



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

May 8, 2017

The Honorable Michele Reagan  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 1<sup>st</sup> Regular Session, which I signed on May 8, 2017:

HB 2214 - income tax subtraction; ADA retrofits  
HB 2229 - JTEDs; courses and programs; approval  
HB 2253 - state veterinarian; animal identification; appropriation  
HB 2267 - captive insurance; fund  
SB 1003 - DCS; investigations; custody; oversight committee  
SB 1023 - dispensers; prescription drug monitoring  
SB 1038 - teachers; professional development; pilot program  
SB 1184 - appropriation; Arizona geological survey  
SB 1278 - felony pretrial intervention programs; appropriation  
SB 1332 - workers' compensation; settlement; travel expenses

Sincerely,

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

House Engrossed

**FILED**

**MICHELE REAGAN**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-third Legislature  
First Regular Session  
2017

CHAPTER 278

# **HOUSE BILL 2214**

AN ACT

AMENDING SECTIONS 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1024; AMENDING SECTIONS 43-1121 AND 43-1122, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1124; RELATING TO INCOME TAX SUBTRACTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1021, Arizona Revised Statutes, is amended to  
3 read:

4 43-1021. Addition to Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts  
6 shall be added to Arizona gross income:

7 1. A beneficiary's share of the fiduciary adjustment to the extent  
8 that the amount determined by section 43-1333 increases the beneficiary's  
9 Arizona gross income.

10 2. An amount equal to the ordinary income portion of a lump sum  
11 distribution that was excluded from federal adjusted gross income pursuant  
12 to the special rule for individuals who attained fifty years of age before  
13 January 1, 1986 under Public Law 99-514, section 1122(h)(3).

14 3. The amount of interest income received on obligations of any  
15 state, territory or possession of the United States, or any political  
16 subdivision thereof, located outside the state of Arizona, reduced, for  
17 tax years beginning from and after December 31, 1996, by the amount of any  
18 interest on indebtedness and other related expenses that were incurred or  
19 continued to purchase or carry those obligations and that are not  
20 otherwise deducted or subtracted in arriving at Arizona gross income.

21 4. The excess of a partner's share of partnership taxable income  
22 required to be included under chapter 14, article 2 of this title over the  
23 income required to be reported under section 702(a)(8) of the internal  
24 revenue code.

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

28 6. The amount by which the adjusted basis of property described in  
29 this paragraph and computed pursuant to the internal revenue code exceeds  
30 the adjusted basis of such property computed pursuant to this title and  
31 the income tax act of 1954, as amended. This paragraph shall apply to all  
32 property that is held for the production of income and that is sold or  
33 otherwise disposed of during the taxable year, except depreciable property  
34 used in a trade or business.

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

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

43 9. The amount by which the adjusted basis computed under the  
44 internal revenue code with respect to property for which a credit was  
45 claimed under section 43-1080 and that is sold or otherwise disposed of

1 during the taxable year exceeds the adjusted basis of the property  
2 computed under section 43-1080.

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

8 11. The amount by which the adjusted basis computed under the  
9 internal revenue code with respect to property for which a credit was  
10 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold  
11 or otherwise disposed of during the taxable year exceeds the adjusted  
12 basis of the property computed under section 43-1074.02, 43-1081 or  
13 43-1081.01, as applicable.

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

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

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

25 15. Any wage expenses deducted pursuant to the internal revenue  
26 code for which a credit is claimed under section 43-1087 and representing  
27 net increases in qualified employment positions for employment of  
28 temporary assistance for needy families recipients.

29 16. The amount of any depreciation allowance allowed pursuant to  
30 section 167(a) of the internal revenue code to the extent not previously  
31 added.

32 17. With respect to property for which an expense deduction was  
33 taken pursuant to section 179 of the internal revenue code in a taxable  
34 year beginning before January 1, 2013, the amount in excess of twenty-five  
35 thousand dollars.

36 18. The amount of a nonqualified withdrawal, as defined in section  
37 15-1871, from a college savings plan established pursuant to section 529  
38 of the internal revenue code that is made to a distributee to the extent  
39 the amount is not included in computing federal adjusted gross income,  
40 except that the amount added under this paragraph shall not exceed the  
41 difference between the amount subtracted under section 43-1022 in prior  
42 taxable years and the amount added under this section in any prior taxable  
43 years.

1           19. The amount of discharge of indebtedness income that is deferred  
2 and excluded from the computation of federal adjusted gross income in the  
3 current taxable year pursuant to section 108(i) of the internal revenue  
4 code as added by section 1231 of the American recovery and reinvestment  
5 act of 2009 (P.L. 111-5).

6           20. The amount of any previously deferred original issue discount  
7 that was deducted in computing federal adjusted gross income in the  
8 current year pursuant to section 108(i) of the internal revenue code as  
9 added by section 1231 of the American recovery and reinvestment act of  
10 2009 (P.L. 111-5), to the extent that the amount was previously subtracted  
11 from Arizona gross income pursuant to section 43-1022, paragraph 24.

12           21. Amounts that are considered to be income under section 43-1032,  
13 subsection D because the amount is withdrawn from a long-term health care  
14 savings account and not used to pay the taxpayer's long-term health care  
15 expenses.

16           22. The amount of a withdrawal that is not a qualified disability  
17 expense as defined in 26 United States Code section 529A and any  
18 regulations issued pursuant to that section from an achieving a better  
19 life experience act account established pursuant to 26 United States Code  
20 section 529A and any regulations issued pursuant to that section AND that  
21 is made to a distributee to the extent the amount is not included in  
22 computing federal adjusted gross income, except that the amount added  
23 under this paragraph shall not exceed the difference between the amount  
24 subtracted under section 43-1022 in prior taxable years and the amount  
25 added under this section in any prior taxable years.

26           23. IF A SUBTRACTION IS OR HAS BEEN TAKEN BY THE TAXPAYER UNDER  
27 SECTION 43-1024, IN THE CURRENT OR A PRIOR TAXABLE YEAR FOR THE FULL  
28 AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED TO COMPLY WITH THE  
29 REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336)  
30 OR TITLE 41, CHAPTER 9, ARTICLE 8, ANY AMOUNT OF ELIGIBLE ACCESS  
31 EXPENDITURES THAT IS RECOGNIZED UNDER THE INTERNAL REVENUE CODE, INCLUDING  
32 ANY AMOUNT THAT IS AMORTIZED ACCORDING TO FEDERAL AMORTIZATION SCHEDULES,  
33 AND THAT IS INCLUDED IN COMPUTING TAXABLE INCOME FOR THE CURRENT TAXABLE  
34 YEAR.

35           Sec. 2. Section 43-1022, Arizona Revised Statutes, is amended to  
36 read:

37           43-1022. Subtractions from Arizona gross income

38           In computing Arizona adjusted gross income, the following amounts  
39 shall be subtracted from Arizona gross income:

40           1. The amount of exemptions allowed by section 43-1023.

41           2. Benefits, annuities and pensions in an amount totaling not more  
42 than two thousand five hundred dollars received from one or more of the  
43 following:

44           (a) The United States government service retirement and disability  
45 fund, retired or retainer pay of the uniformed services of the United

1 States, the United States foreign service retirement and disability system  
2 and any other retirement system or plan established by federal law.

3 (b) The Arizona state retirement system, the corrections officer  
4 retirement plan, the public safety personnel retirement system, the  
5 elected officials' retirement plan, an optional retirement program  
6 established by the Arizona board of regents under section 15-1628, an  
7 optional retirement program established by a community college district  
8 board under section 15-1451 or a retirement plan established for employees  
9 of a county, city or town in this state.

10 3. A beneficiary's share of the fiduciary adjustment to the extent  
11 that the amount determined by section 43-1333 decreases the beneficiary's  
12 Arizona gross income.

13 4. Interest income received on obligations of the United States,  
14 less any interest on indebtedness, or other related expenses, and deducted  
15 in arriving at Arizona gross income, which were incurred or continued to  
16 purchase or carry such obligations.

17 5. The excess of a partner's share of income required to be  
18 included under section 702(a)(8) of the internal revenue code over the  
19 income required to be included under chapter 14, article 2 of this title.

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

23 7. The amount by which the adjusted basis of property described in  
24 this paragraph and computed pursuant to this title and the income tax act  
25 of 1954, as amended, exceeds the adjusted basis of such property computed  
26 pursuant to the internal revenue code. This paragraph shall apply to all  
27 property that is held for the production of income and that is sold or  
28 otherwise disposed of during the taxable year other than depreciable  
29 property used in a trade or business.

30 8. The amount allowed by section 43-1025 for contributions during  
31 the taxable year of agricultural crops to charitable organizations.

32 9. The portion of any wages or salaries paid or incurred by the  
33 taxpayer for the taxable year that is equal to the amount of the federal  
34 work opportunity credit, the empowerment zone employment credit, the  
35 credit for employer paid social security taxes on employee cash tips and  
36 the Indian employment credit that the taxpayer received under sections  
37 45A, 45B, 51(a) and 1396 of the internal revenue code.

38 10. The amount of prizes or winnings less than five thousand  
39 dollars in a single taxable year from any of the state lotteries  
40 established and operated pursuant to title 5, chapter 5.1, article 1.

41 11. The amount of exploration expenses that is determined pursuant  
42 to section 617 of the internal revenue code, that has been deferred in a  
43 taxable year ending before January 1, 1990 and for which a subtraction has  
44 not previously been made. The subtraction shall be made on a ratable

1 basis as the units of produced ores or minerals discovered or explored as  
2 a result of this exploration are sold.

3 12. The amount included in federal adjusted gross income pursuant  
4 to section 86 of the internal revenue code, relating to taxation of social  
5 security and railroad retirement benefits.

6 13. To the extent not already excluded from Arizona gross income  
7 under the internal revenue code, compensation received for active service  
8 as a member of the reserves, the national guard or the armed forces of the  
9 United States, including compensation for service in a combat zone as  
10 determined under section 112 of the internal revenue code.

11 14. The amount of unreimbursed medical and hospital costs, adoption  
12 counseling, legal and agency fees and other nonrecurring costs of adoption  
13 not to exceed three thousand dollars. In the case of a husband and wife  
14 who file separate returns, the subtraction may be taken by either taxpayer  
15 or may be divided between them, but the total subtractions allowed both  
16 husband and wife shall not exceed three thousand dollars. The subtraction  
17 under this paragraph may be taken for the costs that are described in this  
18 paragraph and that are incurred in prior years, but the subtraction may be  
19 taken only in the year during which the final adoption order is granted.

20 15. The amount authorized by section 43-1027 for the taxable year  
21 relating to qualified wood stoves, wood fireplaces or gas fired  
22 fireplaces.

23 16. The amount by which a net operating loss carryover or capital  
24 loss carryover allowable pursuant to section 43-1029, subsection F exceeds  
25 the net operating loss carryover or capital loss carryover allowable  
26 pursuant to section 1341(b)(5) of the internal revenue code.

27 17. Any amount of qualified educational expenses that is  
28 distributed from a qualified state tuition program determined pursuant to  
29 section 529 of the internal revenue code and that is included in income in  
30 computing federal adjusted gross income.

31 18. Any item of income resulting from an installment sale that has  
32 been properly subjected to income tax in another state in a previous  
33 taxable year and that is included in Arizona gross income in the current  
34 taxable year.

35 19. The amount authorized by section 43-1030 relating to holocaust  
36 survivors.

37 20. For property placed in service:

38 (a) In taxable years beginning before December 31, 2012, an amount  
39 equal to the depreciation allowable pursuant to section 167(a) of the  
40 internal revenue code for the taxable year computed as if the election  
41 described in section 168(k)(2)(D)(iii) of the internal revenue code had  
42 been made for each applicable class of property in the year the property  
43 was placed in service.

1 (b) In taxable years beginning from and after December 31, 2012  
2 through December 31, 2013, an amount determined in the year the asset was  
3 placed in service based on the calculation in subdivision (a) of this  
4 paragraph. In the first taxable year beginning from and after December  
5 31, 2013, the taxpayer may elect to subtract the amount necessary to make  
6 the depreciation claimed to date for the purposes of this title the same  
7 as it would have been if subdivision (c) of this paragraph had applied for  
8 the entire time the asset was in service. Subdivision (c) of this  
9 paragraph applies for the remainder of the asset's life. If the taxpayer  
10 does not make the election under this subdivision, subdivision (a) of this  
11 paragraph applies for the remainder of the asset's life.

12 (c) In taxable years beginning from and after December 31, 2013  
13 through December 31, 2015, an amount equal to the depreciation allowable  
14 pursuant to section 167(a) of the internal revenue code for the taxable  
15 year as computed as if the additional allowance for depreciation had been  
16 ten percent of the amount allowed pursuant to section 168(k) of the  
17 internal revenue code.

18 (d) In taxable years beginning from and after December 31, 2015  
19 through December 31, 2016, an amount equal to the depreciation allowable  
20 pursuant to section 167(a) of the internal revenue code for the taxable  
21 year as computed as if the additional allowance for depreciation had been  
22 fifty-five percent of the amount allowed pursuant to section 168(k) of the  
23 internal revenue code.

24 (e) In taxable years beginning from and after December 31, 2016, an  
25 amount equal to the depreciation allowable pursuant to section 167(a) of  
26 the internal revenue code for the taxable year as computed as if the  
27 additional allowance for depreciation had been the full amount allowed  
28 pursuant to section 168(k) of the internal revenue code.

29 21. With respect to property that is sold or otherwise disposed of  
30 during the taxable year by a taxpayer that complied with section 43-1021,  
31 paragraph 16 with respect to that property, the amount of depreciation  
32 that has been allowed pursuant to section 167(a) of the internal revenue  
33 code to the extent that the amount has not already reduced Arizona taxable  
34 income in the current or prior taxable years.

35 22. With respect to property for which an adjustment was made under  
36 section 43-1021, paragraph 17, an amount equal to one-fifth of the amount  
37 of the adjustment pursuant to section 43-1021, paragraph 17 in the year in  
38 which the amount was adjusted under section 43-1021, paragraph 17 and in  
39 each of the following four years.

40 23. The amount contributed during the taxable year to college  
41 savings plans established pursuant to section 529 of the internal revenue  
42 code to the extent that the contributions were not deducted in computing  
43 federal adjusted gross income. The amount subtracted shall not exceed:

44 (a) Two thousand dollars for a single individual or a head of  
45 household.

1 (b) Four thousand dollars for a married couple filing a joint  
2 return. In the case of a husband and wife who file separate returns, the  
3 subtraction may be taken by either taxpayer or may be divided between  
4 them, but the total subtractions allowed both husband and wife shall not  
5 exceed four thousand dollars.

6 24. The amount of any original issue discount that was deferred and  
7 not allowed to be deducted in computing federal adjusted gross income in  
8 the current taxable year pursuant to section 108(i) of the internal  
9 revenue code as added by section 1231 of the American recovery and  
10 reinvestment act of 2009 (P.L. 111-5).

11 25. The amount of previously deferred discharge of indebtedness  
12 income that is included in the computation of federal adjusted gross  
13 income in the current taxable year pursuant to section 108(i) of the  
14 internal revenue code as added by section 1231 of the American recovery  
15 and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount  
16 was previously added to Arizona gross income pursuant to section 43-1021,  
17 paragraph 19.

18 26. The portion of the net operating loss carryforward that would  
19 have been allowed as a deduction in the current year pursuant to section  
20 172 of the internal revenue code if the election described in section  
21 172(b)(1)(H) of the internal revenue code had not been made in the year of  
22 the loss that exceeds the actual net operating loss carryforward that was  
23 deducted in arriving at federal adjusted gross income. This subtraction  
24 only applies to taxpayers who made an election under section 172(b)(1)(H)  
25 of the internal revenue code as amended by section 1211 of the American  
26 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by  
27 section 13 of the worker, homeownership, and business assistance act of  
28 2009 (P.L. 111-92).

29 27. For taxable years beginning from and after December 31, 2013,  
30 the amount of any net capital gain included in federal adjusted gross  
31 income for the taxable year derived from investment in a qualified small  
32 business as determined by the Arizona commerce authority pursuant to  
33 section 41-1518.

34 28. An amount of any net long-term capital gain included in federal  
35 adjusted gross income for the taxable year that is derived from an  
36 investment in an asset acquired after December 31, 2011, as follows:

37 (a) For taxable years beginning from and after December 31, 2012  
38 through December 31, 2013, ten percent of the net long-term capital gain  
39 included in federal adjusted gross income.

40 (b) For taxable years beginning from and after December 31, 2013  
41 through December 31, 2014, twenty percent of the net long-term capital  
42 gain included in federal adjusted gross income.

43 (c) For taxable years beginning from and after December 31, 2014,  
44 twenty-five percent of the net long-term capital gain included in federal  
45 adjusted gross income.

1 For the purposes of this paragraph, a transferee that receives an asset by  
2 gift or at the death of a transferor is considered to have acquired the  
3 asset when the asset was acquired by the transferor. If the date an asset  
4 is acquired cannot be verified, a subtraction under this paragraph is not  
5 allowed.

6 29. If an individual is not claiming itemized deductions pursuant  
7 to section 43-1042, the amount of premium costs for long-term care  
8 insurance, as defined in section 20-1691.

9 30. With respect to a long-term health care savings account  
10 established pursuant to section 43-1032, the amount deposited by the  
11 taxpayer in the account during the taxable year to the extent that the  
12 taxpayer's contributions are included in the taxpayer's federal adjusted  
13 gross income.

14 31. Any amount of qualified disability expenses that is distributed  
15 from a qualified ABLE program determined pursuant to 26 United States Code  
16 section 529A and any regulations issued pursuant to that section and that  
17 is included in income in computing federal adjusted gross income. For the  
18 purposes of this paragraph, "qualified disability expenses" has the same  
19 meaning prescribed in section 46-901.

20 32. THE AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED  
21 DURING THE TAXABLE YEAR TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS  
22 WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9,  
23 ARTICLE 8 AS PROVIDED BY SECTION 43-1024.

24 Sec. 3. Title 43, chapter 10, article 3, Arizona Revised Statutes,  
25 is amended by adding section 43-1024, to read:

26 43-1024. Americans with disabilities act access expenditures

27 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, IN  
28 COMPUTING ARIZONA ADJUSTED GROSS INCOME, A SUBTRACTION IS ALLOWED UNDER  
29 SECTION 43-1022, PARAGRAPH 32 FOR ELIGIBLE BUSINESS ACCESS EXPENDITURES  
30 PAID OR INCURRED BY THE TAXPAYER DURING THE TAXABLE YEAR IN ORDER TO  
31 COMPLY WITH THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF  
32 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8 BY RETROFITTING  
33 DEVELOPED REAL PROPERTY THAT WAS ORIGINALLY PLACED IN SERVICE AT LEAST TEN  
34 YEARS BEFORE THE CURRENT TAXABLE YEAR.

35 B. FOR THE PURPOSES OF THIS SECTION, ELIGIBLE BUSINESS ACCESS  
36 EXPENDITURES INCLUDE REASONABLE AND NECESSARY AMOUNTS PAID OR INCURRED TO:

37 1. REMOVE ANY BARRIERS THAT PREVENT A BUSINESS FROM BEING  
38 ACCESSIBLE TO OR USABLE BY INDIVIDUALS WITH DISABILITIES.

39 2. PROVIDE QUALIFIED INTERPRETERS OR OTHER METHODS OF MAKING AUDIO  
40 MATERIALS AVAILABLE TO HEARING-IMPAIRED INDIVIDUALS.

41 3. PROVIDE QUALIFIED READERS, TAPED TEXTS AND OTHER EFFECTIVE  
42 METHODS OF MAKING VISUALLY DELIVERED MATERIALS AVAILABLE TO INDIVIDUALS  
43 WITH VISUAL IMPAIRMENTS.

44 4. ACQUIRE OR MODIFY EQUIPMENT OR DEVICES FOR INDIVIDUALS WITH  
45 DISABILITIES.

1           5. PROVIDE OTHER SIMILAR SERVICES, MODIFICATIONS, MATERIALS OR  
2 EQUIPMENT.

3           C. A TAXPAYER WHO HAS BEEN CITED FOR NONCOMPLIANCE WITH THE  
4 AMERICANS WITH DISABILITIES ACT OF 1990 OR TITLE 41, CHAPTER 9, ARTICLE 8  
5 BY EITHER FEDERAL OR STATE ENFORCEMENT OFFICIALS IS INELIGIBLE FOR A  
6 SUBTRACTION UNDER THIS SECTION FOR ANY EXPENDITURE REQUIRED TO CURE THE  
7 CITED VIOLATION.

8           Sec. 4. Section 43-1121, Arizona Revised Statutes, is amended to  
9 read:

10           43-1121. Additions to Arizona gross income; corporations

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

13           1. The amount of interest income received on obligations of any  
14 state, territory or possession of the United States, or any political  
15 subdivision thereof, located outside this state, reduced, for tax years  
16 beginning from and after December 31, 1996, by the amount of any interest  
17 on indebtedness and other related expenses that were incurred or continued  
18 to purchase or carry those obligations and that are not otherwise deducted  
19 or subtracted in arriving at Arizona gross income.

20           2. The excess of a partner's share of partnership taxable income  
21 required to be included under chapter 14, article 2 of this title over the  
22 income required to be reported under section 702(a)(8) of the internal  
23 revenue code.

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

27           4. The amount by which the adjusted basis of property described in  
28 this paragraph and computed pursuant to the internal revenue code exceeds  
29 the adjusted basis of such property computed pursuant to this title and  
30 the income tax act of 1954, as amended. This paragraph applies to all  
31 property that is held for the production of income and that is sold or  
32 otherwise disposed of during the taxable year, except depreciable property  
33 used in a trade or business.

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

37           6. With respect to property for which an expense deduction was  
38 taken pursuant to section 179 of the internal revenue code in a taxable  
39 year beginning before January 1, 2013, the amount in excess of twenty-five  
40 thousand dollars.

41           7. The amount of discharge of indebtedness income that is deferred  
42 and excluded from the computation of federal taxable income in the current  
43 taxable year pursuant to section 108(i) of the internal revenue code as  
44 added by section 1231 of the American recovery and reinvestment act of  
45 2009 (P.L. 111-5).

1           8. The amount of any previously deferred original issue discount  
2 that was deducted in computing federal taxable income in the current year  
3 pursuant to section 108(i) of the internal revenue code as added by  
4 section 1231 of the American recovery and reinvestment act of 2009  
5 (P.L. 111-5), to the extent that the amount was previously subtracted from  
6 Arizona gross income pursuant to section 43-1122, paragraph 8.

7           9. The amount of dividend income received from corporations and  
8 allowed as a deduction pursuant to sections 243, 244 and 245 of the  
9 internal revenue code.

10          10. Taxes that are based on income paid to states, local  
11 governments or foreign governments and that were deducted in computing  
12 federal taxable income.

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

18          12. Commissions, rentals and other amounts paid or accrued to a  
19 domestic international sales corporation controlled by the payor  
20 corporation if the domestic international sales corporation is not  
21 required to report its taxable income to this state because its income is  
22 not derived from or attributable to sources within this state. If the  
23 domestic international sales corporation is subject to article 4 of this  
24 chapter, the department shall prescribe by rule the method of determining  
25 the portion of the commissions, rentals and other amounts that are paid or  
26 accrued to the controlled domestic international sales corporation and  
27 that shall be deducted by the payor. For the purposes of this paragraph,  
28 "control" means direct or indirect ownership or control of fifty per cent  
29 PERCENT or more of the voting stock of the domestic international sales  
30 corporation by the payor corporation.

31          13. The amount of net operating loss taken pursuant to section 172  
32 of the internal revenue code.

33          14. The amount of exploration expenses determined pursuant to  
34 section 617 of the internal revenue code to the extent that they exceed  
35 seventy-five thousand dollars and to the extent that the election is made  
36 to defer those expenses not in excess of seventy-five thousand dollars.

37          15. Amortization of costs incurred to install pollution control  
38 devices and deducted pursuant to the internal revenue code or the amount  
39 of deduction for depreciation taken pursuant to the internal revenue code  
40 on pollution control devices for which an election is made pursuant to  
41 section 43-1129.

42          16. The amount of depreciation or amortization of costs of child  
43 care facilities deducted pursuant to section 167 or 188 of the internal  
44 revenue code for which an election is made to amortize pursuant to section  
45 43-1130.

1           17. 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  
3 income on a consolidated return pursuant to section 43-947.

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

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

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

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

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

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

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

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

39           26. Any amount of expenses that were deducted pursuant to the  
40 internal revenue code and for which a credit is claimed under section  
41 43-1178.

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

1           28. Any amount deducted pursuant to section 170 of the internal  
2 revenue code representing contributions to a school tuition organization  
3 for which a credit is claimed under section 43-1183 or 43-1184.

4           29. IF A SUBTRACTION IS OR HAS BEEN TAKEN BY THE TAXPAYER UNDER  
5 SECTION 43-1124, IN THE CURRENT OR A PRIOR TAXABLE YEAR FOR THE FULL  
6 AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED TO COMPLY WITH THE  
7 REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 (P.L. 101-336)  
8 OR TITLE 41, CHAPTER 9, ARTICLE 8, ANY AMOUNT OF ELIGIBLE ACCESS  
9 EXPENDITURES THAT IS RECOGNIZED UNDER THE INTERNAL REVENUE CODE, INCLUDING  
10 ANY AMOUNT THAT IS AMORTIZED ACCORDING TO FEDERAL AMORTIZATION SCHEDULES,  
11 AND THAT IS INCLUDED IN COMPUTING ARIZONA TAXABLE INCOME FOR THE CURRENT  
12 TAXABLE YEAR.

13           Sec. 5. Section 43-1122, Arizona Revised Statutes, is amended to  
14 read:

15           43-1122. Subtractions from Arizona gross income; corporations

16           In computing Arizona taxable income for a corporation, the following  
17 amounts shall be subtracted from Arizona gross income:

18           1. The excess of a partner's share of income required to be  
19 included under section 702(a)(8) of the internal revenue code over the  
20 income required to be included under chapter 14, article 2 of this title.

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

24           3. The amount by which the adjusted basis of property described in  
25 this paragraph and computed pursuant to this title and the income tax act  
26 of 1954, as amended, exceeds the adjusted basis of such property computed  
27 pursuant to the internal revenue code. This paragraph applies to all  
28 property that is held for the production of income and that is sold or  
29 otherwise disposed of during the taxable year other than depreciable  
30 property used in a trade or business.

31           4. The amount allowed by section 43-1025 for contributions during  
32 the taxable year of agricultural crops to charitable organizations.

33           5. The portion of any wages or salaries paid or incurred by the  
34 taxpayer for the taxable year that is equal to the amount of the federal  
35 work opportunity credit, the empowerment zone employment credit, the  
36 credit for employer paid social security taxes on employee cash tips and  
37 the Indian employment credit that the taxpayer received under sections  
38 45A, 45B, 51(a) and 1396 of the internal revenue code.

39           6. With respect to property that is sold or otherwise disposed of  
40 during the taxable year by a taxpayer that complied with section 43-1121,  
41 paragraph 5 with respect to that property, the amount of depreciation that  
42 has been allowed pursuant to section 167(a) of the internal revenue code  
43 to the extent that the amount has not already reduced Arizona taxable  
44 income in the current taxable year or prior taxable years.

1           7. With respect to property for which an adjustment was made under  
2 section 43-1121, paragraph 6, an amount equal to one-fifth of the amount  
3 of the adjustment pursuant to section 43-1121, paragraph 6 in the year in  
4 which the amount was adjusted under section 43-1121, paragraph 6 and in  
5 each of the following four years.

6           8. The amount of any original issue discount that was deferred and  
7 not allowed to be deducted in computing federal taxable income in the  
8 current taxable year pursuant to section 108(i) of the internal revenue  
9 code as added by section 1231 of the American recovery and reinvestment  
10 act of 2009 (P.L. 111-5).

11           9. The amount of previously deferred discharge of indebtedness  
12 income that is included in the computation of federal taxable income in  
13 the current taxable year pursuant to section 108(i) of the internal  
14 revenue code as added by section 1231 of the American recovery and  
15 reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was  
16 previously added to Arizona gross income pursuant to section 43-1121,  
17 paragraph 7.

18           10. With respect to a financial institution as defined in section  
19 6-101, expenses and interest relating to tax-exempt income disallowed  
20 pursuant to section 265 of the internal revenue code.

21           11. Dividends received from another corporation owned or controlled  
22 directly or indirectly by a recipient corporation. For the purposes of  
23 this paragraph, "control" means direct or indirect ownership or control of  
24 fifty percent or more of the voting stock of the payor corporation by the  
25 recipient corporation. Dividends shall have the meaning provided in  
26 section 316 of the internal revenue code. This subtraction shall apply  
27 without regard to section 43-961, paragraph 2 and article 4 of this  
28 chapter.

29           12. Interest income received on obligations of the United States.

30           13. The amount of dividend income from foreign corporations.

31           14. The amount of net operating loss allowed by section 43-1123.

32           15. The amount of any state income tax refunds received that were  
33 included as income in computing federal taxable income.

34           16. The amount of expense recapture included in income pursuant to  
35 section 617 of the internal revenue code for mine exploration expenses.

36           17. The amount of deferred exploration expenses allowed by section  
37 43-1127.

38           18. The amount of exploration expenses related to the exploration  
39 of oil, gas or geothermal resources, computed in the same manner and on  
40 the same basis as a deduction for mine exploration pursuant to section 617  
41 of the internal revenue code. This computation is subject to the  
42 adjustments contained in section 43-1121, paragraph 14 and paragraphs 16  
43 and 17 of this section relating to exploration expenses.

44           19. The amortization of pollution control devices allowed by  
45 section 43-1129.

1           20. The amount of amortization of the cost of child care facilities  
2 pursuant to section 43-1130.

3           21. The amount of income from a domestic international sales  
4 corporation required to be included in the income of its shareholders  
5 pursuant to section 995 of the internal revenue code.

6           22. The income of an insurance company that is exempt under section  
7 43-1201 to the extent that it is included in computing Arizona gross  
8 income on a consolidated return pursuant to section 43-947.

9           23. The amount by which a capital loss carryover allowable pursuant  
10 to section 43-1130.01, subsection F exceeds the capital loss carryover  
11 allowable pursuant to section 1341(b)(5) of the internal revenue code.

12           24. An amount equal to the depreciation allowable pursuant to  
13 section 167(a) of the internal revenue code for the taxable year computed  
14 as if the election described in section 168(k)(2)(D)(iii) of the internal  
15 revenue code had been made for each applicable class of property in the  
16 year the property was placed in service.

17           25. THE AMOUNT OF ELIGIBLE ACCESS EXPENDITURES PAID OR INCURRED  
18 DURING THE TAXABLE YEAR TO COMPLY WITH THE REQUIREMENTS OF THE AMERICANS  
19 WITH DISABILITIES ACT OF 1990 (P.L. 101-336) OR TITLE 41, CHAPTER 9,  
20 ARTICLE 8 AS PROVIDED BY SECTION 43-1124.

21           Sec. 6. Title 43, chapter 11, article 3, Arizona Revised Statutes,  
22 is amended by adding section 43-1124, to read:

23           43-1124. Americans with disabilities act access expenditures

24           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017, IN  
25 COMPUTING ARIZONA TAXABLE INCOME, A SUBTRACTION IS ALLOWED UNDER SECTION  
26 43-1122, PARAGRAPH 25 FOR ELIGIBLE BUSINESS ACCESS EXPENDITURES PAID OR  
27 INCURRED BY THE TAXPAYER DURING THE TAXABLE YEAR IN ORDER TO COMPLY WITH  
28 THE REQUIREMENTS OF THE AMERICANS WITH DISABILITIES ACT OF 1990  
29 (P.L. 101-336) OR TITLE 41, CHAPTER 9, ARTICLE 8 BY RETROFITTING DEVELOPED  
30 REAL PROPERTY THAT WAS ORIGINALLY PLACED IN SERVICE AT LEAST TEN YEARS  
31 BEFORE THE CURRENT TAXABLE YEAR.

32           B. FOR THE PURPOSES OF THIS SECTION, ELIGIBLE BUSINESS ACCESS  
33 EXPENDITURES INCLUDE REASONABLE AND NECESSARY AMOUNTS PAID OR INCURRED TO:

34           1. REMOVE ANY BARRIERS THAT PREVENT A BUSINESS FROM BEING  
35 ACCESSIBLE TO OR USABLE BY INDIVIDUALS WITH DISABILITIES.

36           2. PROVIDE QUALIFIED INTERPRETERS OR OTHER METHODS OF MAKING AUDIO  
37 MATERIALS AVAILABLE TO HEARING-IMPAIRED INDIVIDUALS.

38           3. PROVIDE QUALIFIED READERS, TAPED TEXTS AND OTHER EFFECTIVE  
39 METHODS OF MAKING VISUALLY DELIVERED MATERIALS AVAILABLE TO INDIVIDUALS  
40 WITH VISUAL IMPAIRMENTS.

41           4. ACQUIRE OR MODIFY EQUIPMENT OR DEVICES FOR INDIVIDUALS WITH  
42 DISABILITIES.

43           5. PROVIDE OTHER SIMILAR SERVICES, MODIFICATIONS, MATERIALS OR  
44 EQUIPMENT.

1           C. A TAXPAYER THAT HAS BEEN CITED FOR NONCOMPLIANCE WITH THE  
2 AMERICANS WITH DISABILITIES ACT OF 1990 OR TITLE 41, CHAPTER 9, ARTICLE 8  
3 BY EITHER FEDERAL OR STATE ENFORCEMENT OFFICIALS IS INELIGIBLE FOR A  
4 SUBTRACTION UNDER THIS SECTION FOR ANY EXPENDITURE REQUIRED TO CURE THE  
5 CITED VIOLATION.

**APPROVED BY THE GOVERNOR MAY 8, 2017.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 8, 2017.**

Passed the House February 13, 20 17

Passed the Senate May 4, 20 17

by the following vote: 58 Ayes,

by the following vote: 30 Ayes,

1 Nays, 1 Not Voting

0 Nays, 0 Not Voting

[Signature]  
Speaker of the House  
 Pro Tempore

[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

4<sup>th</sup> day of May, 20 17

at 2:48 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this 8<sup>th</sup> day of

May, 2017

at 4:32 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 8 day of May, 20 17

at 5:58 o'clock P. M.

[Signature]  
Secretary of State

H.B. 2214