

Senate Engrossed House Bill

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

CHAPTER 112

# **HOUSE BILL 2084**

AN ACT

AMENDING SECTION 43-1071, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL  
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 43-1071, Arizona Revised Statutes, is amended to  
3 read:

4 43-1071. Credit for income taxes paid to other states

5 A. Subject to the following conditions, residents shall be allowed a  
6 credit against the taxes imposed by this chapter for net income taxes imposed  
7 by and paid to another state or country on income taxable under this chapter:

8 1. The credit shall be allowed only for taxes paid to the other state  
9 or country on income that is derived from sources within that state or  
10 country and that is taxable under its laws irrespective of the residence or  
11 domicile of the recipient.

12 2. The credit shall not be allowed if the other state or country  
13 allows residents of this state a credit against the taxes imposed by that  
14 state or country for taxes paid or payable under this chapter.

15 3. The credit shall not exceed ~~such~~ THE proportion of the tax payable  
16 under this chapter as the income subject to tax in the other state or country  
17 and also taxable under this title bears to the taxpayer's entire income upon  
18 which the tax is imposed by this chapter.

19 B. If any taxes paid to another state or country for which a taxpayer  
20 has been allowed a credit under this section are at any time credited or  
21 refunded to the taxpayer:

22 1. The taxpayer shall immediately report that fact to the department.

23 2. A tax equal to the credit allowed for the taxes credited or  
24 refunded by the other state or country is due and payable from the taxpayer  
25 upon notice and demand from the department.

26 3. Interest shall be added to and collected as a part of the tax at  
27 the rate determined pursuant to section 42-1123 from the date the credit was  
28 allowed under this chapter to the date of the notice and demand.

29 4. If the tax and interest are not paid within ten days from the date  
30 of notice and demand, there shall be collected as a part of the tax interest  
31 upon the unpaid amount of tax and interest at the rate of twelve per cent per  
32 annum from the date of the notice and demand until the amount is paid.

33 C. The credit against the taxes imposed by this chapter for net income  
34 taxes paid to another state or country shall not be allowed to any taxpayer  
35 or any class of taxpayers if the allowances of the credit will result in any  
36 invalid or illegal discrimination against another taxpayer or another class  
37 of taxpayers.

38 D. For taxable years beginning before ON OR AFTER January 1, 2002 and  
39 subject to the following conditions, a resident of this state, who is also  
40 considered to be a resident of another state under the laws of the other  
41 state, is allowed a credit against the taxes imposed by this title for net  
42 income taxes imposed by and paid to that state on income taxable under this  
43 title as follows:

44 1. The credit is allowed only if the other state taxes the income to  
45 the resident of this state and does not allow the taxpayer a credit against

1 taxes imposed by that state on that income for taxes paid or payable on that  
2 income under this title.

3 2. The credit is allowed only for the proportion of the taxes paid to  
4 the other state as the income taxable under this title and also subject to  
5 tax in the other state bears to the entire income on which the taxes paid to  
6 the other state are imposed.

7 3. The credit may not exceed the proportion of the tax payable under  
8 this title as the income TAXABLE UNDER THIS TITLE AND ALSO subject to tax in  
9 the other state ~~and also taxable under this title~~ bears to the entire income  
10 taxable under this title.

11 4. FOR THE PURPOSE OF THE CREDIT ALLOWED UNDER THIS SUBSECTION,  
12 "INCOME TAXABLE UNDER THIS TITLE AND ALSO SUBJECT TO TAX IN THE OTHER STATE"  
13 MEANS INCOME THAT WOULD BE SOURCED TO THE OTHER STATE IF THE OTHER STATE WERE  
14 IMPOSING ITS INCOME TAX ON THE TAXPAYER AS IF THE TAXPAYER WAS A NONRESIDENT  
15 OF THAT OTHER STATE.

16 E. For purposes of this section, net income taxes imposed by another  
17 country ~~shall~~ include ~~those~~ taxes that qualify for a credit under sections  
18 901 and 903 of the internal revenue code and the regulations ~~thereunder~~ UNDER  
19 THOSE SECTIONS.

20 Sec. 2. Refund claims; applicability; time limitation

21 Refund claims under section 43-1071, subsection D, Arizona Revised  
22 Statutes, as amended by this act shall be filed under the time limitations  
23 prescribed in section 42-1106, Arizona Revised Statutes.

24 Sec. 3. Repeal

25 Section 2 of this act is repealed from and after December 31, 2011.

26 Sec. 4. Retroactivity

27 Section 43-1071, Arizona Revised Statutes, as amended by this act,  
28 applies retroactively to taxable years beginning from and after December 31,  
29 2001.

APPROVED BY THE GOVERNOR APRIL 24, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2007.

Passed the House January 29, 20 07

Passed the Senate April 12, 20 07

by the following vote: 58 Ayes,

by the following vote: 27 Ayes,

0 Nays, 2 Not Voting

0 Nays, 3 Not Voting

[Signature]  
Speaker of the House

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

           day of           , 20    

at            o'clock            M.

            
Secretary to the Governor

Approved this            day of

at            o'clock            M.

            
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this            day of           , 20    

at            o'clock            M.

            
Secretary of State

H.B. 2084

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

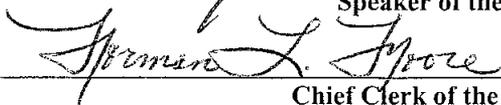
April 18, 2007,

by the following vote: 56 Ayes,

0 Nays, 4 Not Voting



Speaker of the House



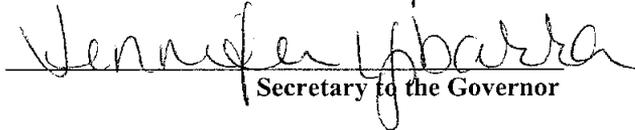
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

18th day of April, 2007

at 12:01 o'clock P M.

  
Secretary to the Governor

Approved this 24 day of

April, 2007,

at 9:40 o'clock A M.



Governor of Arizona

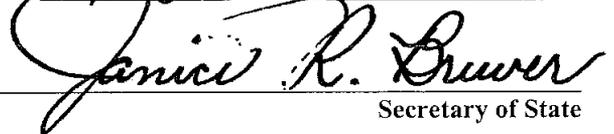
H.B. 2084

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 24 day of April, 2007,

at 11:30 o'clock A M.

  
Secretary of State