

House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 360

HOUSE BILL 2239

AN ACT

AMENDING SECTION 20-224.03, ARIZONA REVISED STATUTES; RELATING TO INSURANCE
PREMIUM 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 20-224.03, Arizona Revised Statutes, is amended to
3 read:

4 20-224.03. Premium tax credit for new employment

5 A. For taxable years beginning from and after June 30, 2011 ~~through~~
6 ~~December 31, 2019~~, a credit is allowed against the premium tax liability
7 imposed pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07
8 for net increases in full-time employees residing in this state and hired in
9 qualified employment positions in this state as computed and certified by the
10 Arizona commerce authority pursuant to section 41-1525. FOR THE PURPOSES OF
11 THIS SECTION AND SECTION 41-1525:

12 1. A tax credit is not allowed against the portion of the tax payable
13 to the fire fighters' relief and pension fund pursuant to section 20-224 or
14 the portion of the tax payable to the public safety personnel retirement
15 system pursuant to section 20-224.01.

16 2. A RECIPROCAL INSURER AND ITS ATTORNEY-IN-FACT ARE CONSIDERED TO BE
17 THE SAME ENTITY FOR THE PURPOSES OF CALCULATING THE TAX CREDIT UNDER THIS
18 SECTION.

19 B. Subject to subsection F of this section, the amount of the tax
20 credit is equal to:

21 1. Three thousand dollars for each full-time employee hired in a
22 qualified employment position in the first year or partial year of
23 employment. Employees hired in the last ninety days of the taxable year are
24 excluded for that taxable year and are considered to be new employees in the
25 following taxable year.

26 2. Three thousand dollars for each full-time employee in a qualified
27 employment position for the full taxable year in the second year of
28 continuous employment.

29 3. Three thousand dollars for each full-time employee in a qualified
30 employment position for the full taxable year in the third year of continuous
31 employment.

32 C. The capital investment and the new qualified employment positions
33 requirements of section 41-1525, subsection B must be accomplished within
34 twelve months after the start of the required capital investment. No credit
35 may be claimed until both requirements are met. A business that meets the
36 requirements of section 41-1525, subsection B for a location is eligible to
37 claim first year credits for three years beginning with the taxable year in
38 which those requirements are completed. Employees hired at the location
39 before the beginning of the taxable year but during the twelve-month period
40 allowed in this subsection are considered to be new employees for the taxable
41 year in which all of those requirements are completed. The employees that
42 are considered to be new employees for the taxable year under this subsection
43 shall not be included in the average number of full-time employees during the
44 immediately preceding taxable year until the taxable year in which all of the
45 requirements of section 41-1525, subsection B are completed. An employee

1 working at a temporary work site in this state while the designated location
2 is under construction is considered to be working at the designated location
3 if all of the following occur:

4 1. The employee is hired after the start of the required investment at
5 the designated location.

6 2. The employee is hired to work at the designated location after it
7 is completed.

8 3. The payroll for the employees destined for the designated location
9 is segregated from other employees.

10 4. The employee is moved to the designated location within thirty days
11 after its completion.

12 D. To qualify for a credit under this section, the insurer and the
13 employment positions must meet the requirements prescribed by section
14 41-1525.

15 E. A credit is allowed for employment in the second and third year
16 only for qualified employment positions for which a credit was claimed and
17 allowed in the first year.

18 F. The net increase in the number of qualified employment positions is
19 the lesser of the total number of filled qualified employment positions
20 created at the designated location or locations during the taxable year or
21 the difference between the average number of full-time employees in this
22 state in the current taxable year and the average number of full-time
23 employees in this state during the immediately preceding taxable year. The
24 net increase in the number of qualified employment positions computed under
25 this subsection may not exceed the difference between the average number of
26 full-time employees in this state in the current taxable year and the average
27 number of full-time employees in this state during the immediately preceding
28 taxable year.

29 G. A taxpayer who claims a credit under section 20-224.04 shall not
30 claim a credit under this section with respect to the same employment
31 positions.

32 H. If the allowable tax credit exceeds the state premium tax
33 liability, the amount of the claim not used as an offset against the state
34 premium tax liability may be carried forward as a tax credit against
35 subsequent years' state premium tax liability for a period not exceeding five
36 taxable years.

37 I. If the business is sold or changes ownership through
38 reorganization, stock purchase or merger, the new taxpayer may claim first
39 year credits only for the qualified employment positions that it created and
40 filled with an eligible employee after the purchase or reorganization was
41 complete. If a person purchases a taxpayer that had qualified for first or
42 second year credits or if an insurance business changes ownership through
43 reorganization, stock purchase or merger, the new taxpayer may claim the
44 second or third year credits if it meets other eligibility requirements of
45 this section. Credits for which a taxpayer qualified before the changes

1 described in this subsection are terminated and lost at the time the changes
2 are implemented.

3 J. An insurer that claims a tax credit against state premium tax
4 liability is not required to pay any additional retaliatory tax imposed
5 pursuant to section 20-230 as a result of claiming that tax credit.

6 K. A failure to timely report and certify to the Arizona commerce
7 authority the information prescribed by section 41-1525, subsection E and in
8 the manner prescribed by section 41-1525, subsection F disqualifies the
9 insurer from the credit under this section. The department of insurance
10 shall require written evidence of the timely report to the Arizona commerce
11 authority.

12 L. A tax credit under this section is subject to recovery for a
13 violation described in section 41-1525, subsection H.

14 M. The department may adopt rules necessary for the administration of
15 this section.

16 N. For the purposes of subsection B, paragraphs 2 and 3 of this
17 section, if a full-time employee in the qualified employment position leaves
18 during the taxable year, the employee may be replaced with another new
19 full-time employee in the same employment position and the new employee will
20 be treated as being in ~~their~~ THE EMPLOYEE'S second or third full year of
21 continuous employment for the purposes of the credit under this section if:

22 1. The total time the position was vacant from the date the employment
23 position was originally filled to the end of the current tax year totals
24 ninety days or less.

25 2. The new employee meets all of the same requirements as the original
26 employee was required to meet.

27 Sec. 2. Effective date; retroactivity

28 Section 20-224.03, Arizona Revised Statutes, as amended by this act, is
29 effective retroactively to, and applies to taxable years beginning, from and
30 after December 31, 2015.

APPROVED BY THE GOVERNOR MAY 19, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 19, 2016.

Passed the House February 24, 2016

Passed the Senate May 5, 2016

by the following vote: 59 Ayes,

by the following vote: 27 Ayes,

0 Nays, 1 Not Voting

2 Nays, 1 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House Pro Tempore

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

10th day of May, 2016

at 10:21 o'clock A. M.

[Signature]
Secretary to the Governor

Approved this 19th day of

May

at 11:31 o'clock A. M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 19th day of May, 2016

at 3:20 o'clock P. M.

[Signature]
Secretary of State

H.B. 2239