

House Engrossed Senate Bill

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
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CHAPTER 357

SENATE BILL 1156

AN ACT

AMENDING SECTIONS 42-1001, 43-105, 43-931 AND 43-1123, ARIZONA REVISED
STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-1001, Arizona Revised Statutes, is amended to
3 read:

4 42-1001. Definitions

5 In this title, unless the context otherwise requires:

6 1. "Board" or "state board" means either the state board of tax
7 appeals or the state board of equalization, as applicable.

8 2. "Court" means the tax court or superior court, whichever is
9 applicable.

10 3. "Department" means the department of revenue.

11 4. "Director" means the director of the department.

12 5. "Internal revenue code" means the United States internal revenue
13 code of 1986, as amended and in effect as of January 1, 2005 2006, including
14 those provisions that became effective during 2004 2005 with the specific
15 adoption of their retroactive effective dates but excluding all changes to
16 the code enacted after January 1, 2005 2006.

17 Sec. 2. Section 43-105, Arizona Revised Statutes, is amended to read:

18 43-105. Internal revenue code; definition; application

19 A. FOR PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE, FOR
20 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2005 THROUGH DECEMBER 31,
21 2006, "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE
22 OF 1986, AS AMENDED, IN EFFECT ON JANUARY 1, 2006, INCLUDING THOSE PROVISIONS
23 THAT BECAME EFFECTIVE DURING 2005 WITH THE SPECIFIC ADOPTION OF ALL FEDERAL
24 RETROACTIVE EFFECTIVE DATES, BUT EXCLUDING ANY CHANGE TO THE CODE ENACTED
25 AFTER JANUARY 1, 2006.

26 ~~A.~~ B. For purposes of computing income tax pursuant to this title,
27 for taxable years beginning from and after December 31, 2004 through December
28 31, 2005, "internal revenue code" means the United States internal revenue
29 code of 1986, as amended, in effect on January 1, 2005, including those
30 provisions that became effective during 2004 with the specific adoption of
31 all federal retroactive effective dates, ~~but excluding any change to the code~~
32 ~~enacted after January 1, 2005~~ AND INCLUDING THOSE PROVISIONS OF THE KATRINA
33 EMERGENCY TAX RELIEF ACT OF 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT
34 OF 2005 (TITLE XIII OF THE ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE
35 GULF OPPORTUNITY ZONE ACT OF 2005 (P.L. 109-135) THAT ARE RETROACTIVELY
36 EFFECTIVE DURING TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004
37 THROUGH DECEMBER 31, 2005.

38 ~~B.~~ C. For purposes of computing income tax pursuant to this title,
39 for taxable years beginning from and after December 31, 2003 through December
40 31, 2004, "internal revenue code" means the United States internal revenue
41 code of 1986, as amended, in effect on January 1, 2004, including those
42 provisions that became effective during 2003 with the specific adoption of
43 all federal retroactive effective dates and including those provisions of the
44 working families tax relief act of 2004 (P.L. 108-311), and the American jobs
45 creation act of 2004 (P.L. 108-357), THE KATRINA EMERGENCY TAX RELIEF ACT OF

1 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT OF 2005 (TITLE XIII OF THE
2 ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE GULF OPPORTUNITY ZONE ACT OF
3 2005 (P.L. 109-135) that are retroactively effective during taxable years
4 beginning from and after December 31, 2003 through December 31, 2004.

5 ~~E~~. D. For purposes of computing income tax pursuant to this title,
6 for taxable years beginning from and after December 31, 2002 through December
7 31, 2003, "internal revenue code" means the United States internal revenue
8 code of 1986, as amended, in effect on January 1, 2003, including those
9 provisions that became effective during 2002 with the specific adoption of
10 all federal retroactive effective dates and including those provisions of the
11 working families tax relief act of 2004 (P.L. 108-311), the American jobs
12 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief
13 reconciliation act of 2003 (P.L. 108-27), the military family tax relief act
14 of 2003 (P.L. 108-121) and the medicare prescription drug, improvement, and
15 modernization act of 2003 (P.L. 108-173) that are retroactively effective
16 during taxable years beginning from and after December 31, 2002 through
17 December 31, 2003.

18 ~~D~~. E. For purposes of computing income tax pursuant to this title,
19 for taxable years beginning from and after December 31, 2001 through December
20 31, 2002, "internal revenue code" means the United States internal revenue
21 code of 1986, as amended, in effect on March 9, 2002, including those
22 provisions that became effective during 2001 with the specific adoption of
23 all federal retroactive effective dates and including those provisions of the
24 working families tax relief act of 2004 (P.L. 108-311), the American jobs
25 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief
26 reconciliation act of 2003 (P.L. 108-27) and the military family tax relief
27 act of 2003 (P.L. 108-121) that are retroactively effective during taxable
28 years beginning from and after December 31, 2001 through December 31, 2002.

29 ~~E~~. F. For purposes of computing income tax pursuant to this title,
30 for taxable years beginning from and after December 31, 2000 through December
31 31, 2001, "internal revenue code" means the United States internal revenue
32 code of 1986, as amended, in effect on January 1, 2001, including those
33 provisions that became effective during 2000 with the specific adoption of
34 all federal retroactive effective dates and including those provisions of the
35 working families tax relief act of 2004 (P.L. 108-311), the American jobs
36 creation act of 2004 (P.L. 108-357), the economic growth and tax relief
37 reconciliation act of 2001 (P.L. 107-16), the job creation and worker
38 assistance act of 2002 (P.L. 107-147) and the military family tax relief act
39 of 2003 (P.L. 108-121) that are retroactively effective during taxable years
40 beginning from and after December 31, 2000 through December 31, 2001.

41 ~~F~~. G. For purposes of computing income tax pursuant to this title,
42 for taxable years beginning from and after December 31, 1999 through December
43 31, 2000, "internal revenue code" means the United States internal revenue
44 code of 1986, as amended, in effect on January 1, 2000, including those
45 provisions that became effective during 1999 with the specific adoption of

1 all federal retroactive effective dates and including those provisions of the
2 community renewal tax relief act of 2000 (P.L. 106-554), the installment tax
3 correction act of 2000 (P.L. 106-573), FSC repeal and extraterritorial income
4 exclusion act of 2000 (P.L. 106-519), the trade and development act of 2000
5 (P.L. 106-200), the economic growth and tax relief reconciliation act of 2001
6 (P.L. 107-16), the job creation and worker assistance act of 2002
7 (P.L. 107-147) and the military family tax relief act of 2003 (P.L. 108-121)
8 that are retroactively effective during taxable years beginning from and
9 after December 31, 1999 through December 31, 2000.

10 ~~G.~~ H. For purposes of computing income tax pursuant to this title,
11 for taxable years beginning from and after December 31, 1998 through December
12 31, 1999, "internal revenue code" means the United States internal revenue
13 code of 1986, as amended, in effect on January 1, 1999, including those
14 provisions that became effective during 1998 with the specific adoption of
15 all federal retroactive effective dates and including those provisions of the
16 miscellaneous trade and technical corrections act of 1999 (P.L. 106-36), the
17 ticket to work and work incentives improvement act of 1999 (P.L. 106-170),
18 the community renewal tax relief act of 2000 (P.L. 106-554), the installment
19 tax correction act of 2000 (P.L. 106-573) and the military family tax relief
20 act of 2003 (P.L. 108-121) that are retroactively effective during taxable
21 years beginning from and after December 31, 1998 through December 31, 1999.

22 ~~H.~~ I. For purposes of computing income tax pursuant to this title,
23 for taxable years beginning from and after December 31, 1997 through December
24 31, 1998, "internal revenue code" means the United States internal revenue
25 code of 1986, as amended, in effect on January 1, 1998, including those
26 provisions that became effective during 1997 with the specific adoption of
27 all federal retroactive effective dates and including those provisions of the
28 IRS restructuring and reform act of 1998 (P.L. 105-206), the tax and trade
29 relief extension act of 1998 (P.L. 105-277), the surface transportation
30 revenue act of 1998 (P.L. 105-178), the miscellaneous trade and technical
31 corrections act of 1999 (P.L. 106-36) and the military family tax relief act
32 of 2003 (P.L. 108-121) that are retroactively effective during the taxable
33 years beginning from and after December 31, 1997 through December 31, 1998.

34 ~~I.~~ J. For purposes of computing income tax pursuant to this title,
35 for taxable years beginning from and after December 31, 1996 through December
36 31, 1997, "internal revenue code" means the United States internal revenue
37 code of 1986, as amended, in effect on January 1, 1997, including those
38 provisions that became effective during 1996 with the specific adoption of
39 all federal retroactive effective dates and including the provisions of the
40 taxpayer relief act of 1997 (P.L. 105-34), the IRS restructuring and reform
41 act of 1998 (P.L. 105-206), the tax and trade relief extension act of 1998
42 (P.L. 105-277) and the military family tax relief act of 2003 (P.L. 108-121)
43 that are retroactively effective during taxable years beginning from and
44 after December 31, 1996 through December 31, 1997.

1 K. For purposes of computing income tax pursuant to this title,
2 for taxable years beginning from and after December 31, 1995 through December
3 31, 1996, "internal revenue code" means the United States internal revenue
4 code of 1986, as amended, in effect on January 1, 1996, including those
5 provisions that became effective during 1995 with the specific adoption of
6 their retroactive effective date and including those provisions of the small
7 business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the
8 health insurance portability and accountability act of 1996 (P.L. 104-191;
9 110 Stat. 1936), the personal responsibility and work opportunity
10 reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer
11 relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of
12 1998 (P.L. 105-206) and the tax and trade relief extension act of 1998
13 (P.L. 105-277) that are retroactively effective during taxable years
14 beginning from and after December 31, 1995 through December 31, 1996.

15 ~~K. For purposes of computing income tax pursuant to this title, for~~
16 ~~taxable years beginning from and after December 31, 1994 through December 31,~~
17 ~~1995, "internal revenue code" means the United States internal revenue code~~
18 ~~of 1986, as amended, in effect on January 1, 1995, including those provisions~~
19 ~~that became effective during 1994 with the specific adoption of their~~
20 ~~retroactive effective date and including those provisions of the small~~
21 ~~business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the~~
22 ~~health insurance portability and accountability act of 1996 (P.L. 104-191;~~
23 ~~110 Stat. 1936), the personal responsibility and work opportunity~~
24 ~~reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer~~
25 ~~relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of~~
26 ~~1998 (P.L. 105-206) and the tax and trade relief extension act of 1998~~
27 ~~(P.L. 105-277) that are retroactively effective during taxable years~~
28 ~~beginning from and after December 31, 1994 through December 31, 1995.~~

29 Sec. 3. Section 43-931, Arizona Revised Statutes, is amended to read:
30 43-931. Change of accounting period; computation of income; due
31 date of return

32 A. If a taxpayer, with the approval of the department, changes the
33 basis of computing taxable income from fiscal year to calendar year, a
34 separate return shall be made for the period between the close of the last
35 fiscal year for which return was made and the following December 31. If the
36 change is from calendar year to fiscal year, a separate return shall be made
37 for the period between the close of the last calendar year for which return
38 was made and the date designated as the close of the fiscal year. If the
39 change is from one fiscal year to another fiscal year a separate return shall
40 be made for the period between the close of the former fiscal year and the
41 date designated as the close of the new fiscal year.

42 B. If a separate return is made under subsection A on account of a
43 change in the accounting period, and in all other cases where a separate
44 return is required or permitted by regulations prescribed by the department
45 to be made for a fractional part of a year, the income shall be computed on

1 the basis of the period for which the separate return is made. The due date
2 of the separate return for such period is the fifteenth day of the fourth
3 month following the close of such period UNLESS THE SHORT PERIOD RETURN IS
4 DUE TO A CHANGE IN OWNERSHIP OF A CORPORATION IN WHICH CASE THE DUE DATE
5 SHALL BE DETERMINED PURSUANT TO 26 CODE OF FEDERAL REGULATIONS SECTION
6 1.1502-76.

7 Sec. 4. Purpose

8 The purpose of section 3 of this act is to clarify statutory intent,
9 ratify historical administrative interpretation and does not provide for any
10 substantive change in law.

APPROVED BY THE GOVERNOR JUNE 21, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 21, 2006.