

Senate Engrossed House Bill

FILED

MICHELE REAGAN

SECRETARY OF STATE

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

CHAPTER 299

HOUSE BILL 2528

AN ACT

AMENDING SECTION 20-167, ARIZONA REVISED STATUTES; REPEALING SECTION 20-224.04, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1511, 41-1512, 41-1532, 43-222, 43-224, 43-1021, 43-1022 AND 43-1043, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1076.01, 43-1079 AND 43-1083.01, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1083.04, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1085.01 AND 43-1090, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1162.01, 43-1164.01 AND 43-1164.02, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1164.05, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1167 AND 43-1176, ARIZONA REVISED STATUTES; RELATING TO 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 20-167, Arizona Revised Statutes, is amended to
3 read:

4 20-167. Fees
5 A. The director shall collect in advance the following fees, as
6 adjusted pursuant to subsection ~~F~~ E of this section, which are
7 nonrefundable on payment:

Not Less Than: Not More Than:

8			
9	1. For filing charter documents:		
10	(a) Original charter documents,		
11	articles of incorporation,		
12	bylaws, or record of		
13	organization of insurers,		
14	or certified copies thereof,		
15	required to be filed with		
16	the director and not also		
17	subject to filing in the		
18	office of the corporation	\$ 40.00	\$ 115.00
19	commission	15.00	45.00
20	(b) Amended charter documents		
21	(c) No charge or fee shall be		
22	required for filing with		
23	the director any of such		
24	documents also required		
25	by law to be filed in the		
26	office of the corporation		
27	commission		
28	2. Certificate of authority:		
29	(a) Issuance:	\$ 15.00	\$ 45.00
30	Fraternal benefit societies		
31	Medical or hospital service		
32	corporations, health care		
33	services organizations or		
34	prepaid dental plan	40.00	115.00
35	organizations		
36	Mechanical	150.00	450.00
37	reimbursement reinsurers	100.00	295.00
38	All other insurers		
39	(b) Renewal:	15.00	45.00
40	Fraternal benefit societies		
41	Medical or hospital service		
42	corporations, health care		
43	services organizations or		
44	prepaid dental plan	40.00	115.00
45	organizations		

1	Domestic stock life insurers,		
2	domestic stock disability		
3	insurers or domestic stock	750.00	2,250.00
4	life and disability insurers		
5	Domestic life reinsurers,		
6	domestic disability		
7	reinsurers or domestic		
8	life and disability	2,250.00	5,500.00
9	reinsurers.		
10	Mechanical reimbursement	2,250.00	5,500.00
11	reinsurers	70.00	205.00
12	All other insurers		
13	3. Certificate of registration as an		
14	administrator or application for		
15	renewal under section 20-485.12	\$ 100.00	\$ 295.00
16	4. Authority to solicit applications		
17	for and issue policies by means	\$ 30.00	\$ 90.00
18	of mechanical vending machines	\$ 150.00	\$ 450.00
19	5. Service company permit		
20	6. Application for motor vehicle	\$ 150.00	\$ 450.00
21	service contract program approval		
22	7. Life care contract application	\$ 225.00	\$ 675.00
23	or annual report	\$ 150.00	\$ 450.00
24	8. Filing annual statement		
25	9. Annual statement filing for		
26	exempt insurer transacting life		
27	insurance, disability insurance		
28	or annuity business pursuant to	\$ 65.00	\$ 100.00
29	section 20-401.05		
30	10. Licenses and examinations:		
31	(a) Licenses:		
32	Surplus lines broker's license,	\$ 600.00	\$1,000.00
33	quadrennially		
34	All other licenses,	60.00	180.00
35	quadrennially		
36	(b) Examinations for license:		
37	Examination on laws and one kind	8.00	25.00
38	of insurance		
39	Examination on laws and two or	15.00	45.00
40	more kinds of insurance		
41	11. Miscellaneous:		
42	Fee accompanying service of	\$ 8.00	\$ 25.00
43	process upon ON director		

1	Certificate of director,		
2	under seal	1.50	5.00
3	Copy of document filed in		
4	director's office, per page	0.50	0.75

5 B. Except as provided in section 20-1098.18, the director shall
6 deposit, pursuant to sections 35-146 and 35-147, all fees collected
7 pursuant to this section in the state general fund. A refund is not
8 allowed for any unused portion of a fee, and the director shall not
9 prorate fees.

10 C. The license fees prescribed by this section shall be payment in
11 full of all demands for all state, county, district and municipal license
12 fees, license taxes, business privilege taxes and business privilege fees
13 and charges of every kind.

14 ~~D. Each domestic stock life or disability insurer that pays the~~
15 ~~renewal fee required under subsection A of this section is entitled to a~~
16 ~~credit in the amount of at least four hundred fifty-five dollars but not~~
17 ~~more than six hundred eighty dollars, as adjusted pursuant to subsection F~~
18 ~~of this section, to apply to the premium tax the insurer then owes~~
19 ~~pursuant to section 20-224, but the credit is not cumulative.~~

20 ~~E.~~ D. The director may contract for the examination for the
21 licensing of adjusters, insurance producers, bail bond agents, risk
22 management consultants and surplus lines brokers. If the director does
23 so, the fee for examinations for licenses pursuant to this section is
24 payable directly to the contractor by the applicant for examination. The
25 director may agree to a reasonable examination fee to be charged by the
26 contractor. The fee may exceed the amounts prescribed in this section.

27 ~~F.~~ E. Each December 1, if the revenue collected from fees during
28 the prior fiscal year is less than ninety-five ~~per cent~~ PERCENT or more
29 than one hundred ten ~~per cent~~ PERCENT of the appropriated budget for the
30 current fiscal year, the director shall revise all fees within the limits
31 prescribed by subsection A of this section on a uniform percentage basis
32 among all fee categories ~~and shall adjust the credit prescribed by~~
33 ~~subsection D of this section as necessary in order to retain any required~~
34 ~~uniformity.~~ The director shall revise the fees in such a manner that the
35 revenue derived from the fees during the subsequent fiscal year equals at
36 least ninety-five ~~per cent~~ PERCENT but not more than one hundred ten ~~per~~
37 ~~cent~~ PERCENT of the appropriated budget for the current fiscal year. The
38 revised fee schedule ~~shall be~~ IS effective July 1 of the subsequent fiscal
39 year. For the purposes of this subsection, appropriated budget does not
40 include any appropriation for the operation of the captive insurance
41 program established under chapter 4, article 14 of this title. Any fees
42 collected from captive insurers pursuant to subsection ~~H~~ G of this
43 section shall not be counted for the purpose of meeting the requirement of
44 this ~~section~~ SUBSECTION to recover at least ninety-five but not more than
45 one hundred ten ~~per cent~~ PERCENT of the department's appropriated budget.

1 ~~F.~~ F. The director may contract with a voluntary domestic
2 organization of surplus lines brokers to perform any transaction
3 prescribed in chapter 2, article 5 of this title, including the acceptance
4 or maintenance of the reports required by section 20-408. The director
5 may allow the contractor to charge a stamping fee. The surplus lines
6 broker shall pay the stamping fee established pursuant to this section
7 directly to the contractor.

8 ~~H.~~ G. Captive insurers shall pay certificate of authority issuance
9 and renewal fees as prescribed by the director.

10 ~~I.~~ H. For the purposes of subsection ~~F~~ F of this section,
11 "stamping fee" means a reasonable filing fee charged by a contractor for
12 any transaction prescribed in chapter 2, article 5 of this title,
13 including the acceptance or maintenance of the reports required by section
14 20-408.

15 Sec. 2. Repeal

16 Section 20-224.04, Arizona Revised Statutes, is repealed.

17 Sec. 3. Section 41-1511, Arizona Revised Statutes, is amended to
18 read:

19 41-1511. Renewable energy property tax incentives:
20 qualification; definitions

21 A. PROPERTY tax incentives are allowed for expanding or locating
22 qualified renewable energy operations in this state, ~~including income tax~~
23 ~~credits pursuant to sections 43-1083.01 and 43-1164.01 and property tax~~
24 ~~classification pursuant to section 42-12006, paragraph 8.~~

25 B. To be eligible for the PROPERTY tax incentives, a renewable
26 energy business must apply to the authority, on a form prescribed by the
27 authority, for preapproval of the business as qualifying for the
28 incentives. The application must include:

29 1. The applicant's name, address, telephone number and federal
30 taxpayer identification number or numbers.

31 2. The name, address, telephone number and e-mail address of a
32 contact person for the applicant.

33 3. The address of the site where the qualifying renewable energy
34 operation will be located.

35 4. A detailed description of the qualifying renewable energy
36 operation and fixed capital assets.

37 5. An estimate of the capital investment and number of employment
38 positions at the qualifying renewable energy operation, including:

39 (a) A schedule of qualifying investments.

40 (b) A list of full-time employment positions, the estimated number
41 of employees to be hired for the positions each year during the first five
42 years of operation and the annual wages for each position, calculated
43 without employee-related benefits.

44 6. A nonrefundable processing fee in an amount determined by the
45 authority.

1 7. Other information as required by the authority to determine
2 eligibility for the PROPERTY tax incentives, ~~and the amount of income tax~~
3 ~~credits~~, as prescribed by this section.

4 8. An affirmation, signed by an authorized executive representing
5 the business, that the applicant:

6 (a) Agrees to furnish records of expenditures for qualifying
7 investments to the authority on request.

8 (b) Will continue in business at the qualifying renewable energy
9 operation for five full calendar years after postapproval for a PROPERTY
10 tax incentive, other than for reasons beyond the control of the applicant.

11 (c) Agrees to furnish to the authority information regarding the
12 amount of tax benefits claimed each year.

13 (d) Authorizes the department of revenue to provide tax information
14 to the authority pursuant to section 42-2003 for the purpose of
15 determining any inconsistency in information furnished by the applicant.

16 (e) Agrees to allow site visits and audits to verify the
17 applicant's continuing qualification and the accuracy of information
18 submitted to the authority.

19 (f) Consents to the adjustment or recapture of any amount of ~~income~~
20 ~~tax credit or~~ property tax incentive due to noncompliance with this
21 section.

22 9. Letters of good standing from the department of revenue and the
23 county treasurer of the county in which the project is located stating
24 that the applicant is in good standing and is not delinquent in the
25 payment of taxes.

26 C. To be eligible for the PROPERTY tax incentives, the applicant
27 must make new capital investment in this state after September 30, 2009 in
28 a manufacturing facility or headquarters facility or any combination of
29 qualifying facilities. ~~, as follows:~~

30 ~~1. The applicant may qualify for income tax credits pursuant to~~
31 ~~section 43-1083.01 or 43-1164.01, as applicable, if:~~

32 ~~(a) At least fifty-one percent of the net new full-time employment~~
33 ~~positions at the renewable energy operation pay a wage that equals or~~
34 ~~exceeds one hundred twenty-five percent of the median annual wage in this~~
35 ~~state, as determined by the most recent annual Arizona commerce authority~~
36 ~~occupational wage and employment estimates issued before the preapproval~~
37 ~~is issued pursuant to subsection I of this section.~~

38 ~~(b) All net new full-time employment positions include health~~
39 ~~insurance coverage for the employees for which the applicant pays at least~~
40 ~~eighty percent of the premium or membership cost.~~

41 ~~2. The fixed capital assets shall be classified as class six for~~
42 ~~the purposes of property taxation pursuant to section 42-12006,~~
43 ~~paragraph 8 if the qualifying investment amounts to at least twenty-five~~
44 ~~million dollars, if the applicant pays at least eighty percent of the~~
45 ~~health insurance costs or membership costs for all net new employees and~~

1 if at least fifty-one percent of the net new full-time employment
2 positions at the qualifying renewable energy operation pay a wage that
3 equals:

4 ~~(a)~~ 1. At least one hundred twenty-five, but less than two
5 hundred, percent of the median annual wage in this state, as determined by
6 the most recent annual Arizona commerce authority occupational wage and
7 employment estimates issued before the preapproval is issued pursuant to
8 subsection ~~F~~ G of this section, the property may be classified as class
9 six for ten tax years.

10 ~~(b)~~ 2. At least two hundred percent of the median annual wage in
11 this state, as determined by the most recent annual Arizona commerce
12 authority occupational wage and employment estimates issued before the
13 preapproval is issued pursuant to subsection ~~F~~ G of this section, the
14 property may be classified as class six for fifteen tax years.

15 D. Final eligibility for the PROPERTY tax incentives is subject to
16 any additional requirements prescribed by ~~sections~~ SECTION
17 42-12006, ~~43-1083.01 and 43-1164.01~~, as applicable.

18 E. An applicant may separately apply and qualify with respect to
19 investments for:

- 20 1. Renewable energy operations in separate locations.
- 21 2. Separate expansions of a renewable energy operation.

22 ~~F. To determine the amount of income tax credit to be preapproved~~
23 ~~to a qualifying applicant, the authority shall use one of the following~~
24 ~~computations:~~

25 ~~1. Ten percent of the amount the applicant has projected in total~~
26 ~~qualifying investment in renewable energy operations meeting the following~~
27 ~~minimum employment requirements:~~

28 ~~(a) For renewable energy manufacturing operations, at least one and~~
29 ~~one-half new full-time employment positions projected by the applicant for~~
30 ~~each five hundred thousand dollar increment of capital investment.~~

31 ~~(b) For renewable energy business headquarters, at least one new~~
32 ~~full-time employment position projected by the applicant for each two~~
33 ~~hundred thousand dollar increment of capital investment.~~

34 ~~2. For other qualifying renewable energy investment, ten percent of~~
35 ~~the amount computed as follows:~~

36 ~~(a) Five hundred thousand dollars for each one and one-half new~~
37 ~~full-time employment positions projected by the applicant in new renewable~~
38 ~~energy manufacturing operations.~~

39 ~~(b) Two hundred thousand dollars for each new full-time employment~~
40 ~~position projected by the applicant at a new renewable energy business~~
41 ~~headquarters.~~

42 ~~G. Beginning with income tax credits allocated for 2010, an~~
43 ~~approved income tax credit:~~

44 ~~1. Must be claimed on a timely filed original income tax return,~~
45 ~~including extensions.~~

1 ~~2. Must be claimed in five equal installments as provided in~~
2 ~~section 43-1083.01 or 43-1164.01.~~

3 ~~H.~~ F. The authority shall establish a process for qualifying and
4 preapproving applicants for the PROPERTY tax incentives. The authority
5 shall not preapprove an applicant as qualifying for PROPERTY tax
6 incentives under this section for ~~taxable~~ TAX years beginning from and
7 after December 31, 2019. Preapproval is based on:

8 ~~1.~~ priority placement established by the date that the applicant
9 files its initial application with the authority.

10 ~~2. The availability of income tax credit capacity under the dollar~~
11 ~~limit prescribed by subsection J of this section.~~

12 ~~F.~~ G. Within thirty days after receiving a complete and correct
13 application, the authority shall review the application to determine
14 whether the applicant satisfies all of the criteria prescribed by this
15 section and either preapprove the project as qualifying for the purposes
16 of the PROPERTY tax incentives or provide reasons for its denial. The
17 authority shall send copies of the preapproval to ~~the department of~~
18 ~~revenue and the applicable county assessor.~~

19 ~~J.~~ The authority shall not preapprove income tax credits under this
20 section and section 41-1512 that combined would exceed seventy million
21 dollars in any calendar year, except as provided by this subsection and
22 subsection K of this section. The authority shall not preapprove income
23 tax credits under this section for any one taxpayer in excess of thirty
24 million dollars in any calendar year. A preapproved amount applies
25 against the dollar limit for the year in which the application was
26 submitted regardless of whether the initial preapproval period extends
27 into the following year or years. If, at the end of any year, an unused
28 balance occurs under the dollar limit prescribed by this subsection:

29 ~~1. The balance shall be allocated to businesses that successfully~~
30 ~~appeal the denial of approval under this section or section 41-1512. Any~~
31 ~~amount of income tax credits due to successful appeals that are not paid~~
32 ~~from an unused balance at the end of any year shall be paid against the~~
33 ~~dollar limit in the following year.~~

34 ~~2. Any remaining unused balance accruing through December 31, 2011~~
35 ~~shall be reallocated for the purposes of this section and section 41-1512~~
36 ~~in the following year.~~

37 ~~3. Any remaining unused balance accruing in 2012 and thereafter~~
38 ~~tapses and shall not be reallocated in the following year.~~

39 ~~K.~~ The authority shall reallocate the amount of income tax credits
40 that are voluntarily relinquished under subsection L of this section, that
41 lapse under subsection M of this section or that lapse under subsection P
42 of this section. The reallocation shall be to other businesses that
43 applied under this section or section 41-1512 in the original credit year
44 based on priority placement. Once reallocated, the amount of the credit

1 ~~applies against the dollar limit of the original credit year regardless of~~
2 ~~the year in which the reallocation occurs.~~

3 ~~t. A taxpayer may voluntarily relinquish unused credit amounts.~~

4 ~~M. Preapproval under this section lapses, the application is void~~
5 ~~and the amount of the preapproved income tax credits does not apply~~
6 ~~against the dollar limit prescribed by subsection j of this section if,~~
7 ~~within twelve months after preapproval, the renewable energy business~~
8 ~~fails to provide to the authority documentation of its expenditure of two~~
9 ~~hundred fifty thousand dollars in qualifying investment or, if the period~~
10 ~~over which the qualifying investment will be made exceeds twelve months,~~
11 ~~documentation of additional expenditures as required in this subsection~~
12 ~~for each twelve month period.~~

13 ~~N. Beginning in 2010, after October 31 of each year, if the~~
14 ~~authority has preapproved the maximum calendar year income tax credit~~
15 ~~amount pursuant to subsection j of this section, the authority may accept~~
16 ~~initial applications for the next calendar year, but the preapproval of~~
17 ~~any application pursuant to this subsection shall not be effective before~~
18 ~~the first business day of the following calendar year.~~

19 ~~o. H. Before an applicant applies for postapproval under~~
20 ~~subsection ~~P~~ I of this section, the applicant must enter into a written~~
21 ~~managed review agreement with the chief executive officer of the authority~~
22 ~~that establishes the requirements of a managed review to be conducted~~
23 ~~under this subsection at the applicant's expense. The managed review must~~
24 ~~be conducted by a certified public accountant who is selected by the~~
25 ~~applicant, who is licensed in this state or who has a limited reciprocity~~
26 ~~privilege pursuant to section 32-725 and who is approved by the chief~~
27 ~~executive officer. The certified public accountant and the firm the~~
28 ~~certified public accountant is affiliated with shall not regularly perform~~
29 ~~services for the applicant or its affiliates. The managed review shall~~
30 ~~include an analysis of the applicant's invoices, checks, accounting~~
31 ~~records and other documents and information to verify its base investment~~
32 ~~and other requirements prescribed by section 42-12006, ~~43-1083.01~~ or~~
33 ~~~~43-1164.01~~ to confirm the amount of ~~credit~~ or property tax incentive. The~~
34 ~~certified public accountant shall furnish written findings of the managed~~
35 ~~review to the chief executive officer. The chief executive officer shall~~
36 ~~review the findings and may examine records and perform other reviews that~~
37 ~~the chief executive officer considers necessary to verify that the managed~~
38 ~~review substantially conforms to the terms of the managed review~~
39 ~~agreement. The chief executive officer shall accept or reject the~~
40 ~~findings of the managed review. If the chief executive officer rejects~~
41 ~~all or part of the managed review, the chief executive officer shall~~
42 ~~provide written reasons for the rejection.~~

43 ~~p. I. When the renewable energy operation begins operations, a~~
44 ~~renewable energy business that was preapproved for ~~income tax credits~~~~
45 ~~under this section shall apply to the authority in writing for~~

1 postapproval ~~of the credits~~ and submit documentation certifying the total
2 amount and dates of the qualifying investments and identifying the fixed
3 capital assets associated with the renewable energy operation incurred
4 from and after September 30, 2009 through the date of application for
5 postapproval. ~~From and after December 31, 2009,~~ The authority shall
6 provide postapproval to a renewable energy business that it has met the
7 eligibility requirements of this section. ~~and shall notify the department~~
8 ~~of revenue that the renewable energy business may claim the tax credits~~
9 ~~pursuant to section 43-1083.01 or 43-1164.01. If the amount of qualifying~~
10 ~~investment actually spent is less than the amount preapproved for income~~
11 ~~tax credits, the preapproved amount not incurred lapses and does not apply~~
12 ~~against the dollar limit prescribed by subsection J of this section for~~
13 ~~that year. The authority shall not allow a credit under section~~
14 ~~43-1083.01 or 43-1164.01 that exceeds the amount of the postapproval for~~
15 ~~the project under this subsection. For the purposes of this subsection,~~
16 "begins operations" means:

17 1. A headquarters facility opens for public business.

18 2. A manufacturing facility begins producing commercial quantities
19 of usable products.

20 ~~Q.~~ J. The authority may rescind the business' postapproval if the
21 business no longer meets the terms and conditions required for qualifying
22 for the PROPERTY tax incentives. The authority may give special
23 consideration, or allow temporary exemption from recapture of tax
24 benefits, in the case of extraordinary hardship due to factors beyond the
25 control of the qualifying business.

26 ~~R.~~ K. If the authority rescinds an applicant's preapproval or
27 postapproval under ~~subsection Q~~ of this section, it shall notify the
28 department of revenue and the county assessor of the action and the
29 conditions of noncompliance. ~~If the department of revenue obtains~~
30 ~~information indicating a possible failure to qualify and comply, it shall~~
31 ~~provide that information to the authority. The department of revenue may~~
32 ~~require the business to file appropriate amended tax returns reflecting~~
33 ~~any recapture of income tax credits under section 43-1083.01 or~~
34 ~~43-1164.01.~~

35 ~~S.~~ L. Preapproval and postapproval of a business for the purposes
36 of PROPERTY tax incentives under this section do not constitute or imply
37 compliance with any other provision of law or any regulatory rule, order,
38 procedure, permit or other measure required by law. To maintain
39 qualification for PROPERTY tax incentives under this section, a business
40 must separately comply with all environmental, employment and other
41 regulatory measures.

42 ~~T.~~ M. For five years after postapproval for PROPERTY tax
43 incentives under this section, in any action involving the liquidation of
44 the business assets or relocation out of state, this state claims the
45 position of a secured creditor of the business in the amount of ~~income tax~~

1 ~~credits and property tax incentives the business received pursuant to THIS~~
2 ~~section 42-12006, 43-1083.01 or 43-1164.01.~~

3 ~~U.~~ N. Any information gathered from a renewable energy business
4 for the purposes of this section is considered to be confidential taxpayer
5 information and shall be disclosed only as provided in section 42-2003,
6 subsection B, paragraph 12, except that the authority shall publish ~~the~~
7 ~~following information~~ in its annual report:

8 ~~1.~~ the name of each renewable energy business ~~and the amount of~~
9 ~~income tax credits~~ preapproved for each qualifying investment.

10 ~~2.~~ The amount of credits postapproved with respect to each
11 ~~qualifying investment.~~

12 ~~V.~~ O. The authority shall:

13 1. Keep annual records of the information provided on applications
14 for renewable energy businesses. These records shall reflect a percentage
15 comparison of the annual amount of monies exempted ~~or credited to~~ FOR
16 qualifying renewable energy businesses to the estimated amount of monies
17 spent in this state in the form of qualifying investments.

18 2. Maintain annual data on growth in this state of renewable energy
19 businesses and industry employment and wages.

20 3. Not later than April 30 of each year, prepare and publish a
21 report summarizing the information collected pursuant to this subsection.
22 The authority shall make copies of the annual report available to the
23 public on request.

24 ~~W.~~ P. The authority shall adopt rules and prescribe forms and
25 procedures as necessary for the purposes of this section. ~~The authority~~
26 ~~and the department of revenue shall collaborate in adopting rules as~~
27 ~~necessary to avoid duplication and inconsistencies while accomplishing the~~
28 ~~intent and purposes of this section.~~

29 ~~X.~~ Q. For the purposes of this section:

30 1. "Capital investment" means an expenditure to acquire, lease or
31 improve property that is used in operating a business, including land,
32 buildings, machinery and fixtures.

33 2. "Headquarters" means a principal central administrative office
34 where primary headquarters related functions and services are performed,
35 including financial, personnel, administrative, legal, planning and
36 similar business functions.

37 3. "Manufacturing" means fabricating, producing or manufacturing
38 raw or prepared materials into usable products, imparting new forms,
39 qualities, properties and combinations. Manufacturing does not include
40 generating electricity for off-site consumption.

41 4. "Primarily engaged" means that more than fifty percent of a
42 company's business activity at a particular facility directly involves
43 renewable energy operations, measured by revenues received, expenses
44 incurred, square footage or the number of individuals employed.

1 4. A detailed description of the qualified facility and fixed
2 capital assets.

3 5. An estimate of the capital investment and number of employment
4 positions at the qualified facility, including:

5 (a) A schedule of qualifying investments.

6 (b) A list of full-time employment positions, the estimated number
7 of employees to be hired for the positions each year during the first five
8 years of operation and the annual wages for each position, calculated
9 without employee-related benefits.

10 6. A nonrefundable processing fee in an amount determined by the
11 authority.

12 7. Other information as required by the authority to determine
13 eligibility for the income tax credits and the amount of income tax
14 credits, as prescribed by this section.

15 8. An affirmation, signed by an authorized executive representing
16 the business, that the applicant:

17 (a) Agrees to furnish records of expenditures for qualifying
18 investments to the authority on request.

19 (b) Will continue in business at the qualified facility for five
20 full calendar years after postapproval for the credit, other than for
21 reasons beyond the control of the applicant.

22 (c) Agrees to furnish to the authority information regarding the
23 amount of income tax credits claimed each year.

24 (d) Authorizes the department of revenue to provide tax information
25 to the authority pursuant to section 42-2003 for the purpose of
26 determining any inconsistency in information furnished by the applicant.

27 (e) Agrees to allow site visits and audits to verify the
28 applicant's continuing qualification and the accuracy of information
29 submitted to the authority.

30 (f) Consents to the adjustment or recapture of any amount of income
31 tax credit due to noncompliance with this section.

32 9. Letters of good standing from the department of revenue stating
33 that the applicant is not delinquent in the payment of taxes.

34 C. The applicant may qualify for the income tax credits pursuant to
35 section 43-1083.03 or 43-1164.04, as applicable, if:

36 1. The applicant makes new capital investment in this state after
37 June 30, 2012 in a qualified facility that is completed in a taxable year
38 beginning from and after December 31, 2012.

39 2. At least fifty-one percent of the net new full-time employment
40 positions at the qualified facility pay a wage that equals or exceeds one
41 hundred twenty-five percent, or one hundred percent in the case of a
42 qualified facility in a rural location, of the median annual wage for
43 production occupations in this state, as determined by the most recent
44 annual Arizona commerce authority occupational wage and employment

1 estimates issued before the preapproval is issued pursuant to subsection I
2 of this section.

3 3. All net new full-time employment positions include health
4 insurance coverage for the employees for which the applicant pays at least
5 sixty-five percent of the premium or membership cost.

6 D. Final eligibility for an income tax credit is subject to any
7 additional requirements prescribed by section 43-1083.03 or 43-1164.04, as
8 applicable.

9 E. An applicant may separately apply and qualify with respect to
10 investments for separate expansions of a qualified facility.

11 F. The amount of the income tax credit to be preapproved by the
12 authority to a qualifying applicant is ten percent of the lesser of:

13 1. The amount the applicant has projected in total qualifying
14 investment in the qualified facility.

15 2. Two hundred thousand dollars for each net new full-time
16 employment position projected by the applicant at a qualified facility.

17 G. Beginning with income tax credits allocated for 2013, an
18 approved credit:

19 1. Must be claimed on a timely filed original income tax return,
20 including extensions.

21 2. Must be claimed in five equal installments as provided by
22 section 43-1083.03 or 43-1164.04.

23 H. The authority shall establish a process for qualifying and
24 preapproving applicants for the income tax credits. The authority shall
25 not preapprove applicants as qualifying for credits under this section for
26 any taxable year beginning from and after December 31, 2022. Preapproval
27 is based on:

28 1. Priority placement established by the date that the applicant
29 files its initial application with the authority.

30 2. The availability of income tax credit capacity under the dollar
31 limit prescribed by SUBSECTION J OF THIS section ~~41-1511, subsection J~~.

32 I. Within thirty days after receiving a complete and correct
33 application, the authority shall review the application to determine
34 whether the applicant satisfies all of the criteria prescribed by this
35 section and either preapprove the project as qualifying for the purposes
36 of an income tax credit or provide reasons for its denial. The authority
37 shall send copies of each preapproval to the department of revenue.

38 J. The authority shall not preapprove income tax credits under this
39 section ~~and section 41-1511~~ that combined would exceed ~~the limits~~
40 ~~prescribed by section 41-1511, subsection J~~ SEVENTY MILLION DOLLARS IN ANY
41 CALENDAR YEAR, EXCEPT AS PROVIDED BY THIS SUBSECTION AND SUBSECTION K OF
42 THIS SECTION. A preapproved amount applies against the dollar limit for
43 the year in which the application was submitted regardless of whether the
44 initial preapproval period extends into the following year or years.
45 ~~A business shall not be preapproved for credits under both this section~~

1 ~~and section 41-1511 for the same capital investment.~~ The authority shall
2 not preapprove income tax credits under this section for any taxpayer in
3 excess of thirty million dollars in any calendar year.

4 K. The authority shall reallocate the amount of income tax credits
5 that are voluntarily relinquished under subsection L of this section, that
6 lapse under subsection M of this section or that lapse under subsection P
7 of this section. The reallocation shall be to other businesses that
8 applied under this section ~~or section 41-1511~~ in the original credit year
9 based on priority placement. Once reallocated, the amount of the credit
10 applies against the dollar limit of the original credit year regardless of
11 the year in which the reallocation occurs.

12 L. A taxpayer may voluntarily relinquish unused credit amounts in
13 writing to the authority.

14 M. Preapproval under this section lapses, the application is void
15 and the amount of the preapproved income tax credits does not apply
16 against the dollar limit prescribed by SUBSECTION J OF THIS section
17 ~~41-1511, subsection J~~ if, within twelve months after preapproval, the
18 business fails to provide to the authority documentation of its
19 expenditure of two hundred fifty thousand dollars in qualifying investment
20 or, if the period over which the qualifying investment will be made
21 exceeds twelve months, documentation of additional expenditures as
22 required in this subsection for each twelve-month period.

23 N. After October 31 of each year, if the authority has preapproved
24 the maximum calendar year income tax credit amount pursuant to SUBSECTION
25 J OF THIS section ~~41-1511, subsection J~~, the authority may accept initial
26 applications for the next calendar year, but the preapproval of any
27 application pursuant to this subsection shall not be effective before the
28 first business day of the following calendar year.

29 O. Before an applicant applies for postapproval under subsection P
30 of this section, the applicant must enter into a written managed review
31 agreement with the chief executive officer of the authority that
32 establishes the requirements of a managed review to be conducted under
33 this subsection at the applicant's expense. The managed review must be
34 conducted by a certified public accountant who is selected by the
35 applicant, who is licensed in this state or who has a limited reciprocity
36 privilege pursuant to section 32-725 and who is approved by the chief
37 executive officer. The certified public accountant and the firm the
38 certified public accountant is affiliated with shall not regularly perform
39 services for the applicant or its affiliates. The managed review shall
40 include an analysis of the applicant's invoices, checks, accounting
41 records and other documents and information to verify its base investment
42 and other requirements prescribed by section 43-1083.03 or 43-1164.04 to
43 confirm the amount of credit. The certified public accountant shall
44 furnish written findings of the managed review to the chief executive
45 officer. The chief executive officer shall review the findings and may

1 examine records and perform other reviews that the chief executive officer
2 considers necessary to verify that the managed review substantially
3 conforms to the terms of the managed review agreement. The chief
4 executive officer shall accept or reject the findings of the managed
5 review. If the chief executive officer rejects all or part of the managed
6 review, the chief executive officer shall provide written reasons for the
7 rejection.

8 P. When the qualified facility begins operations, a business that
9 was preapproved for income tax credits under this section shall apply to
10 the authority in writing for postapproval of the credits and submit
11 documentation certifying the total amount and dates of the qualifying
12 investments and identifying the fixed capital assets associated with the
13 qualified facility incurred after June 30, 2012 through the date of
14 application for postapproval. For taxable years beginning from and after
15 December 31, 2012, the authority shall provide postapproval to a business
16 that has met the eligibility requirements of this section and shall notify
17 the department of revenue that the business may claim an income tax credit
18 pursuant to section 43-1083.03 or 43-1164.04. If the amount of qualifying
19 investment actually spent is less than the amount preapproved for income
20 tax credits, the preapproved amount not incurred lapses and does not apply
21 against the dollar limit prescribed by SUBSECTION J OF THIS section
22 ~~41-1511, subsection J~~ for that year. The department of revenue shall not
23 allow an income tax credit under section 43-1083.03 or 43-1164.04 that
24 exceeds the amount of the postapproval for the project under this
25 subsection. For the purposes of this subsection, "begins operations"
26 means the qualified facility opens for public business.

27 Q. The authority may rescind an applicant's postapproval if the
28 business no longer meets the terms and conditions required for qualifying
29 for the credit. The authority may give special consideration, or allow
30 temporary exemption from recapture of the credit, in the case of
31 extraordinary hardship due to factors beyond the control of the qualifying
32 business.

33 R. If the authority rescinds an applicant's preapproval or
34 postapproval under subsection Q of this section, it shall notify the
35 department of revenue of the action and the conditions of noncompliance.
36 If the department of revenue obtains information indicating a possible
37 failure to qualify and comply, it shall provide that information to the
38 authority. The department of revenue may require the business to file
39 appropriate amended tax returns reflecting any recapture of the credit
40 under section 43-1083.03 or 43-1164.04.

41 S. Preapproval and postapproval of an applicant for the purposes of
42 income tax credits under this section do not constitute or imply
43 compliance with any other provision of law or any regulatory rule, order,
44 procedure, permit or other measure required by law. To maintain

1 qualification for a credit under this section, a business must separately
2 comply with all environmental, employment and other regulatory measures.

3 T. For five years after postapproval of an income tax credit under
4 this section, in any action involving the liquidation of the business
5 assets or relocation out of state, this state claims the position of a
6 secured creditor of the business in the amount of the credit the business
7 received pursuant to section 43-1083.03 or 43-1164.04. The transfer of
8 part or all of a company's assets that are then leased back by the company
9 is not considered a liquidation under this section.

10 U. Any information gathered from a business for the purposes of
11 this section is considered to be confidential taxpayer information and
12 shall be disclosed only as provided in section 42-2003, subsection B,
13 paragraph 12, except that the authority shall publish the following
14 information in its annual report:

15 1. The name of each business and the amount of income tax credits
16 preapproved for each qualifying investment.

17 2. The amount of income tax credits postapproved with respect to
18 each qualifying investment.

19 V. The authority shall:

20 1. Keep annual records of the information provided on applications
21 for qualified facilities. These records shall reflect a percentage
22 comparison of the annual amount of monies credited to qualified facilities
23 to the estimated amount of monies spent in this state in the form of
24 qualifying investments.

25 2. Maintain annual data on growth in this state of qualified
26 facilities and related employment and wages.

27 3. Not later than April 30 following each calendar year, prepare
28 and publish a report summarizing the information collected pursuant to
29 this subsection. The authority shall make copies of the annual report
30 available to the public on request.

31 W. The authority shall adopt rules and prescribe forms and
32 procedures as necessary for the purposes of this section. The authority
33 and the department of revenue shall collaborate in adopting rules as
34 necessary to avoid duplication and inconsistencies while accomplishing the
35 intent and purposes of this section.

36 X. For the purposes of this section:

37 1. "Capital investment" means an expenditure to acquire, lease or
38 improve property that is used in operating a business, including land,
39 buildings, machinery, equipment and fixtures.

40 2. "Facility" means a single parcel or contiguous parcels of owned
41 or leased land in this state, the structures and personal property
42 contained on the land or any part of the structures occupied by the owner.
43 Parcels that are separated only by a public thoroughfare or right-of-way
44 are considered to be contiguous.

1 3. "Headquarters" means a principal central administrative office
2 where primary headquarters related functions and services are performed,
3 including financial, personnel, administrative, legal, planning and
4 similar business functions.

5 4. "Manufacturing" means fabricating, producing or manufacturing
6 raw or prepared materials into usable products, imparting new forms,
7 qualities, properties and combinations. Manufacturing does not include
8 generating electricity.

9 5. "Qualified facility" means a facility in this state that devotes
10 at least eighty percent of the property and payroll at the facility to one
11 or more of the following:

12 (a) Qualified manufacturing.

13 (b) Qualified headquarters.

14 (c) Qualified research.

15 6. "Qualified headquarters" means a global, national or regional
16 headquarters for a taxpayer that is involved in manufacturing and that
17 derives at least sixty-five percent of its revenue from out-of-state
18 sales.

19 7. "Qualified manufacturing" means manufacturing tangible products
20 in this state if at least sixty-five percent of the product will be sold
21 ~~out-of-state~~ OUT OF STATE.

22 8. "Qualified research" has the same meaning prescribed by section
23 41(d) of the internal revenue code, as defined by section 43-105, except
24 that the research must be conducted by a taxpayer involved in
25 manufacturing that derives at least sixty-five percent of its revenue from
26 out-of-state sales.

27 9. "Qualifying investment" means investment in land, buildings,
28 machinery, equipment and fixtures for expansion of an existing qualified
29 facility or establishment of a new qualified facility in this state after
30 June 30, 2012 for a facility completed in a taxable year beginning from
31 and after December 31, 2012. If the qualified facility is a build-to-suit
32 facility leased to the taxpayer, qualifying investment includes the costs
33 prescribed in this paragraph that are spent by the third-party developer
34 with respect to the qualified facility. Qualifying investment does not
35 include relocating an existing qualified facility in this state to another
36 location in this state without additional capital investment of at least
37 two hundred fifty thousand dollars.

38 10. "Rural location" means a location that is within the boundaries
39 of tribal lands or a city or town with a population of less than fifty
40 thousand persons or a county with a population of less than eight hundred
41 thousand persons.

1 Sec. 5. Section 41-1532, Arizona Revised Statutes, is amended to
2 read:

3 41-1532. Tax incentives; conditions

4 A. A prime contractor may qualify for an exemption from transaction
5 privilege tax with respect to activities in a military reuse zone as
6 provided, and subject to the terms and conditions prescribed, by section
7 42-5075, subsection B, paragraph 4.

8 ~~B. A taxpayer that owns or leases income producing property located
9 in a military reuse zone is eligible for an income tax credit for net
10 increases in employment of full-time employees who are primarily engaged
11 in providing aviation or aerospace services or in manufacturing,
12 assembling or fabricating aviation or aerospace products as provided, and
13 subject to the terms and conditions prescribed, by section 43-1079 or
14 43-1167, as applicable. To qualify for a tax incentive under this
15 subsection the taxpayer shall:~~

16 ~~1. Agree with the Arizona commerce authority in writing to furnish
17 information relating to the amount of tax benefits the taxpayer receives
18 for each taxable year in which the taxpayer claims the credit. If the
19 taxpayer fails to provide the required information, the authority shall
20 immediately revoke the taxpayer's qualification and notify the department
21 of revenue.~~

22 ~~2. Enter into a memorandum of understanding with this state through
23 the authority containing employment goals. Each year in which the
24 taxpayer claims the credit the taxpayer shall report in writing to the
25 authority its performance in achieving the goals. The memorandum shall
26 contain provisions that allow:~~

27 ~~(a) The authority to stop, readjust or recapture all or part of the
28 tax credit allowed to the taxpayer on noncompliance with the terms of the
29 memorandum.~~

30 ~~(b) The authority to notify the department of revenue of the
31 conditions of noncompliance.~~

32 ~~(c) The department of revenue to require the taxpayer to file
33 appropriate amended tax returns reflecting the recapture of the tax
34 credit.~~

35 ~~C. Taxable property in a military reuse zone that is devoted to
36 providing aviation or aerospace services or to manufacturing, assembling
37 or fabricating aviation or aerospace products qualifies for assessment as
38 class six property as provided, and subject to the terms and conditions
39 prescribed, by sections 42-12006 and 42-15006.~~

40 ~~D. C. To qualify for a tax incentive described in subsection A or
41 ~~C~~ B of this section, the taxpayer shall provide to the authority
42 information relating to the amount of tax benefits the taxpayer receives
43 each year for each year in which the taxpayer claims the incentives on
44 forms prescribed by the authority. If the taxpayer fails to provide the
45 required information, the authority shall immediately revoke the~~

1 taxpayer's certification of eligibility and notify the department of
2 revenue.

3 ~~E.~~ D. Taxpayers who qualify for tax incentives under subsection B
4 ~~or C~~ of this section shall be certified by the authority as eligible for a
5 ~~five year~~ FIVE-YEAR period, subject to termination in the event of changed
6 circumstances rendering the taxpayer no longer eligible.

7 ~~F.~~ Notwithstanding subsection C of this section, an insurer located
8 in a military reuse zone is eligible for a premium tax credit under
9 section 20-224.04 for net increases in employment positions of residents
10 of this state. To qualify for a premium tax credit the insurer shall:

11 1. Agree with the authority in writing to furnish information
12 relating to the amount of premium tax credits the insurer receives each
13 year. If the insurer fails to provide the required information, the
14 authority shall immediately revoke the insurer's qualification and notify
15 the department of insurance.

16 2. Enter into a memorandum of understanding with this state through
17 the authority containing employment goals. Each year the insurer shall
18 report in writing to the authority its performance in achieving the goals.
19 The memorandum shall contain provisions that allow:

20 (a) The authority to stop, readjust or recapture all or part of the
21 premium tax credits provided to the insurer on noncompliance with the
22 terms of the memorandum.

23 (b) The authority to notify the department of insurance of the
24 conditions of noncompliance.

25 Sec. 6. Section 43-222, Arizona Revised Statutes, is amended to
26 read:

27 43-222. Income tax credit review schedule

28 The joint legislative income tax credit review committee shall
29 review the following income tax credits:

30 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
31 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

32 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
33 43-1083.02, ~~43-1085.01, 43-1164.02~~, 43-1164.03 and 43-1183.

34 3. For years ending in 2 and 7, sections 43-1073, ~~43-1079~~, 43-1080,
35 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, ~~43-1090~~,
36 43-1164, ~~43-1167~~, 43-1169, ~~43-1176~~ and 43-1181.

37 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
38 43-1168, 43-1170 and 43-1178.

39 5. For years ending in 4 and 9, sections 43-1076, ~~43-1076.01~~,
40 43-1081.01, ~~43-1083.01~~, 43-1083.04, 43-1084, 43-1162, ~~43-1162.01~~,
41 ~~43-1164.01~~, 43-1164.05, 43-1170.01 and 43-1184 and, beginning in 2019,
42 sections 43-1083.03 and 43-1164.04.

1 Sec. 7. Section 43-224, Arizona Revised Statutes, is amended to
2 read:

3 43-224. Individual and corporate income tax credits; annual
4 report; termination of unused credits

5 A. On or before September 30 of each year, the department shall
6 report to the directors of the joint legislative budget committee and the
7 governor's office of strategic planning and budgeting on the amount of
8 individual income tax credits and corporate income tax credits that were
9 claimed in the previous fiscal year.

10 B. EXCEPT AS PROVIDED BY SUBSECTION C OF THIS SECTION, IF, IN ANY
11 FOUR CONSECUTIVE REPORTS UNDER SUBSECTION A OF THIS SECTION, AN INDIVIDUAL
12 OR CORPORATE INCOME TAX CREDIT WAS NOT CLAIMED BY OR ALLOWED TO ANY
13 INDIVIDUAL OR CORPORATE TAXPAYER, THE DIRECTOR OF THE DEPARTMENT OF
14 REVENUE SHALL:

15 1. TERMINATE THE RECOGNITION AND SERVICING OF THAT CREDIT FOR
16 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH
17 THE SECOND REPORT IS ISSUED.

18 2. ISSUE A PUBLIC ANNOUNCEMENT, INCLUDING ON THE DEPARTMENT'S
19 WEBSITE, OF THE TERMINATION OF THE CREDIT UNDER AUTHORITY OF THIS SECTION.

20 3. NOTIFY THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND
21 BUDGETING, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
22 REPRESENTATIVES, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
23 LEGISLATIVE COUNCIL.

24 4. INCLUDE THE REPEAL OF ALL STATUTES RELATING TO THE TERMINATED
25 CREDIT IN TECHNICAL TAX CORRECTION LEGISLATION FOR ENACTMENT IN THE NEXT
26 REGULAR SESSION OF THE LEGISLATURE. IF THE LEGISLATURE FAILS TO ENACT
27 THIS LEGISLATION, THE DIRECTOR SHALL RESCIND THE TERMINATION OF THE
28 CREDIT.

29 C. THE DIRECTOR MAY NOT TERMINATE UNDER SUBSECTION B OF THIS
30 SECTION THE RECOGNITION AND SERVICING OF ANY INCOME TAX CREDIT THAT IS
31 SUBJECT BY LAW TO PREAPPROVAL BY THE ARIZONA COMMERCE AUTHORITY UNLESS
32 OVER ANY PERIOD OF FOUR CONSECUTIVE CALENDAR YEARS BOTH OF THE FOLLOWING
33 CONDITIONS OCCUR WITH RESPECT TO THE CREDIT:

34 1. THE DEPARTMENT HAS NOT RECEIVED NOTICE OF PREAPPROVAL OF ANY
35 APPLICANT OR PROJECT FOR THE CREDIT FROM THE ARIZONA COMMERCE AUTHORITY.

36 2. IN THE REPORT ISSUED UNDER SUBSECTION A OF THIS SECTION, THE
37 CREDIT WAS NOT CLAIMED BY OR ALLOWED TO ANY TAXPAYER.

38 Sec. 8. Section 43-1021, Arizona Revised Statutes, is amended to
39 read:

40 43-1021. Addition to Arizona gross income

41 In computing Arizona adjusted gross income, the following amounts
42 shall be added to Arizona gross income:

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

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

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

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

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

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

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

29 8. The amount by which the depreciation or amortization computed
30 under the internal revenue code with respect to property for which a
31 credit was taken under section 43-1080 exceeds the amount of depreciation
32 or amortization computed pursuant to the internal revenue code on the
33 Arizona adjusted basis of the property.

34 9. The amount by which the adjusted basis computed under the
35 internal revenue code with respect to property for which a credit was
36 claimed under section 43-1080 and that is sold or otherwise disposed of
37 during the taxable year exceeds the adjusted basis of the property
38 computed under section 43-1080.

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

44 11. The amount by which the adjusted basis computed under the
45 internal revenue code with respect to property for which a credit was

1 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
2 or otherwise disposed of during the taxable year exceeds the adjusted
3 basis of the property computed under section 43-1074.02, 43-1081 or
4 43-1081.01, as applicable.

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

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

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

16 ~~15.~~ 14. Any wage expenses deducted pursuant to the internal revenue
17 code for which a credit is claimed under section 43-1087 and representing
18 net increases in qualified employment positions for employment of
19 temporary assistance for needy families recipients.

20 ~~16.~~ 15. The amount of any depreciation allowance allowed pursuant
21 to section 167(a) of the internal revenue code to the extent not
22 previously added.

23 ~~17.~~ 16. With respect to property for which an expense deduction was
24 taken pursuant to section 179 of the internal revenue code in a taxable
25 year beginning before January 1, 2013, the amount in excess of twenty-five
26 thousand dollars.

27 ~~18.~~ 17. The amount of a nonqualified withdrawal, as defined in
28 section 15-1871, from a college savings plan established pursuant to
29 section 529 of the internal revenue code that is made to a distributee to
30 the extent the amount is not included in computing federal adjusted gross
31 income, except that the amount added under this paragraph shall not exceed
32 the difference between the amount subtracted under section 43-1022 in
33 prior taxable years and the amount added under this section in any prior
34 taxable years.

35 ~~19.~~ 18. The amount of discharge of indebtedness income that is
36 deferred and excluded from the computation of federal adjusted gross
37 income in the current taxable year pursuant to section 108(i) of the
38 internal revenue code as added by section 1231 of the American recovery
39 and reinvestment act of 2009 (P.L. 111-5).

40 ~~20.~~ 19. The amount of any previously deferred original issue
41 discount that was deducted in computing federal adjusted gross income in
42 the current year pursuant to section 108(i) of the internal revenue code
43 as added by section 1231 of the American recovery and reinvestment act of
44 2009 (P.L. 111-5), to the extent that the amount was previously subtracted
45 from Arizona gross income pursuant to section 43-1022, paragraph 24.

1 ~~21.~~ 20. Amounts that are considered to be income under section
2 43-1032, subsection D because the amount is withdrawn from a long-term
3 health care savings account and not used to pay the taxpayer's long-term
4 health care expenses.

5 ~~22.~~ 21. The amount of a withdrawal that is not a qualified
6 disability expense as defined in 26 United States Code section 529A and
7 any regulations issued pursuant to that section from an achieving a better
8 life experience act account established pursuant to 26 United States Code
9 section 529A and any regulations issued pursuant to that section AND that
10 is made to a distributee to the extent the amount is not included in
11 computing federal adjusted gross income, except that the amount added
12 under this paragraph shall not exceed the difference between the amount
13 subtracted under section 43-1022 in prior taxable years and the amount
14 added under this section in any prior taxable years.

15 Sec. 9. Section 43-1022, Arizona Revised Statutes, is amended to
16 read:

17 43-1022. Subtractions from Arizona gross income

18 In computing Arizona adjusted gross income, the following amounts
19 shall be subtracted from Arizona gross income:

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

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

24 (a) The United States government service retirement and disability
25 fund, retired or retainer pay of the uniformed services of the United
26 States, the United States foreign service retirement and disability system
27 and any other retirement system or plan established by federal law.

28 (b) The Arizona state retirement system, the corrections officer
29 retirement plan, the public safety personnel retirement system, the
30 elected officials' retirement plan, an optional retirement program
31 established by the Arizona board of regents under section 15-1628, an
32 optional retirement program established by a community college district
33 board under section 15-1451 or a retirement plan established for employees
34 of a county, city or town in this state.

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

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

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

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

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

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

13 9. The portion of any wages or salaries paid or incurred by the
14 taxpayer for the taxable year that is equal to the amount of the federal
15 work opportunity credit, the empowerment zone employment credit, the
16 credit for employer paid social security taxes on employee cash tips and
17 the Indian employment credit that the taxpayer received under sections
18 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

22 11. The amount of exploration expenses that is determined pursuant
23 to section 617 of the internal revenue code, that has been deferred in a
24 taxable year ending before January 1, 1990 and for which a subtraction has
25 not previously been made. The subtraction shall be made on a ratable
26 basis as the units of produced ores or minerals discovered or explored as
27 a result of this exploration are sold.

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

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

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

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

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

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

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

16 19. The amount authorized by section 43-1030 relating to holocaust
17 survivors.

18 20. For property placed in service:

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

25 (b) In taxable years beginning from and after December 31, 2012
26 through December 31, 2013, an amount determined in the year the asset was
27 placed in service based on the calculation in subdivision (a) of this
28 paragraph. In the first taxable year beginning from and after December
29 31, 2013, the taxpayer may elect to subtract the amount necessary to make
30 the depreciation claimed to date for the purposes of this title the same
31 as it would have been if subdivision (c) of this paragraph had applied for
32 the entire time the asset was in service. Subdivision (c) of this
33 paragraph applies for the remainder of the asset's life. If the taxpayer
34 does not make the election under this subdivision, subdivision (a) of this
35 paragraph applies for the remainder of the asset's life.

36 (c) In taxable years beginning from and after December 31, 2013
37 through December 31, 2015, an amount equal to the depreciation allowable
38 pursuant to section 167(a) of the internal revenue code for the taxable
39 year as computed as if the additional allowance for depreciation had been
40 ten percent of the amount allowed pursuant to section 168(k) of the
41 internal revenue code.

42 (d) In taxable years beginning from and after December 31, 2015
43 through December 31, 2016, an amount equal to the depreciation allowable
44 pursuant to section 167(a) of the internal revenue code for the taxable
45 year as computed as if the additional allowance for depreciation had been

1 fifty-five percent of the amount allowed pursuant to section 168(k) of the
2 internal revenue code.

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

8 21. With respect to property that is sold or otherwise disposed of
9 during the taxable year by a taxpayer that complied with section 43-1021,
10 paragraph ~~16~~ 15 with respect to that property, the amount of depreciation
11 that has been allowed pursuant to section 167(a) of the internal revenue
12 code to the extent that the amount has not already reduced Arizona taxable
13 income in the current or prior taxable years.

14 22. With respect to property for which an adjustment was made under
15 section 43-1021, paragraph ~~17~~ 16, an amount equal to one-fifth of the
16 amount of the adjustment pursuant to section 43-1021, paragraph ~~17~~ 16 in
17 the year in which the amount was adjusted under section 43-1021, paragraph
18 ~~17~~ 16 and in each of the following four years.

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

23 (a) Two thousand dollars for a single individual or a head of
24 household.

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

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

35 25. The amount of previously deferred discharge of indebtedness
36 income that is included in the computation of federal adjusted gross
37 income in the current taxable year pursuant to section 108(i) of the
38 internal revenue code as added by section 1231 of the American recovery
39 and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount
40 was previously added to Arizona gross income pursuant to section 43-1021,
41 paragraph ~~19~~ 18.

42 26. The portion of the net operating loss carryforward that would
43 have been allowed as a deduction in the current year pursuant to section
44 172 of the internal revenue code if the election described in section
45 172(b)(1)(H) of the internal revenue code had not been made in the year of

1 the loss that exceeds the actual net operating loss carryforward that was
2 deducted in arriving at federal adjusted gross income. This subtraction
3 only applies to taxpayers who made an election under section 172(b)(1)(H)
4 of the internal revenue code as amended by section 1211 of the American
5 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
6 section 13 of the worker, homeownership, and business assistance act of
7 2009 (P.L. 111-92).

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

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

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

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

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

25 For the purposes of this paragraph, a transferee that receives an asset by
26 gift or at the death of a transferor is considered to have acquired the
27 asset when the asset was acquired by the transferor. If the date an asset
28 is acquired cannot be verified, a subtraction under this paragraph is not
29 allowed.

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

33 30. With respect to a long-term health care savings account
34 established pursuant to section 43-1032, the amount deposited by the
35 taxpayer in the account during the taxable year to the extent that the
36 taxpayer's contributions are included in the taxpayer's federal adjusted
37 gross income.

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

1 Sec. 10. Section 43-1043, Arizona Revised Statutes, is amended to
2 read:

3 43-1043. Personal exemptions; annual adjustment

4 A. FOR TAXABLE YEARS PRIOR TO 2017, there shall be allowed as an
5 exemption, in the case of:

6 1. A single individual, a personal exemption of two thousand one
7 hundred dollars.

8 2. A head of a household or a married individual, a personal
9 exemption of four thousand two hundred dollars under this paragraph. A
10 husband and wife shall receive but one personal exemption of four thousand
11 two hundred dollars. If the husband and wife make separate returns, the
12 personal exemption may be taken by either or divided between them.

13 3. A married couple who claim at least one dependent, an exemption
14 of six thousand three hundred dollars. If the husband and wife make
15 separate returns, the personal exemption may be taken by either or divided
16 between them. An exemption under this paragraph is in lieu of the
17 exemption under paragraph 2 OF THIS SUBSECTION.

18 B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016
19 THROUGH DECEMBER 31, 2017, THERE IS ALLOWED AS AN EXEMPTION, IN THE CASE
20 OF:

21 1. A SINGLE INDIVIDUAL. A PERSONAL EXEMPTION OF TWO THOUSAND ONE
22 HUNDRED FIFTY DOLLARS.

23 2. A HEAD OF A HOUSEHOLD OR A MARRIED INDIVIDUAL, A PERSONAL
24 EXEMPTION OF FOUR THOUSAND THREE HUNDRED DOLLARS UNDER THIS PARAGRAPH. A
25 HUSBAND AND WIFE SHALL RECEIVE BUT ONE PERSONAL EXEMPTION OF FOUR THOUSAND
26 THREE HUNDRED DOLLARS. IF THE HUSBAND AND WIFE MAKE SEPARATE RETURNS, THE
27 PERSONAL EXEMPTION MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM.

28 3. A MARRIED COUPLE WHO CLAIM AT LEAST ONE DEPENDENT, AN EXEMPTION
29 OF SIX THOUSAND FOUR HUNDRED FIFTY DOLLARS. IF THE HUSBAND AND WIFE MAKE
30 SEPARATE RETURNS, THE PERSONAL EXEMPTION MAY BE TAKEN BY EITHER OR DIVIDED
31 BETWEEN THEM. AN EXEMPTION UNDER THIS PARAGRAPH IS IN LIEU OF THE
32 EXEMPTION UNDER PARAGRAPH 2 OF THIS SUBSECTION.

33 C. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017
34 THROUGH DECEMBER 31, 2018, THERE IS ALLOWED AS AN EXEMPTION, IN THE CASE
35 OF:

36 1. A SINGLE INDIVIDUAL, A PERSONAL EXEMPTION OF TWO THOUSAND TWO
37 HUNDRED DOLLARS.

38 2. A HEAD OF A HOUSEHOLD OR A MARRIED INDIVIDUAL, A PERSONAL
39 EXEMPTION OF FOUR THOUSAND FOUR HUNDRED DOLLARS UNDER THIS PARAGRAPH. A
40 HUSBAND AND WIFE SHALL RECEIVE BUT ONE PERSONAL EXEMPTION OF FOUR THOUSAND
41 FOUR HUNDRED DOLLARS. IF THE HUSBAND AND WIFE MAKE SEPARATE RETURNS, THE
42 PERSONAL EXEMPTION MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM.

43 3. A MARRIED COUPLE WHO CLAIM AT LEAST ONE DEPENDENT, AN EXEMPTION
44 OF SIX THOUSAND SIX HUNDRED DOLLARS. IF THE HUSBAND AND WIFE MAKE
45 SEPARATE RETURNS, THE PERSONAL EXEMPTION MAY BE TAKEN BY EITHER OR DIVIDED

1 BETWEEN THEM. AN EXEMPTION UNDER THIS PARAGRAPH IS IN LIEU OF THE
2 EXEMPTION UNDER PARAGRAPH 2 OF THIS SUBSECTION.

3 D. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018,
4 THE DEPARTMENT SHALL ADJUST THE DOLLAR AMOUNTS PRESCRIBED FOR EACH OF THE
5 EXEMPTIONS IN SUBSECTION C OF THIS SECTION ACCORDING TO THE AVERAGE ANNUAL
6 CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE
7 UNITED STATES BUREAU OF LABOR STATISTICS.

8 Sec. 11. Repeal

9 Sections 43-1076.01, 43-1079 and 43-1083.01, Arizona Revised
10 Statutes, are repealed.

11 Sec. 12. Section 43-1083.04, Arizona Revised Statutes, is amended
12 to read:

13 43-1083.04. Credit for renewable energy investment and
14 production for self-consumption by
15 international operations centers; definitions

16 A. A credit is allowed against the taxes imposed by this title for
17 investment in new renewable energy facilities that produce energy for
18 self-consumption using renewable energy resources if the power will be
19 used primarily for ~~manufacturing or~~ for an international operations
20 center.

21 ~~B. If the power is generated primarily for the purposes of the~~
22 ~~taxpayer's manufacturing facility, the taxpayer is eligible for the credit~~
23 ~~if all of the following apply:~~

24 ~~1. The taxpayer invests at least three hundred million dollars in~~
25 ~~new renewable energy facilities in this state that produce energy for~~
26 ~~self-consumption using renewable energy resources. The minimum investment~~
27 ~~must be completed within a three-year period beginning on the date the~~
28 ~~initial application is received or by December 31, 2017, whichever is~~
29 ~~earlier.~~

30 ~~2. At least ninety percent of the energy produced at each renewable~~
31 ~~energy facility is used for self-consumption in this state.~~
32 ~~Self-consumption includes the power used by related entities if the~~
33 ~~related entities are owned directly or indirectly by the same ownership~~
34 ~~interests that collectively own more than fifty percent. A facility that~~
35 ~~transfers the power it generates to a utility qualifies under this~~
36 ~~paragraph if at least ninety percent of the power is transferred back for~~
37 ~~self-consumption in this state.~~

38 ~~3. The power is used primarily for manufacturing. A lessor of a~~
39 ~~facility that is using power for self-consumption under paragraph 2 of~~
40 ~~this subsection qualifies under this paragraph if the lessee is a~~
41 ~~manufacturer and the power is transferred as part of the lease to the~~
42 ~~lessee.~~

43 ~~c. B. If the power is generated primarily for the purposes of the~~
44 ~~taxpayer's international operations center, The taxpayer is eligible for~~
45 ~~the credit if all of the following apply:~~

1 1. The taxpayer invests at least one hundred million dollars in one
2 or more new renewable energy facilities in this state that produce energy
3 for self-consumption using renewable energy resources. The minimum
4 investment must be completed within a three-year period beginning on the
5 date the initial application is received or by December 31, 2018,
6 whichever is earlier.

7 2. A portion of the energy produced at each renewable energy
8 facility is used for self-consumption in this state. By the fifth year a
9 renewable energy facility is in operation, at least fifty-one percent of
10 the energy produced must be used for self-consumption in this state.
11 Self-consumption includes the power used by related entities if the
12 related entities are directly or indirectly under the same ownership
13 interests that collectively own more than eighty percent. Power that a
14 renewable energy facility transfers to a utility qualifies as
15 self-consumption if the utility is the same utility that provides power to
16 the owner's international operations center in this state.

17 3. The power that is used for self-consumption under paragraph 2 of
18 this subsection is used for an international operations center in this
19 state. A lessor of an international operations center facility that uses
20 power for self-consumption under paragraph 2 of this subsection satisfies
21 the requirements of this paragraph if the lessee is an international
22 operations center and the power is transferred as part of the lease to the
23 lessee.

24 ~~D.~~ C. Subject to subsection ~~F~~ F of this section, the credit
25 authorized by this section is five million dollars per year for five years
26 for each renewable energy facility. The maximum credit allowed per
27 taxpayer per year is five million dollars. ~~If a taxpayer uses the power~~
28 ~~generated by the renewable energy facility in the taxpayer's international~~
29 ~~operations center,~~ The taxpayer, including all affiliates of the taxpayer,
30 may not cumulate tax credits under this section over different taxable
31 years exceeding, in the aggregate, twenty-five million dollars. The
32 initial credit for each facility is claimed in the year that the facility
33 becomes operational. A credit, other than carryovers allowed under
34 subsection ~~N~~ M of this section, may not be claimed for any taxable year
35 beginning after December 31, 2025.

36 ~~E.~~ D. To qualify as a separate renewable energy facility for the
37 purposes of this section, a facility must be located at least one mile
38 from any other renewable energy facility for which the taxpayer is
39 claiming a credit under this section.

40 ~~F.~~ E. To be eligible for the credit under this section, the
41 taxpayer must apply to the department for certification of the credit on a
42 form prescribed by the department. The application shall include:

43 1. The name, address and social security number or federal employer
44 identification number of the applicant.

1 2. An estimate of the total investment the taxpayer will make, over
2 a three-year period beginning on the date the application is received, in
3 new renewable energy facilities in this state that produce energy for
4 self-consumption using renewable energy resources.

5 3. The expected location of each of the taxpayer's facilities that
6 comprise the total investment in paragraph 2 of this subsection and the
7 earliest date that each facility is expected to be operational.

8 4. A statement that the portion of the power generated by each
9 facility, as required by subsection B, paragraph 2 ~~or subsection C,~~
10 ~~paragraph 2~~ of this section, shall be for self-consumption and shall be
11 used for ~~manufacturing or~~ international operations center use.

12 5. Any additional information that the department requires.

13 ~~G.~~ F. The department shall review each application under
14 subsection ~~F~~ E of this section and preapprove the taxpayer for a
15 specified amount of credit that is authorized. Credits are allowed under
16 this section and section 43-1164.05 on a first come, first served basis.
17 The department may not authorize tax credits under this section and
18 section 43-1164.05 that exceed in the aggregate a total of ten million
19 dollars for any calendar year. The portion of each year's limit that is
20 reserved for each taxpayer must be based on the year that each credit is
21 expected to be claimed using the dates provided in subsection ~~F~~ E,
22 paragraph 3 of this section. If the year a facility is completed is
23 different from the estimated completion date provided in subsection ~~F~~ E,
24 paragraph 3 of this section, the taxpayer must amend the application with
25 the new dates. If an application is received that, if authorized, would
26 require the department to exceed the ten million dollar limit, the
27 department shall grant the applicant only the remaining credit amount that
28 would not exceed the ten million dollar limit. After the department
29 authorizes ten million dollars in tax credits, the department shall deny
30 any subsequent applications that are received for that calendar year. The
31 department may not authorize any additional tax credits that exceed the
32 ten million dollar limit even if the amounts that have been certified to
33 any taxpayer are not claimed or a taxpayer otherwise fails to meet the
34 requirements to claim the additional credit.

35 ~~H.~~ G. If a taxpayer fails to start construction within six months
36 after submitting the application under subsection ~~F~~ E of this section,
37 the preapproval issued under subsection ~~G~~ F of this section is void and
38 all monies reserved from the limits specified in subsection ~~G~~ F of this
39 section revert back to the limit for the year for which they were
40 reserved.

41 ~~I.~~ H. Each year after initial preapproval, on or before the
42 anniversary date of the application specified in subsection ~~F~~ E of this
43 section, the taxpayer must submit to the department:

44 1. Documentation of the taxpayer's progress toward the investment
45 required by subsection B, paragraph 1 ~~or subsection C, paragraph 1~~ of this

1 section. This documentation is not required after the department receives
2 a report stating that the required investment threshold has been reached.

3 2. Documentation for each facility that demonstrates that the
4 required portion of the power generated by each renewable energy facility
5 is for self-consumption as required by subsection B, paragraph 2 ~~or~~
6 ~~subsection C, paragraph 2~~ of this section.

7 3. IF APPLICABLE, certification from the Arizona commerce authority
8 pursuant to section 41-1520.

9 ~~D.~~ I. The taxpayer must submit a request for final certification
10 to the department within thirty days after each of the renewable energy
11 facilities for which an authorization was given under subsection ~~G~~ F of
12 this section becomes operational. Within thirty days after receiving a
13 completed request under this subsection, the department shall review the
14 request and either issue a final certification of the credit to the
15 taxpayer or issue a denial of the credit if it is determined that the
16 requirements of this section have not been met. Every final certification
17 issued under this subsection must include a facility code issued by the
18 department that is unique to each facility. To show that the facility has
19 been certified, the taxpayer shall include with the tax return the
20 facility code for each facility for which a credit is claimed. If the
21 taxpayer is the owner or operator of an international operations center,
22 the taxpayer must submit the request for final certification for each of
23 the renewable energy facilities for which capital investment will be
24 claimed towards the required investment threshold and must submit
25 additional evidence to the department within sixty days after the end of
26 the fifth year of operation of each facility that the requirements of
27 subsection ~~E~~ B, paragraph 2 of this section have been met.

28 ~~K.~~ J. If the taxpayer fails to make the required investment in
29 renewable energy facilities within the time period required by subsection
30 B, paragraph 1 ~~or~~ subsection C, paragraph 1 of this section or if the
31 certification of an international operations center has been revoked under
32 section 41-1520 due to a failure to make a one billion two hundred fifty
33 million dollar investment in the center within ten years after
34 certification or if the taxpayer fails to receive final certification of
35 the credit under subsection ~~D~~ I of this section, the taxpayer ~~shall~~ IS
36 not ~~be~~ eligible and must cease claiming any further credits under this
37 section and shall reimburse the amount of all credits previously received
38 under this section. The reimbursement must be made on the taxpayer's
39 income tax return for the taxable year in which it is first known that the
40 required investment would not be made within the required time or the
41 taxable year in which the certification was revoked. The department may
42 give special consideration or allow a temporary exemption from
43 reimbursement if there is extraordinary hardship due to factors beyond the
44 taxpayer's control. If the reimbursement is due to revocation of the
45 certification of an international operations center due to a failure to

1 invest one billion two hundred fifty million dollars in the center within
2 ten years after certification, the credits shall be reimbursed in inverse
3 proportion to the total capital investment made in the international
4 operations center divided by one billion two hundred fifty million
5 dollars. The department may require reimbursement before the tenth
6 anniversary of certification of an international operations center if the
7 facility has been closed or relocated or the taxpayer has otherwise
8 demonstrated that the one billion two hundred fifty million dollar
9 investment will not be timely made.

10 ~~K.~~ K. If a particular facility ceases to meet the requirements of
11 this section or if the facility is sold, the taxpayer may not claim any
12 future credits related to that facility.

13 ~~L.~~ L. Co-owners of a business, including partners in a
14 partnership, members of a limited liability company and shareholders of an
15 S corporation as defined in section 1361 of the internal revenue code, may
16 each claim the pro rata share of the credit allowed under this section
17 based on ownership interest. The total of the credits allowed all the
18 owners of the business may not exceed the amount that would have been
19 allowed for a sole owner of the business.

20 ~~M.~~ M. If the allowable tax credit for a taxpayer exceeds the taxes
21 otherwise due under this title on the claimant's income, or if there are
22 no taxes due under this title, the amount of the claim not used to offset
23 taxes under this title may be carried forward for not more than five
24 consecutive taxable years as a credit against subsequent years' income tax
25 liability.

26 ~~N.~~ N. A taxpayer may not claim a credit under this section and
27 section 43-1083.02 regarding the same facilities.

28 ~~O.~~ O. The department shall adopt rules and publish and prescribe
29 forms and procedures as necessary to effectuate the purposes of this
30 section.

31 ~~P.~~ P. For the purposes of this section:

32 1. "Biomass" means organic material that is available on a
33 renewable or recurring basis, including:

34 (a) Forest-related materials, including mill residues, logging
35 residues, forest thinnings, slash, brush, low-commercial value materials
36 or undesirable species, salt cedar and other phreatophyte or woody
37 vegetation removed from river basins or watersheds and woody material
38 harvested for the purpose of forest fire fuel reduction or forest health
39 and watershed improvement.

40 (b) Agricultural-related materials, including orchard trees,
41 vineyard, grain or crop residues, including straws and stover, aquatic
42 plants and agricultural processed coproducts and waste products, including
43 fats, oils, greases, whey and lactose.

44 (c) Animal waste, including manure and slaughterhouse and other
45 processing waste.

1 (d) Solid woody waste materials, including landscape or right-of-
2 way tree trimmings, rangeland maintenance residues, waste pallets, crates
3 and manufacturing, construction and demolition wood wastes but excluding
4 pressure-treated, chemically treated or painted wood wastes and wood
5 contaminated with plastic.

6 (e) Crops and trees planted for the purpose of being used to
7 produce energy.

8 (f) Landfill gas, wastewater treatment gas and biosolids, including
9 organic waste by-products generated during the wastewater treatment
10 process.

11 2. "International operations center" means a facility that is
12 certified by the Arizona commerce authority pursuant to section 41-1520.

13 3. "Renewable energy facility" means a facility in which the
14 taxpayer invested at least thirty million dollars, that has at least
15 twenty megawatts generating capacity or a minimum typical annual
16 generation of forty thousand megawatt hours, that is located on land in
17 this state owned or leased by the taxpayer and that produces electricity
18 using a renewable energy resource.

19 4. "Renewable energy resource" means a resource that generates
20 electricity through the use of only the following energy sources:

21 (a) Solar light.

22 (b) Solar heat.

23 (c) Wind.

24 (d) Biomass, including fuel cells supplied directly or indirectly
25 with biomass generated fuels.

26 Sec. 13. Repeal

27 Sections 43-1085.01 and 43-1090, Arizona Revised Statutes, are
28 repealed.

29 Sec. 14. Section 43-1121, Arizona Revised Statutes, is amended to
30 read:

31 43-1121. Additions to Arizona gross income; corporations

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

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

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

1 3. 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 4. The amount by which the adjusted basis of property described in
5 this paragraph and computed pursuant to the internal revenue code exceeds
6 the adjusted basis of such property computed pursuant to this title and
7 the income tax act of 1954, as amended. This paragraph applies to all
8 property that is held for the production of income and that is sold or
9 otherwise disposed of during the taxable year, except depreciable property
10 used in a trade or business.

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

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

18 7. The amount of discharge of indebtedness income that is deferred
19 and excluded from the computation of federal taxable income in the current
20 taxable year pursuant to section 108(i) of the internal revenue code as
21 added by section 1231 of the American recovery and reinvestment act of
22 2009 (P.L. 111-5).

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

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

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

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

40 12. Commissions, rentals and other amounts paid or accrued to a
41 domestic international sales corporation controlled by the payor
42 corporation if the domestic international sales corporation is not
43 required to report its taxable income to this state because its income is
44 not derived from or attributable to sources within this state. If the
45 domestic international sales corporation is subject to article 4 of this

1 chapter, the department shall prescribe by rule the method of determining
2 the portion of the commissions, rentals and other amounts that are paid or
3 accrued to the controlled domestic international sales corporation and
4 that shall be deducted by the payor. For the purposes of this paragraph,
5 "control" means direct or indirect ownership or control of fifty ~~per cent~~
6 PERCENT or more of the voting stock of the domestic international sales
7 corporation by the payor corporation.

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

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

14 15. Amortization of costs incurred to install pollution control
15 devices and deducted pursuant to the internal revenue code or the amount
16 of deduction for depreciation taken pursuant to the internal revenue code
17 on pollution control devices for which an election is made pursuant to
18 section 43-1129.

19 16. The amount of depreciation or amortization of costs of child
20 care facilities deducted pursuant to section 167 or 188 of the internal
21 revenue code for which an election is made to amortize pursuant to section
22 43-1130.

23 17. The loss of an insurance company that is exempt under section
24 43-1201 to the extent that it is included in computing Arizona gross
25 income on a consolidated return pursuant to section 43-947.

26 18. The amount by which the depreciation or amortization computed
27 under the internal revenue code with respect to property for which a
28 credit was taken under section 43-1169 exceeds the amount of depreciation
29 or amortization computed pursuant to the internal revenue code on the
30 Arizona adjusted basis of the property.

31 19. The amount by which the adjusted basis computed under the
32 internal revenue code with respect to property for which a credit was
33 claimed under section 43-1169 and that is sold or otherwise disposed of
34 during the taxable year exceeds the adjusted basis of the property
35 computed under section 43-1169.

36 20. The amount by which the depreciation or amortization computed
37 under the internal revenue code with respect to property for which a
38 credit was taken under either section 43-1170 or 43-1170.01 exceeds the
39 amount of depreciation or amortization computed pursuant to the internal
40 revenue code on the Arizona adjusted basis of the property.

41 21. The amount by which the adjusted basis computed under the
42 internal revenue code with respect to property for which a credit was
43 claimed under either section 43-1170 or 43-1170.01 and that is sold or
44 otherwise disposed of during the taxable year exceeds the adjusted basis

1 of the property computed under section 43-1170 or 43-1170.01, as
2 applicable.

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

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

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

13 ~~25.~~ 24. Any wage expenses deducted pursuant to the internal
14 revenue code for which a credit is claimed under section 43-1175 and
15 representing net increases in qualified employment positions for
16 employment of temporary assistance for needy families recipients.

17 ~~26.~~ 25. Any amount of expenses that were deducted pursuant to the
18 internal revenue code and for which a credit is claimed under section
19 43-1178.

20 ~~27.~~ 26. The amount of any deduction that is claimed in computing
21 Arizona gross income and that represents a donation of a school site for
22 which a credit is claimed under section 43-1181.

23 ~~28.~~ 27. Any amount deducted pursuant to section 170 of the
24 internal revenue code representing contributions to a school tuition
25 organization for which a credit is claimed under section 43-1183 or
26 43-1184.

27 Sec. 15. Repeal

28 Sections 43-1162.01, 43-1164.01 and 43-1164.02, Arizona Revised
29 Statutes, are repealed.

30 Sec. 16. Section 43-1164.05, Arizona Revised Statutes, is amended
31 to read:

32 43-1164.05. Credit for renewable energy investment and
33 production for self-consumption by
34 international operations centers; definitions

35 A. A credit is allowed against the taxes imposed by this title for
36 investment in new renewable energy facilities that produce energy for
37 self-consumption using renewable energy resources if the power will be
38 used primarily ~~for manufacturing or~~ for an international operations
39 center.

40 ~~B. If the power is generated primarily for the purposes of the~~
41 ~~taxpayer's manufacturing facility, the taxpayer is eligible for the credit~~
42 ~~if all of the following apply:~~

43 ~~1. The taxpayer invests at least three hundred million dollars in~~
44 ~~new renewable energy facilities in this state that produce energy for~~
45 ~~self-consumption using renewable energy resources. The minimum investment~~

1 ~~must be completed within a three-year period beginning on the date the~~
2 ~~initial application is received or December 31, 2017, whichever is~~
3 ~~earlier.~~

4 ~~2. At least ninety percent of the energy produced at each renewable~~
5 ~~energy facility is used for self-consumption in this state.~~
6 ~~Self-consumption includes the power used by related entities if the~~
7 ~~related entities are owned directly or indirectly by the same ownership~~
8 ~~interests that collectively own more than fifty percent. A facility that~~
9 ~~transfers the power it generates to a utility qualifies under this~~
10 ~~paragraph if at least ninety percent of the power is transferred back for~~
11 ~~self-consumption in this state.~~

12 ~~3. The power is used primarily for manufacturing. A lessor of a~~
13 ~~facility that is using power for self-consumption under paragraph 2 of~~
14 ~~this subsection qualifies under this paragraph if the lessee is a~~
15 ~~manufacturer and the power is transferred as part of the lease to the~~
16 ~~lessee.~~

17 ~~C. B. If the power is generated primarily for the purposes of the~~
18 ~~taxpayer's international operations center, The taxpayer is eligible for~~
19 ~~the credit if all of the following apply:~~

20 ~~1. The taxpayer invests at least one hundred million dollars in one~~
21 ~~or more new renewable energy facilities in this state that produce energy~~
22 ~~for self-consumption using renewable energy resources. The minimum~~
23 ~~investment must be completed within a three-year period beginning on the~~
24 ~~date the initial application is received or by December 31, 2018,~~
25 ~~whichever is earlier.~~

26 ~~2. A portion of the energy produced at each renewable energy~~
27 ~~facility is used for self-consumption in this state. By the fifth year a~~
28 ~~renewable energy facility is in operation, at least fifty-one percent of~~
29 ~~the energy produced must be used for self-consumption in this state.~~
30 ~~Self-consumption includes the power used by related entities if the~~
31 ~~related entities are directly or indirectly under the same ownership~~
32 ~~interests that collectively own more than eighty percent. Power that a~~
33 ~~renewable energy facility transfers to a utility qualifies as~~
34 ~~self-consumption if the utility is the same utility that provides power to~~
35 ~~the owner's international operations center in this state.~~

36 ~~3. The power that is used for self-consumption under paragraph 2 of~~
37 ~~this subsection is used for an international operations center in this~~
38 ~~state. A lessor of an international operations center facility that uses~~
39 ~~power for self-consumption under paragraph 2 of this subsection satisfies~~
40 ~~the requirements of this paragraph if the lessee is an international~~
41 ~~operations center and the power is transferred as part of the lease to the~~
42 ~~lessee.~~

43 ~~C. Subject to subsection ~~F~~ F of this section, the credit~~
44 ~~authorized by this section is five million dollars per year for five years~~
45 ~~for each renewable energy facility. The maximum credit allowed per~~

1 taxpayer per year is five million dollars. ~~If a taxpayer uses the power~~
2 ~~generated by the renewable energy facility in the taxpayer's international~~
3 ~~operations center,~~ The taxpayer, including all affiliates of the taxpayer,
4 may not cumulate tax credits under this section over different taxable
5 years exceeding, in the aggregate, twenty-five million dollars. The
6 initial credit for each facility is claimed in the year that the facility
7 becomes operational. A credit, other than carryovers allowed under
8 subsection ~~H~~ M of this section, may not be claimed for any taxable year
9 beginning after December 31, 2025.

10 ~~F~~. D. To qualify as a separate renewable energy facility for the
11 purposes of this section, a facility must be located at least one mile
12 from any other renewable energy facility for which the taxpayer is
13 claiming a credit under this section.

14 ~~F~~. E. To be eligible for the credit under this section, the
15 taxpayer must apply to the department for certification of the credit on a
16 form prescribed by the department. The application shall include:

17 1. The name, address and social security number or federal employer
18 identification number of the applicant.

19 2. An estimate of the total investment the taxpayer will make, over
20 a three-year period beginning on the date the application is received, in
21 new renewable energy facilities in this state that produce energy for
22 self-consumption using renewable energy resources.

23 3. The expected location of each of the taxpayer's facilities that
24 comprise the total investment in paragraph 2 of this subsection and the
25 earliest date that each facility is expected to be operational.

26 4. A statement that the portion of the power generated by each
27 facility, as required by subsection B, paragraph 2 ~~or subsection C,~~
28 ~~paragraph 2~~ of this section, shall be for self-consumption and shall be
29 used for ~~manufacturing or~~ international operations center use.

30 5. Any additional information that the department requires.

31 ~~G~~. F. The department shall review each application under
32 subsection ~~F~~ E of this section and preapprove the taxpayer for a
33 specified amount of credit that is authorized. Credits are allowed under
34 this section and section 43-1083.04 on a first come, first served basis.
35 The department may not authorize tax credits under this section and
36 section 43-1083.04 that exceed in the aggregate a total of ten million
37 dollars for any calendar year. The portion of each year's limit that is
38 reserved for each taxpayer must be based on the year that each credit is
39 expected to be claimed using the dates provided in subsection ~~F~~ E,
40 paragraph 3 of this section. If the year a facility is completed is
41 different from the estimated completion date provided in subsection ~~F~~ E,
42 paragraph 3 of this section, the taxpayer must amend the application with
43 the new dates. If an application is received that, if authorized, would
44 require the department to exceed the ten million dollar limit, the
45 department shall grant the applicant only the remaining credit amount that

1 would not exceed the ten million dollar limit. After the department
2 authorizes ten million dollars in tax credits, the department shall deny
3 any subsequent applications that are received for that calendar year. The
4 department may not authorize any additional tax credits that exceed the
5 ten million dollar limit even if the amounts that have been certified to
6 any taxpayer are not claimed or a taxpayer otherwise fails to meet the
7 requirements to claim the additional credit.

8 ~~H.~~ G. If a taxpayer fails to start construction within six months
9 after submitting the application under subsection ~~F~~ E of this section,
10 the preapproval issued under subsection ~~G~~ F of this section is void and
11 all monies reserved from the limits specified in subsection ~~G~~ F of this
12 section revert back to the limit for the year for which they were
13 reserved.

14 ~~I.~~ H. Each year after initial preapproval, on or before the
15 anniversary date of the application specified in subsection ~~F~~ E of this
16 section, the taxpayer must submit to the department:

17 1. Documentation of the taxpayer's progress toward the investment
18 required by subsection B, paragraph 1 ~~or subsection C, paragraph 1~~ of this
19 section. This documentation is not required after the department receives
20 a report stating that the required investment threshold has been reached.

21 2. Documentation for each facility that demonstrates that the
22 required portion of the power generated by each renewable energy facility
23 is for self-consumption as required by subsection B, paragraph 2 ~~or~~
24 ~~subsection C, paragraph 2~~ of this section.

25 3. IF APPLICABLE, certification from the Arizona commerce authority
26 pursuant to section 41-1520.

27 ~~J.~~ I. The taxpayer must submit a request for final certification
28 to the department within thirty days after each of the renewable energy
29 facilities for which an authorization was given under subsection ~~G~~ F of
30 this section becomes operational. Within thirty days after receiving a
31 completed request under this subsection, the department shall review the
32 request and either issue a final certification of the credit to the
33 taxpayer or issue a denial of the credit if it is determined that the
34 requirements of this section have not been met. Every final certification
35 issued under this subsection must include a facility code issued by the
36 department that is unique to each facility. To show that the facility has
37 been certified, the taxpayer shall include with the tax return the
38 facility code for each facility for which a credit is claimed. If the
39 taxpayer is the owner or operator of an international operations center,
40 the taxpayer must submit the request for final certification for each of
41 the renewable energy facilities for which capital investment will be
42 claimed towards the required investment threshold and must submit
43 additional evidence to the department within sixty days after the end of
44 the fifth year of operation of each facility that the requirements of
45 subsection ~~E~~ B, paragraph 2 of this section have been met.

1 ~~K.~~ J. If the taxpayer fails to make the required investment in
2 renewable energy facilities within the time period required by subsection
3 B, paragraph 1 ~~or subsection C, paragraph 1~~ of this section or if the
4 certification of an international operations center has been revoked under
5 section 41-1520 due to a failure to make a one billion two hundred fifty
6 million dollar investment in the center within ten years after
7 certification or if the taxpayer fails to receive final certification of
8 the credit under subsection ~~J~~ I of this section, the taxpayer ~~shall~~ IS
9 not ~~be~~ eligible and must cease claiming any further credits under this
10 section and shall reimburse the amount of all credits previously received
11 under this section. The reimbursement must be made on the taxpayer's
12 income tax return for the taxable year in which it is first known that the
13 required investment would not be made within the required time or the
14 taxable year in which the certification was revoked. The department may
15 give special consideration or allow a temporary exemption from
16 reimbursement if there is extraordinary hardship due to factors beyond the
17 taxpayer's control. If the reimbursement is due to revocation of the
18 certification of an international operations center due to a failure to
19 invest one billion two hundred fifty million dollars in the center within
20 ten years after certification, the credits shall be reimbursed in inverse
21 proportion to the total capital investment made in the international
22 operations center divided by one billion two hundred fifty million
23 dollars. The department may require reimbursement before the tenth
24 anniversary of certification of an international operations center if the
25 facility has been closed or relocated or the taxpayer has otherwise
26 demonstrated that the one billion two hundred fifty million dollar
27 investment will not be timely made.

28 ~~L.~~ K. If a particular facility ceases to meet the requirements of
29 this section or if the facility is sold, the taxpayer may not claim any
30 future credits related to that facility.

31 ~~M.~~ L. Co-owners of a business, including corporate partners in a
32 partnership and members of a limited liability company, may each claim the
33 pro rata share of the credit allowed under this section based on ownership
34 interest. The total of the credits allowed all the owners of the business
35 may not exceed the amount that would have been allowed for a sole owner of
36 the business.

37 ~~N.~~ M. If the allowable tax credit for a taxpayer exceeds the taxes
38 otherwise due under this title on the claimant's income, or if there are
39 no taxes due under this title, the amount of the claim not used to offset
40 taxes under this title may be carried forward for not more than five
41 consecutive taxable years as a credit against subsequent years' income tax
42 liability.

43 ~~O.~~ N. A taxpayer may not claim a credit under this section and
44 section 43-1164.03 regarding the same facilities.

1 ~~P.~~ 0. The department shall adopt rules and publish and prescribe
2 forms and procedures as necessary to effectuate the purposes of this
3 section.

4 ~~P.~~ P. For the purposes of this section:

5 1. "Biomass" means organic material that is available on a
6 renewable or recurring basis, including:

7 (a) Forest-related materials, including mill residues, logging
8 residues, forest thinnings, slash, brush, low-commercial value materials
9 or undesirable species, salt cedar and other phreatophyte or woody
10 vegetation removed from river basins or watersheds and woody material
11 harvested for the purpose of forest fire fuel reduction or forest health
12 and watershed improvement.

13 (b) Agricultural-related materials, including orchard trees,
14 vineyard, grain or crop residues, including straws and stover, aquatic
15 plants and agricultural processed coproducts and waste products, including
16 fats, oils, greases, whey and lactose.

17 (c) Animal waste, including manure and slaughterhouse and other
18 processing waste.

19 (d) Solid woody waste materials, including landscape or
20 right-of-way tree trimmings, rangeland maintenance residues, waste
21 pallets, crates and manufacturing, construction and demolition wood wastes
22 but excluding pressure-treated, chemically treated or painted wood wastes
23 and wood contaminated with plastic.

24 (e) Crops and trees planted for the purpose of being used to
25 produce energy.

26 (f) Landfill gas, wastewater treatment gas and biosolids, including
27 organic waste by-products generated during the wastewater treatment
28 process.

29 2. "International operations center" means a facility that is
30 certified by the Arizona commerce authority pursuant to section 41-1520.

31 3. "Renewable energy facility" means a facility in which the
32 taxpayer invested at least thirty million dollars, that has at least
33 twenty megawatts generating capacity or a minimum typical annual
34 generation of forty thousand megawatt hours, that is located on land in
35 this state owned or leased by the taxpayer and that produces electricity
36 using a renewable energy resource.

37 4. "Renewable energy resource" means a resource that generates
38 electricity through the use of only the following energy sources:

39 (a) Solar light.

40 (b) Solar heat.

41 (c) Wind.

42 (d) Biomass, including fuel cells supplied directly or indirectly
43 with biomass generated fuels.

1 Sec. 17. Repeal
2 Sections 43-1167 and 43-1176, Arizona Revised Statutes, are
3 repealed.

4 Sec. 18. Conforming legislation
5 The legislative council staff shall prepare proposed legislation
6 conforming the Arizona Revised Statutes to the provisions of this act for
7 consideration in the fifty-third legislature, second regular session.

8 Sec. 19. Savings
9 The repeal of any income tax credit under this act does not affect
10 the continuing validity of any amount of the credit carried forward from
11 previous taxable years for application against subsequent tax liabilities
12 as allowed by prior law.

13 Sec. 20. Effective date
14 Except for section 43-1043, Arizona Revised Statutes, as amended by
15 this act, this act is effective from and after December 31, 2017.

APPROVED BY THE GOVERNOR MAY 10, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2017.

Passed the House February 21, 20 17

Passed the Senate May 4, 2017

by the following vote: 58 Ayes,

by the following vote: 19 Ayes,

0 Nays, 2 Not Voting

11 Nays, 0 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

Pro Tempore

[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. 2528

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

May 4, 20 17,

by the following vote: 38 Ayes,

21 Nays, 1 Not Voting

[Signature]
Speaker of the House
Jim Drake
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

8th day of May, 20 17,

at 8:30 o'clock A. M.

[Signature]
Secretary to the Governor

Approved this 10th day of

May, 20 17,

at 10:14 o'clock A. M.

[Signature]
Governor of Arizona

H.B. 2528

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 10 day of May, 20 17,

at 12:16 o'clock P M.

[Signature]
Secretary of State