, for tax years
30 beginning from and after December 31, 1996, by the amount of any interest on
31 indebtedness and other related expenses that were incurred or continued to
32 purchase or carry those obligations and that are not otherwise deducted or
33 subtracted in arriving at Arizona gross income.
- 34 4. Annuity income received during the taxable year to the extent that
35 the sum of the proceeds received from such annuity in all taxable years prior
36 to and including the current taxable year exceeds the total consideration and
37 premiums paid by the taxpayer. This paragraph applies only to those
38 annuities with respect to which the first payment was received prior to
39 December 31, 1978.
- 40 5. The excess of a partner's share of partnership taxable income
41 required to be included under chapter 14, article 2 of this title over the
42 income required to be reported under section 702(a)(8) of the internal
43 revenue code.



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

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

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

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

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

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

27 12. Any nonitemized amount deducted pursuant to section 170 of the
28 internal revenue code representing contributions to an educational
29 institution which denies admission, enrollment or board and room
30 accommodations on the basis of race, color or ethnic background except those
31 institutions primarily established for the education of American Indians.

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

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

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

40 16. The amount by which the depreciation or amortization computed under
41 the internal revenue code with respect to property for which a credit was
42 taken under section 43-1080 exceeds the amount of depreciation or
43 amortization computed pursuant to the internal revenue code on the Arizona
44 adjusted basis of the property.

1 17. The amount by which the adjusted basis computed under the internal
2 revenue code with respect to property for which a credit was claimed under
3 section 43-1080 and which is sold or otherwise disposed of during the taxable
4 year exceeds the adjusted basis of the property computed under section
5 43-1080.

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

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

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

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

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

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

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

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

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

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

42 28. THE AMOUNT BY WHICH THE DEPRECIATION OR AMORTIZATION COMPUTED UNDER
43 THE INTERNAL REVENUE CODE WITH RESPECT TO PROPERTY FOR WHICH A CREDIT WAS
44 TAKEN UNDER SECTION 43-1090.01 EXCEEDS THE AMOUNT OF DEPRECIATION OR

1 AMORTIZATION COMPUTED PURSUANT TO THE INTERNAL REVENUE CODE ON THE ARIZONA
2 ADJUSTED BASIS OF THE PROPERTY.

3 29. THE AMOUNT BY WHICH THE ADJUSTED BASIS COMPUTED UNDER THE INTERNAL
4 REVENUE CODE WITH RESPECT TO PROPERTY FOR WHICH A CREDIT WAS CLAIMED UNDER
5 SECTION 43-1090.01 AND WHICH IS SOLD OR OTHERWISE DISPOSED OF DURING THE
6 TAXABLE YEAR EXCEEDS THE ADJUSTED BASIS OF THE PROPERTY COMPUTED UNDER
7 SECTION 43-1090.01.

8 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
9 amended by adding section 43-1090.01, to read:

10 43-1090.01. Credit for water conservation systems; definition

11 A. SUBJECT TO SUBSECTIONS H AND I OF THIS SECTION, FOR TAXABLE YEARS
12 BEGINNING FROM AND AFTER DECEMBER 31, 2006 AND ENDING BEFORE JANUARY 1, 2012,
13 A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR EACH RESIDENT
14 WHO IS NOT A DEPENDENT OF ANOTHER TAXPAYER FOR INSTALLING A WATER
15 CONSERVATION SYSTEM DURING THE TAXABLE YEAR IN THE TAXPAYER'S RESIDENCE
16 LOCATED IN THIS STATE. THE CREDIT IS EQUAL TO TWENTY-FIVE PER CENT OF THE
17 COST OF THE SYSTEM.

18 B. THE MAXIMUM CREDIT IN A TAXABLE YEAR MAY NOT EXCEED ONE THOUSAND
19 DOLLARS. THE PERSON WHO PROVIDES THE WATER CONSERVATION SYSTEM SHALL FURNISH
20 THE TAXPAYER WITH AN ACCOUNTING OF THE COST TO THE TAXPAYER. A TAXPAYER MAY
21 CLAIM THE CREDIT UNDER THIS SECTION ONLY ONCE IN A TAX YEAR AND MAY NOT
22 CUMULATE OVER DIFFERENT TAX YEARS TAX CREDITS UNDER THIS SECTION EXCEEDING,
23 IN THE AGGREGATE, ONE THOUSAND DOLLARS FOR THE SAME RESIDENCE.

24 C. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
25 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
26 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
27 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
28 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

29 D. A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR IN
30 WHICH THEY COULD HAVE FILED A JOINT RETURN MAY EACH CLAIM ONLY ONE-HALF OF
31 THE TAX CREDIT THAT WOULD HAVE BEEN ALLOWED FOR A JOINT RETURN.

32 E. THE CREDIT ALLOWED UNDER THIS SECTION IS IN LIEU OF ANY ALLOWANCE
33 FOR STATE TAX PURPOSES FOR EXHAUSTION, WEAR AND TEAR OF THE WATER
34 CONSERVATION SYSTEM UNDER SECTION 167 OF THE INTERNAL REVENUE CODE.

35 F. TO QUALIFY FOR THE CREDIT UNDER THIS SECTION THE WATER CONSERVATION
36 SYSTEM AND ITS INSTALLATION SHALL COMPLY WITH RULES THAT ARE ADOPTED BY THE
37 DEPARTMENT OF ENVIRONMENTAL QUALITY AND THAT RELATE TO THE RECOVERY AND
38 DISPOSAL OF GRAYWATER.

39 G. A GRAYWATER STUB OUT THAT WAS INSTALLED BY THE BUILDER OF A HOUSE
40 OR DWELLING UNIT BEFORE TITLE WAS CONVEYED TO THE TAXPAYER DOES NOT QUALIFY
41 FOR A CREDIT UNDER THIS SECTION, BUT THE TAXPAYER MAY CLAIM A CREDIT FOR THE
42 DEVICE UNDER SECTION 43-1182 UNDER THE CIRCUMSTANCES, CONDITIONS AND
43 LIMITATIONS PRESCRIBED BY SECTION 43-1182, SUBSECTION C, AS APPLICABLE.

44 H. BEGINNING FROM AND AFTER DECEMBER 31, 2006, THE DEPARTMENT SHALL
45 RECEIVE AND EVALUATE APPLICATIONS THAT ARE SUBMITTED BY TAXPAYERS TO RECEIVE

1 A WATER CONSERVATION SYSTEM CREDIT UNDER THIS SECTION. A TAXPAYER SHALL
2 APPLY FOR THE CREDIT TO THE DEPARTMENT ON A FORM PRESCRIBED BY THE
3 DEPARTMENT. THE APPLICATION SHALL BE FILED WITH THE DEPARTMENT AND THE
4 DEPARTMENT SHALL ISSUE A RECEIPT TO THE APPLICANT. THE APPLICATION SHALL
5 INCLUDE:

6 1. THE NAME, ADDRESS AND SOCIAL SECURITY NUMBER OR FEDERAL EMPLOYER
7 IDENTIFICATION NUMBER OF THE APPLICANT.

8 2. THE AMOUNT OF THE COST OF THE WATER CONSERVATION SYSTEM AND THE
9 AMOUNT FOR WHICH THE CREDIT IS CLAIMED.

10 3. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT REQUIRES.

11 I. THE DEPARTMENT SHALL REVIEW EACH APPLICATION UNDER SUBSECTION H OF
12 THIS SECTION AND CERTIFY TO THE TAXPAYER THE AMOUNT OF THE CREDIT THAT IS
13 AUTHORIZED. THE DEPARTMENT SHALL NOT CERTIFY TAX CREDITS UNDER THIS
14 SUBSECTION EXCEEDING TWO HUNDRED FIFTY THOUSAND DOLLARS FOR ANY CALENDAR
15 YEAR. IF QUALIFYING APPLICATIONS EXCEED TWO HUNDRED FIFTY THOUSAND DOLLARS,
16 THE DEPARTMENT SHALL AUTHORIZE CREDITS IN THE ORDER OF THE DATE THAT THE
17 APPLICATIONS ARE RECEIVED BY THE DEPARTMENT. IF AN APPLICATION IS RECEIVED
18 THAT, IF AUTHORIZED, WOULD REQUIRE THE DEPARTMENT TO EXCEED THE TWO HUNDRED
19 FIFTY THOUSAND DOLLAR LIMIT, THE DEPARTMENT SHALL GRANT THE APPLICANT ONLY
20 THE REMAINING CREDIT AMOUNT THAT WOULD NOT EXCEED THE TWO HUNDRED FIFTY
21 THOUSAND DOLLAR LIMIT. AFTER THE DEPARTMENT AUTHORIZES TWO HUNDRED FIFTY
22 THOUSAND DOLLARS IN TAX CREDITS, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT
23 APPLICATIONS THAT ARE RECEIVED. THE DEPARTMENT SHALL NOT AUTHORIZE ANY
24 ADDITIONAL TAX CREDITS THAT EXCEED THE TWO HUNDRED FIFTY THOUSAND DOLLAR
25 LIMIT EVEN IF THE AMOUNTS THAT HAVE BEEN CERTIFIED TO ANY TAXPAYER WERE NOT
26 CLAIMED OR A TAXPAYER OTHERWISE FAILS TO MEET THE REQUIREMENTS TO CLAIM THE
27 ADDITIONAL CREDIT.

28 J. THE DEPARTMENT MAY VERIFY THAT A WATER CONSERVATION SYSTEM HAS BEEN
29 INSTALLED IN THE TAXPAYER'S RESIDENCE.

30 K. FOR THE PURPOSES OF THIS SECTION, "WATER CONSERVATION SYSTEM" MEANS
31 A SYSTEM OR A SERIES OF COMPONENTS OR MECHANISMS THAT ARE DESIGNED TO PROVIDE
32 FOR THE COLLECTION OF RAINWATER OR RESIDENTIAL GRAYWATER. WATER CONSERVATION
33 SYSTEM INCLUDES A SYSTEM THAT IS CAPABLE OF STORING RAINWATER OR RESIDENTIAL
34 GRAYWATER FOR FUTURE USE AND REUSING THE COLLECTED WATER FOR THE SAME
35 RESIDENTIAL PROPERTY.

36 Sec. 4. Section 43-1121, Arizona Revised Statutes, is amended to read:
37 43-1121. Additions to Arizona gross income: corporations

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

40 1. The amounts computed pursuant to section 43-1021, paragraphs 3
41 through 9, 12, 26 and 27.

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

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

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

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

22 6. Federal income tax refunds received during the taxable year to the
23 extent they were deducted in arriving at Arizona taxable income in a previous
24 year.

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

27 8. The amount of exploration expenses determined pursuant to section
28 617 of the internal revenue code to the extent that they exceed seventy-five
29 thousand dollars and to the extent that the election is made to defer those
30 expenses not in excess of seventy-five thousand dollars.

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

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

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

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

1 13. The loss of an insurance company that is exempt under section
2 43-1201 to the extent that it is included in computing Arizona gross income
3 on a consolidated return pursuant to section 43-947.

4 14. The amount by which the depreciation or amortization computed under
5 the internal revenue code with respect to property for which a credit was
6 taken under section 43-1169 exceeds the amount of depreciation or
7 amortization computed pursuant to the internal revenue code on the Arizona
8 adjusted basis of the property.

9 15. The amount by which the adjusted basis computed under the internal
10 revenue code with respect to property for which a credit was claimed under
11 section 43-1169 and which is sold or otherwise disposed of during the taxable
12 year exceeds the adjusted basis of the property computed under section
13 43-1169.

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

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

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

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

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

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

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

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

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

1 25. ANY AMOUNT DEDUCTED IN COMPUTING ARIZONA TAXABLE INCOME AS EXPENSES
2 FOR INSTALLING WATER CONSERVATION SYSTEM PLUMBING STUB OUTS IN THIS STATE
3 WITH RESPECT TO WHICH A CREDIT IS CLAIMED PURSUANT TO SECTION 43-1182.

4 Sec. 5. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
5 amended by adding section 43-1182, to read:

6 43-1182. Credit for water conservation system plumbing stub
7 outs installed in houses constructed by taxpayer;
8 definition

9 A. SUBJECT TO SUBSECTIONS F AND G, FOR TAXABLE YEARS BEGINNING FROM
10 AND AFTER DECEMBER 31, 2006 AND ENDING BEFORE JANUARY 1, 2012, A CREDIT IS
11 ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR COSTS INCURRED DURING THE
12 TAXABLE YEAR OF INSTALLING OR INCLUDING IN ONE OR MORE HOUSES OR DWELLING
13 UNITS LOCATED IN THIS STATE AND CONSTRUCTED BY THE TAXPAYER A WATER
14 CONSERVATION SYSTEM PLUMBING STUB OUT THAT COLLECTS ALL GRAYWATER SOURCES
15 THAT END AT A PLUMBING STUB OUT THAT IS SEPARATE AND DISTINCT FROM THE
16 REGULAR PLUMBING SYSTEM. TO QUALIFY FOR THE CREDIT THE STUB OUT MUST:

17 1. COMPLY WITH RULES THAT ARE ADOPTED BY THE DEPARTMENT OF
18 ENVIRONMENTAL QUALITY AND THAT RELATE TO THE DIRECT REUSE OF RECLAIMED WATER.

19 2. MEET APPLICABLE LOCAL BUILDING CODES.

20 B. THE CREDIT SHALL NOT EXCEED TWO HUNDRED DOLLARS FOR EACH SEPARATE
21 HOUSE OR DWELLING UNIT IN WHICH THE WATER CONSERVATION SYSTEM PLUMBING STUB
22 OUTS ARE INSTALLED.

23 C. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
24 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
25 TITLE, THE AMOUNT OF THE CREDIT NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
26 BE CARRIED FORWARD TO THE NEXT FIVE CONSECUTIVE TAXABLE YEARS AS A CREDIT
27 AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

28 D. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
29 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
30 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
31 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
32 ALLOWED A SOLE OWNER.

33 E. THE CREDIT ALLOWED UNDER THIS SECTION IS IN LIEU OF ANY EXPENSES
34 TAKEN FOR INSTALLING WATER CONSERVATION SYSTEM PLUMBING STUB OUTS IN
35 COMPUTING ARIZONA TAXABLE INCOME.

36 F. BEGINNING FROM AND AFTER DECEMBER 31, 2006, THE DEPARTMENT SHALL
37 RECEIVE AND EVALUATE APPLICATIONS THAT ARE SUBMITTED BY TAXPAYERS TO RECEIVE
38 A WATER CONSERVATION SYSTEM PLUMBING STUB OUT CREDIT UNDER THIS SECTION. A
39 TAXPAYER SHALL APPLY FOR THE CREDIT TO THE DEPARTMENT ON A FORM PRESCRIBED BY
40 THE DEPARTMENT. THE APPLICATION SHALL BE FILED WITH THE DEPARTMENT AND THE
41 DEPARTMENT SHALL ISSUE A RECEIPT TO THE APPLICANT. THE APPLICATION SHALL
42 INCLUDE:

43 1. THE NAME, ADDRESS AND SOCIAL SECURITY NUMBER OR FEDERAL EMPLOYER
44 IDENTIFICATION NUMBER OF THE APPLICANT.

1 2. THE AMOUNT OF THE COST OF THE WATER CONSERVATION SYSTEM PLUMBING
2 STUB OUT AND THE AMOUNT FOR WHICH THE CREDIT IS CLAIMED.

3 3. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT REQUIRES.

4 G. THE DEPARTMENT SHALL REVIEW EACH APPLICATION UNDER SUBSECTION F AND
5 CERTIFY TO THE TAXPAYER THE AMOUNT OF THE CREDIT THAT IS AUTHORIZED. THE
6 DEPARTMENT SHALL NOT CERTIFY TAX CREDITS UNDER THIS SUBSECTION EXCEEDING FIVE
7 HUNDRED THOUSAND DOLLARS FOR ANY CALENDAR YEAR. IF QUALIFYING APPLICATIONS
8 EXCEED FIVE HUNDRED THOUSAND DOLLARS, THE DEPARTMENT SHALL AUTHORIZE CREDITS
9 IN THE ORDER OF THE DATE THAT THE APPLICATIONS ARE RECEIVED BY THE
10 DEPARTMENT. IF AN APPLICATION IS RECEIVED THAT, IF AUTHORIZED, WOULD REQUIRE
11 THE DEPARTMENT TO EXCEED THE FIVE HUNDRED THOUSAND DOLLAR LIMIT, THE
12 DEPARTMENT SHALL GRANT THE APPLICANT ONLY THE REMAINING CREDIT AMOUNT THAT
13 WOULD NOT EXCEED THE FIVE HUNDRED THOUSAND DOLLAR LIMIT. AFTER THE
14 DEPARTMENT AUTHORIZES FIVE HUNDRED THOUSAND DOLLARS IN TAX CREDITS, THE
15 DEPARTMENT SHALL DENY ANY SUBSEQUENT APPLICATIONS THAT ARE RECEIVED. THE
16 DEPARTMENT SHALL NOT AUTHORIZE ANY ADDITIONAL TAX CREDITS THAT EXCEED THE
17 FIVE HUNDRED THOUSAND DOLLAR LIMIT EVEN IF THE AMOUNTS THAT HAVE BEEN
18 CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE FAILS TO
19 MEET THE REQUIREMENTS TO CLAIM THE ADDITIONAL CREDIT.

20 H. THE DEPARTMENT MAY VERIFY THAT A WATER CONSERVATION SYSTEM PLUMBING
21 STUB OUT HAS BEEN INSTALLED BY THE TAXPAYER.

22 I. FOR THE PURPOSES OF THIS SECTION, "WATER CONSERVATION SYSTEM" MEANS
23 A SYSTEM OR A SERIES OF COMPONENTS OR MECHANISMS THAT ARE DESIGNED TO PROVIDE
24 FOR THE COLLECTION OF RAINWATER OR RESIDENTIAL GRAYWATER. WATER CONSERVATION
25 SYSTEM INCLUDES A SYSTEM THAT IS CAPABLE OF STORING RAINWATER OR RESIDENTIAL
26 GRAYWATER FOR FUTURE USE AND REUSING THE COLLECTED WATER FOR THE SAME
27 RESIDENTIAL PROPERTY.

28 Sec. 6. Purpose

29 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
30 enacts sections 43-1090.01 and 43-1182, Arizona Revised Statutes, as added by
31 this act, to encourage taxpayers to install water conservation systems to
32 provide for the collection of rainwater or residential graywater for future
33 reuse of the reclaimed water by the taxpayer.

34 Sec. 7. Effective date

35 This act is effective and applies to taxable years beginning from and
36 after December 31, 2006.

APPROVED BY THE GOVERNOR MAY 20, 2005.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2005.

PRIVATE

Passed the House March 14, 2005,

Passed the Senate May 11, 2005,

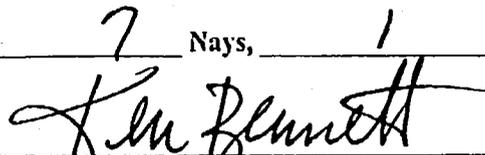
by the following vote: 39 Ayes,

by the following vote: 22 Ayes,

17 Nays, 4 Not Voting

7 Nays, 1 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~~

~~_____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary to the Governor~~

~~Approved this _____ day of~~

~~_____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Governor of Arizona~~

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE~~

~~This Bill was received by the Secretary of State~~

~~this _____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary of State~~

H.B. 2323

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

May 11, 2005,

by the following vote: 44 Ayes,

6 Nays, 10 Not Voting


Speaker, of the House
Pro Tempore
Thomas L. Moore
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

12th day of May, 2005

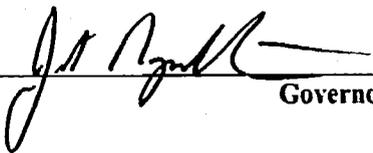
at 9:15 o'clock a M.

Wennifer L. Barra
Secretary to the Governor

Approved this 20 day of

May, 2005,

at 9:15 o'clock A. M.


Governor of Arizona

H.B. 2323

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 20 day of May, 2005

at 3:03 o'clock P. M.

Janice K. Brewer
Secretary of State