STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

March 24, 2020

The Honorable Katie Hobbs
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bills from the Fifty-fourth Legislature, 2nd Regular Session, which I signed on March 24th, 2020:

H.B. 2494 internal revenue code; conformity (Toma)
H.B. 2625 civics celebration day; civics education (Bolick)
H.B. 2684 crisis management team; underperforming districts (Udall)
S.B. 1049 advisory council on aging (Brophy-McGee)
S.B. 1050 board of athletic training; continuation (Brophy-McGee)
S.B. 1052 homeopathic board; continuation (Brophy-McGee)
S.B. 1053 psychiatric security review board; continuation (Brophy-McGee)
S.B. 1054 psychology board; continuation (Brophy-McGee)
S.B. 1055 hard of hearing; commission; continuation (Brophy-McGee)
S.B. 1072 state board of investment; continuation (Leach)
S.B. 1128 joint legislative budget committee; continuation (Gowan)
S.B. 1130 auditor general; continuation. (Gray)
S.B. 1275 department of gaming; continuation (Ugenti-Rita)
S.B. 1293 DOI; DFI; omnibus (Livingston)
S.B. 1294 insurance and financial institutions; continuation (Mesnard)
S.B. 1295 department of revenue; continuation (Mesnard)
S.B. 1296 internal revenue code; conformity. (Mesnard)
S.B. 1297 legislative council; continuation (Fann)
S.B. 1331 self-insured employers; deviation continuation(Livingston)
S.B. 1348 tax corrections act of 2020 (Mesnard)
S.B. 1408 ombudsman-citizens aide; continuation; reports; assistants (Farnsworth, D.)
S.B. 1399 reviser's technical corrections; 2020 (Gray)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

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

Senate Engrossed

FILED
KATIE HOBBS
SECRETARY OF STATE

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

CHAPTER 43
SENATE BILL 1348

AN ACT

AMENDING SECTIONS 9-500.39, 11-269.17, 41-1516, 41-1520, 42-2201, 42-2202, 42-5001, 42-5014, 42-5069, 42-5071, 42-13302, 43-222, 43-301, 43-1021, 43-1022, 43-1023, 43-1024, 43-1029, 43-1042 AND 43-1076, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1080, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1081.01, 43-1089.02, 43-1121, 43-1122, 43-1123, 43-1124, 43-1127 AND 43-1130.01, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1162, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1169, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1170.01 AND 43-1181, ARIZONA REVISED STATUTES; AMENDING LAWS 2019, CHAPTER 273, SECTION 36; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 9-500.39, Arizona Revised Statutes, is amended to read:

9-500.39. Limits on regulation of vacation rentals and short-term rentals; state preemption; definitions

A. A city or town may not prohibit vacation rentals or short-term rentals.

B. A city or town may not restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or occupancy except as provided in this section. A city or town may regulate vacation rentals or short-term rentals for the following purposes:

1. Protecting the public's health and safety, including rules and regulations related to fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control, and designation of an emergency point of contact, if the city or town demonstrates that the rule or regulation is for the primary purpose of protecting the public's health and safety.

2. Adopting and enforcing residential use and zoning ordinances, including ordinances related to noise, protection of welfare, property maintenance and other nuisance issues, if the ordinance is applied in the same manner as other property classified under sections 42-12003 and 42-12004.

3. Limiting or prohibiting the use of a vacation rental or short-term rental for the purposes of housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.

4. Requiring the owner of a vacation rental or short-term rental to provide the city or town with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by email at any time of day before offering for rent or renting the vacation rental or short-term rental.

C. Within thirty days after a verified violation, a city or town shall notify the department of revenue and the owner of the vacation rental or short-term rental of the verified violation of the city's or town's applicable laws, regulations or ordinances and, if the owner of the vacation rental or short-term rental received the verified violation, whether the city or town imposed a civil penalty on the owner of the vacation rental or short-term rental and the amount of the civil penalty, if assessed. If multiple verified violations arise out of the same response to an incident at a vacation rental or short-term rental, those verified violations are considered one verified violation for the purpose of assessing civil penalties pursuant to section ~~42-1125, subsection A~~ 42-1125.02, SUBSECTION B.

D. If the owner of a vacation rental or short-term rental has provided contact information to a city or town pursuant to subsection B, paragraph 4 of this section and if the city or town issues a citation for a violation of the city's or town's applicable laws, regulations or ordinances or a state law that occurred on the owner's vacation rental or short-term rental property, the city or town shall make a reasonable attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 of this section. If the owner of a vacation rental or short-term rental has not provided contact information pursuant to subsection B, paragraph 4 of this section, the city or town is not required to provide such notice.

E. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.

F. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a city or town ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.

G. For the purposes of this section:

1. "Transient" has the same meaning prescribed in section 42-5070.

2. "Vacation rental" or "short-term rental" means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

3. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or F of this section that has been finally adjudicated.

Sec. 2. Section 11-269.17, Arizona Revised Statutes, is amended to read:

11-269.17. <u>Limits on regulation of vacation rentals and short-term rentals; state preemption; definitions</u>

A. A county may not prohibit vacation rentals or short-term rentals.

B. A county may not restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or

occupancy except as provided in this section. A county may regulate vacation rentals or short-term rentals for the following purposes:

1. Protecting the public's health and safety, including rules and regulations related to fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control, and designation of an emergency point of contact, if the county demonstrates that the rule or regulation is for the primary purpose of protecting the public's health and safety.

2. Adopting and enforcing residential use and zoning ordinances, including ordinances related to noise, protection of welfare, property maintenance and other nuisance issues, if the ordinance is applied in the same manner as other property classified under sections 42-12003 and 42-12004.

3. Limiting or prohibiting the use of a vacation rental or short-term rental for the purposes of housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.

4. Requiring the owner of a vacation rental or short-term rental to provide the county with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by email at any time of day before offering for rent or renting the vacation rental or short-term rental.

C. Within thirty days after a verified violation, a county shall notify the department of revenue and the owner of the vacation rental or short-term rental of the verified violation of the county's applicable laws, regulations or ordinances and, if the property owner received the verified violation, whether the county imposed a civil penalty on the owner of the vacation rental or short-term rental and the amount of the civil penalty, if assessed. If multiple verified violations arise out of the same response to an incident at a vacation rental or short-term rental, those verified violations are considered one verified violation for the purpose of assessing civil penalties pursuant to section ~~42-1125, subsection AA~~ 42-1125.02, SUBSECTION B.

D. If the owner of a vacation rental or short-term rental has provided contact information to a county pursuant to subsection B, paragraph 4 of this section and if the county issues a citation for a violation of the county's applicable laws, regulations or ordinances or a state law that occurred on the owner's vacation rental or short-term rental property, the county shall make a reasonable attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 of this section. If the owner of a vacation rental or short-term rental has not provided contact information

pursuant to subsection B, paragraph 4 of this section, the county is not required to provide such notice.

E. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.

F. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a county ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.

G. For the purposes of this section:

1. "Transient" has the same meaning prescribed in section 42-5070.

2. "Vacation rental" or "short-term rental" means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

3. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or F of this section that has been finally adjudicated.

Sec. 3. Section 41-1516, Arizona Revised Statutes, is amended to read:

41-1516. <u>Healthy forest enterprise incentives; definitions</u>

A. The Arizona commerce authority shall:

1. Implement a program to encourage counties, cities and towns to provide local incentives to economic enterprises that promote forest health in this state.

2. Identify and certify to the department of revenue the names of and relevant information relating to qualified businesses for the purposes of available state tax incentives for economic enterprises that promote forest health in this state.

B. To qualify for state tax incentives pursuant to this section, a business:

1. Must be primarily engaged in a qualifying project. The business shall submit to the authority evidence that it is engaged in a qualifying project as follows:

(a) The business operation must enhance or sustain forest health, sustain or recover watershed or improve public safety.

(b) If the qualifying forest product is on federal land, the business shall submit a letter from the federal agency administering the

land, or official records or documents produced in connection with the project, stating that the business is primarily engaged in the business of harvesting or processing qualifying forest products for commercial use as follows:

(i) At least seventy ~~per cent~~ PERCENT of the harvested or processed products, measured by weight, must be qualifying forest products.

(ii) At least seventy-five ~~per cent~~ PERCENT of the qualifying forest products, measured by weight, must be harvested from sources in this state.

(c) If the qualifying forest product is not on federal land, the business shall submit a letter from the state forester stating that the business is primarily engaged in the business of harvesting or processing qualifying forest products for commercial use as follows:

(i) At least seventy ~~per cent~~ PERCENT of the harvested or processed products must be qualifying forest products.

(ii) At least seventy-five ~~per cent~~ PERCENT of the harvested or processed products must be from areas in this state.

(d) If the business is engaged in transporting qualifying forest products, it must submit a letter from the state forester or United States forest service, or official records or documents produced in connection with the project, stating that all of the qualifying forest products it transports are harvested from areas in this state. In addition, the business must submit evidence to the authority that at least seventy-five ~~per cent~~ PERCENT of the mileage traveled by its units each year are for transporting qualifying forest products from or to qualifying projects described in subdivision (b) or (c) of this paragraph, unless a lower mileage is due to forest closures or weather conditions that are beyond the control of the business.

2. Must employ at least one permanent full-time employee.

3. Must agree to furnish to the authority information relating to the amount of state tax benefits that the business receives each year.

4. Must enter into a memorandum of understanding with the authority containing:

(a) Employment goals. Each year the business must report in writing to the authority its performance in achieving the goals.

(b) A commitment to continue in business and use the qualifying equipment primarily on qualifying projects in this state as described in paragraph 1 of this subsection, other than for reasons beyond the control of the business. The authority shall consult with the department of revenue in designing the memorandum of understanding to incorporate the legal qualifications for the available tax incentives and shall include the requirement that any qualifying equipment that is purchased or leased free of transaction privilege or use tax must continue to be used in this state for the term of the memorandum of understanding or the duration of its operational life, whichever is shorter.

(c) Provisions considered necessary by the authority to ensure the competency and responsibility of businesses that qualify under this section, including registration or other accreditation with trade and professional organizations and compliance with best management and operational practices used by governmental agencies in awarding forestry contracts.

(d) The authorization for the authority to terminate, adjust or recapture all or part of the tax benefits provided to the business on noncompliance with the law, noncompliance with the terms of the memorandum or violation of the terms of any contracts with the federal or state government relating to the qualifying project. The authority shall notify the department of revenue of the conditions of noncompliance. The department of revenue may also terminate the certification if it obtains information indicating a failure to qualify and comply. The department of revenue may require the business to file appropriate amended tax returns or to file appropriate use tax returns reflecting the recapture of the direct or indirect tax benefits.

5. Must submit a copy of the certification to the department of revenue for approval before using the certification for purposes of any tax incentive. The department of revenue shall review and approve the certification in a timely manner if the business is in good standing with the department and is not delinquent in the payment of any tax collected by the department. A failure to approve or deny the certification within sixty days after the date the business submits it to the department constitutes approval of the certification.

C. For the purposes of section 42-5075, subsection B, paragraph 18, the authority shall certify prime contractors that contract for the construction of any building, or other structure, project, development or improvement owned by a qualified business for purposes of a qualifying project described in subsection B, paragraph 1 of this section.

D. To obtain and maintain certification under this section, a business must:

1. Apply to the authority.

2. Submit and retain copies of all required information, including information relating to the actual or projected number of employees in this state.

3. Allow inspections and audits to verify the qualification and accuracy of information submitted to the authority.

E. Certification under this section is valid for sixty calendar months from the date of issuance. A business must apply for recertification at least thirty days before the current certification expires. The application for recertification shall be in a form prescribed by the authority and shall confirm that the business is continuing in a qualifying project and is in compliance with all requirements prescribed for certification.

F. Within sixty days after receiving a complete and correct application and all required information as prescribed by this section, the authority shall grant or deny certification and give written notice by certified mail to the applicant. The applicant is certified as a qualified business on the date the notice of certification is delivered to the applicant. A failure to respond within sixty days after receiving a complete and correct application constitutes approval of the application.

G. The certification shall state an effective date with respect to each authorized tax incentive, which, in each case, must be at the start of a taxable year or taxable period.

H. On or before March 1 of each year, each qualifying business shall make a report to the authority on all business activity in the preceding calendar year. Business information contained in the reports is confidential and shall not be disclosed to the public except as provided by this section and except that a copy of the report shall be transmitted to the department of revenue. The report shall be in a form prescribed by the authority and include:

1. Information prescribed by the authority with respect to both qualifying projects and other projects and business activity that do not qualify for purposes of this section.

2. Employment information necessary to confirm eligibility for income tax ~~credits~~ CREDIT as prescribed by ~~sections~~ SECTION 43-1076 ~~and 43-1162~~.

3. The quantity, measured by weight, of qualifying forest products harvested, transported or processed.

I. On or before May 1 of each year, the authority shall report to the joint legislative budget committee:

1. The quantity, measured by weight, of qualifying forest products reported by harvesters, by transporters and by processors in the preceding calendar year.

2. The number of new full-time employees hired in qualified employment positions in this state in the preceding calendar year and reported for tax credit purposes.

3. The total number of all full-time employees employed in qualified employment positions in this state in the preceding calendar year and reported for tax credit purposes.

J. For THE purposes of administering and ensuring compliance with this section, agents of the authority may enter, and a qualified business shall allow access to, a qualifying project site at reasonable times and on reasonable notice to:

1. Inspect the facilities at the site.

2. Obtain factual data and records pertinent to and required by law to be kept for purposes of tax incentives.

3. Otherwise ascertain compliance with law and the terms of the memorandum of understanding.

K. The authority shall revoke the business' certification and notify the department of revenue and county assessor if either:

1. Within thirty days after a formal request from the authority or the department of revenue, the business fails or refuses to provide the information or access for inspections required by this section.

2. The business no longer meets the terms and conditions required for qualification for the applicable tax incentives.

L. For the purposes of this section:

1. "Forest health" means the degree to which the integrity of the forest is sustained, including reducing the risk of catastrophic wildfire and destructive insect infestation, benefiting wildland habitats, watersheds and communities.

2. "Harvesting" means all operations relating to felling or otherwise removing trees and other forest plant growth and preparing them for transport for subsequent processing.

3. "Processing" means:

(a) Any change in the physical structure of qualifying forest products removed from a qualifying project into a marketable commercial product or component of a product that has commercial value to a consumer or purchaser and that is ready to be used with or without further altering its form.

(b) Burning qualifying forest products in the process of commercial electrical generation or commercial thermal energy production for heating or cooling, regardless of the physical structure of the forest product before burning.

4. "Qualifying equipment" means equipment used directly in harvesting or processing qualifying forest products removed from a qualifying project. Qualifying equipment does not include self-propelled vehicles required to be licensed by this state, but may include other licensed vehicles as provided by this paragraph. Qualifying equipment includes:

(a) Forest thinning and residue removal equipment, including mulching and masticating equipment, feller-bunchers, skidders, log loaders, portable chippers and grinders, slash bundlers, delimbers, log trailers, chip trailers and other trailers that are uniquely designed for handling forest products and that are licensed for operation on public highways.

(b) Forest residue receiving and handling equipment, including truck dumpers, log unloaders, scales, log decking facilities and equipment and chip pile facilities.

(c) Sorting and processing equipment, including portable and stationary log loaders, ~~front end~~ FRONT-END loaders, ~~fork lifts~~ FORKLIFTS and cranes, chippers and grinders, screens, decks and debarkers, saws and sawmill equipment, firewood processing, wood residue baling and bagging

equipment, kilns, planing and molding equipment and laminating and joining equipment.

(d) Forest waste and residue disposal and processing equipment, including:

(i) Processing and sizing equipment, hogs, chippers, screens, pelletizers and wood splitters.

(ii) Transporting and handling equipment, including loaders, conveyors, blowers, receiving hoppers, truck dumpers and dozers.

(iii) Waste use equipment, including fuel feed, storage bins, boilers and combustors.

(iv) Waste project use equipment, including generators, switchgear and substations and on-site distribution systems.

(v) Generated waste disposal equipment, including ash silos and wastewater treatment and disposal equipment.

(vi) Shop and maintenance equipment and major spares having a value of more than ~~five thousand dollars~~ $5,000 each.

5. "Qualifying forest products" means dead standing and fallen timber, and forest thinnings associated with the harvest of small diameter timber, slash, wood chips, peelings, brush and other woody vegetation, removed from federal, state and other public forest land and from private forest land.

6. "Qualifying project" means harvesting, transporting or processing qualifying forest products as required for certification pursuant to this section.

Sec. 4. Section 41-1520, Arizona Revised Statutes, is amended to read:

41-1520. <u>International operations center; utility relief; certification; revocation; definitions</u>

A. Utility relief is allowed for the owner or operator of an international operations center that is certified pursuant to this section.

B. To qualify for the utility relief, the owner or operator must submit to the authority an application in a form prescribed by the authority that includes all of the following:

1. The owner's or operator's name, address and telephone number.

2. The address of the site where the facility is or will be located, including, if applicable, information sufficient to identify the specific portion or portions of the facility comprising the international operations center.

C. Within sixty days after receiving a complete and correct application, the authority shall review the application and either issue a written certification that the international operations center qualifies for the utility relief or provide written reasons for its denial. A failure to approve or deny the application within sixty days after the date of submittal constitutes certification of the international

operations center, and the authority shall issue written certification to the owner or operator within fourteen days. The authority shall send a copy of the certification to the department of revenue.

D. The owner or operator of the international operations center must achieve both of the following investment requirements after taking into account the combined investments made by the owner or operator:

1. A minimum annual investment of $100,000,000 in new capital assets, including costs of land, buildings and international operations center equipment in each of ten consecutive taxable years of the owner or operator. Investments greater than $100,000,000 in any taxable year may be carried forward as a credit toward the investment requirement in future years.

2. On or before the tenth anniversary of certification, a minimum investment of at least $1,250,000,000 in new capital assets, including costs of land, buildings and international operations center equipment.

E. Within thirty days after the end of each taxable year following certification, and within thirty days after the tenth anniversary of certification, the owner or operator shall furnish the authority written information demonstrating whether the certified international operations center has or has not satisfied the investment requirements prescribed in subsection D of this section. Until the investment requirements prescribed in subsection D of this section are met, the owner or operator shall keep detailed records of all capital investment in the international operations center, including costs of land, buildings and international operations center equipment, and all utility relief directly received by the owner or operator.

F. If the authority determines that the requirements of this section have not been satisfied, the authority may revoke the certification of the international operations center and notify the department of revenue in writing. The owner or operator may appeal the revocation. The authority may give special consideration or allow a temporary exception if there is extraordinary hardship due to factors beyond the owner's or operator's control. If certification is revoked, the department of revenue shall order the owner or operator to forfeit further entitlement to utility relief. If the owner or operator fails to make a minimum capital investment of $100,000,000 in a taxable year, taking into account any excess investment amounts carried forward from previous years, the owner or operator may avoid revocation of its certification by paying to the department of revenue within sixty days after the end of the taxable year the amount of the utility relief provided pursuant to this section in that year.

G. The authority and the department of revenue shall prescribe forms and procedures as necessary for the purposes of this section.

H. Proprietary business information contained in the application form described in subsection B of this section and the written notice

described in subsection F of this section are confidential and may not be disclosed to the public, except that the information shall be transmitted to the department of revenue. The authority or the department of revenue may disclose the name of an international operations center that has been certified pursuant to this section.

I. Except as provided in subsection F of this section, on certification, the international operations center remains certified unless ownership of the international operations center is sold, conveyed, transferred or otherwise directly or indirectly disposed of to another entity in which the original owner holds less than a controlling interest. For the purposes of this subsection, "controlling interest" means at least eighty percent of the voting shares of a corporation or of the interests in a noncorporate entity.

J. An owner or operator may be composed of a single entity or affiliated entities.

K. For the purposes of this section:

1. "International operations center" means a facility that is subject to the investment thresholds under subsection D of this section and that self-consumes renewable energy from a qualified facility pursuant to section 43-1164.05, subsection ~~C~~ B.

2. "Utility relief" means the mitigation of the tax burden on the retail purchaser of electricity or natural gas through the application of section 42-5063, subsection C, paragraph 7, section 42-5159, subsection G, paragraph 2 and section 42-6012, paragraph 2.

Sec. 5. Section 42-2201, Arizona Revised Statutes, is amended to read:

42-2201. <u>Election for relief from joint and several liability; definition</u>

A. Notwithstanding section 43-301, subsection ~~B~~ C and section 43-562, after filing a joint income tax return pursuant to section 43-309, a taxpayer may seek relief from joint and several liability under the following circumstances:

1. There is an understatement of tax attributable to erroneous items of one of the taxpayers filing the joint return.

2. The taxpayer making an election under this section establishes that in signing the return the taxpayer did not know, and had no reason to know, that there was an understatement.

3. Taking into account all of the facts and circumstances, it is inequitable to hold that taxpayer liable for the deficiency attributable to the understatement.

B. If a taxpayer qualifies for relief under subsection A of this section, the relief extends to the amount of liability for tax, interest and penalties that is attributable to the understatement.

C. If a taxpayer would qualify for relief under subsection A of this section except that under subsection A, paragraph 2 the taxpayer

establishes that in signing the return the taxpayer did not know, and had no reason to know, the extent of the understatement, the relief extends only to the extent the liability for tax, interest and penalties is attributable to the portion of the understatement of which the taxpayer did not know and had no reason to know.

D. The department shall make any determination under this section without regard to community property laws.

E. An election made by an individual under this section after the department has collected tax attributable to the erroneous items is considered to be a claim for refund pursuant to section 42-1118. The individual making an election after making the payment shall make the election within six months after making the payment or within the time limits prescribed by section 42-1106, whichever period expires later.

F. A taxpayer may appeal a determination under this section pursuant to section 42-1251 or 42-1253.

G. Except in the case of a jeopardy assessment under section 42-1111, the department shall not levy or proceed in court to collect any tax for taxable years from which the taxpayer is claiming relief under this section until all determinations are final. The period of limitations under section 42-1104 is suspended for the same period for which collection activities are suspended.

H. The department shall notify and allow the other joint filer to participate in any administrative proceeding under this section.

I. For the purposes of this section, "understatement" has the same meaning prescribed by section 6662(d)(2)(A) of the internal revenue code.

Sec. 6. Section 42-2202, Arizona Revised Statutes, is amended to read:

42-2202. Separate liability election; definition

A. Notwithstanding section 43-301, subsection ~~B~~ C and section 43-562, a taxpayer who filed a joint income tax return under section 43-309 for a taxable year and who meets the following requirements may elect to limit the taxpayer's liability pursuant to this section with respect to a deficiency assessed for that return:

1. At the time the election is filed, the electing taxpayer is no longer married to, or is legally separated from, the spouse with whom the taxpayer filed the joint return.

2. The electing taxpayer was not a member of the same household as the spouse with whom the joint return was filed at any time during the twelve month period ending on the date the election is filed.

B. If the department grants relief under this section, the taxpayer's liability for any deficiency assessed with respect to the return shall not exceed the portion of the deficiency properly allocable to the electing taxpayer.

C. The department shall allocate a deficiency under this section as follows:

1. The portion of any deficiency allocated to an individual under this section is the amount that bears the same ratio to the deficiency as the net amount of items taken into account in computing the deficiency and allocable to the individual under subsection D of this section bears to the net amount of all items taken into account in computing the deficiency.

2. If all or part of a deficiency is attributable to the disallowance of a credit, and that credit is allocated to one individual under subsection D of this section, the deficiency or portion shall be allocated to that individual. That amount shall not be taken into account under paragraph 1 of this subsection.

D. For the purposes of this section, items giving rise to the deficiency shall be allocated as follows:

1. Any item giving rise to a deficiency on a joint return shall be allocated to the individuals filing the return in the same manner as it would have been allocated if the individuals had filed separate returns for the taxable year, without regard to community property laws.

2. An item otherwise allocable to an individual under paragraph 1 of this subsection shall be allocated to the other individual filing the joint return to the extent the item gave rise to a tax benefit on the joint return to the other individual.

3. The director may provide for allocation of any item in a different manner if the department establishes that the different allocation is appropriate due to fraud of one or both individuals.

E. If the tax liability of the taxpayer's child is included on the joint return:

1. The child's liability shall be disregarded in computing the liability of either spouse.

2. The child's liability shall be allocated appropriately between the spouses.

F. Any deficiency that is assessed with respect to the return shall not exceed the portion of the deficiency properly allocable to the individual.

G. Each electing individual under this section has the burden of proof with respect to establishing the portion of any deficiency allocable to that individual.

H. An election under this section is invalid if the department demonstrates that assets were transferred between individuals filing a joint return as part of a fraudulent scheme by those individuals.

I. If the department demonstrates that an individual making an election under this section had actual knowledge at the time the individual signed the return of any item giving rise to all or part of a deficiency that is not allocable to that individual under subsection E of this section, the election does not apply to that deficiency. This

subsection does not apply if the individual with actual knowledge establishes that the return was signed under duress.

J. Any determination under this section shall be made without regard to community property laws.

K. An election made by an individual under this section after the department has collected tax attributable to the deficiency is considered to be a claim for refund pursuant to section 42-1118. The individual making an election after making the payment must make the election within six months after making the payment or within the time limits prescribed by section 42-1106, whichever period expires later.

L. A taxpayer may appeal a determination under this section pursuant to section 42-1251 or 42-1253.

M. Except in the case of a jeopardy assessment under section 42-1111, the department may not levy or proceed in court to collect any tax for taxable years from which the taxpayer is claiming relief under this section until all determinations are final. The period of limitations under section 42-1104 is suspended for the same period for which collection activities are suspended.

N. The department shall notify and allow the other joint filer to participate in any administrative proceeding under this section.

O. The portion of the deficiency for which the electing individual is liable, without regard to this subsection, shall be increased by the value of any disqualified asset, as defined in section 6015(c)(4)(B) of the internal revenue code, transferred to the individual.

P. For the purposes of this section, "deficiency" has the same meaning prescribed by section 6211 of the internal revenue code.

Sec. 7. Section 42-5001, Arizona Revised Statutes, is amended to read:

42-5001. <u>Definitions</u>

In this article and article 2 of this chapter, unless the context otherwise requires:

1. "Business" includes all activities or acts, personal or corporate, that are engaged in or caused to be engaged in with the object of gain, benefit or advantage, either directly or indirectly, but does not include either:

(a) Casual activities or sales.

(b) The transfer of electricity from a solar photovoltaic generation system to an electric utility distribution system.

2. "Distribution base" means the portion of the revenues derived from the tax levied by this article and articles 5 and 8 of this chapter designated for distribution to counties, municipalities and other purposes according to section 42-5029, subsection D.

3. "Engaging", when used with reference to engaging or continuing in business, includes the exercise of corporate or franchise powers.

4. "Gross income" means the gross receipts of a taxpayer derived from trade, business, commerce or sales and the value proceeding or accruing from the sale of tangible personal property or service, or both, and without any deduction on account of losses.

5. "Gross proceeds of sales" means the value proceeding or accruing from the sale of tangible personal property without any deduction on account of the cost of property sold, expense of any kind or losses, but cash discounts allowed and taken on sales are not included as gross income.

6. Gross income and gross proceeds of sales do not include goods, wares or merchandise, or the value thereof, returned by customers if the sale price is refunded either in cash or by credit, or the value of merchandise traded in on the purchase of new merchandise when the trade-in allowance is deducted from the sales price of the new merchandise before completion of the sale.

7. "Gross receipts" means the total amount of the sale, lease or rental price, as the case may be, of the retail sales of retailers, including any services that are a part of the sales, valued in money, whether received in money or otherwise, including all receipts, cash, credits and property of every kind or nature, and any amount for which credit is allowed by the seller to the purchaser without any deduction from the amount on account of the cost of the property sold, materials used, labor or service performed, interest paid, losses or any other expense. Gross receipts do not include cash discounts allowed and taken or the sale price of property returned by customers if the full sale price is refunded either in cash or by credit.

8. "Marketplace" means a physical or electronic place, platform or forum, including a store, booth, internet website, catalog or dedicated sales software application, where products, including tangible personal property, are offered for sale.

9. "Marketplace facilitator":

(a) Means a person that facilitates a retail sale by a marketplace seller by listing or advertising for sale by the marketplace seller in a marketplace tangible personal property and, either directly or indirectly, through agreements or arrangements with third parties collecting payment from the purchaser and transmitting that payment to the marketplace seller, regardless of whether the marketplace facilitator receives compensation for the marketplace facilitator's services.

(b) Does not include a payment processor business that is appointed to handle payment transactions from various channels, such as charge cards, credit cards and debit cards, and whose sole activity with respect to marketplace sales is to handle transactions between two parties.

10. "Marketplace seller" means a person that makes retail sales through any physical or electronic marketplace that is operated by a marketplace facilitator.

11. "Person" or "company" includes an individual, firm, partnership, joint venture, association, corporation, estate, trust, marketplace facilitator or remote seller, this state, any county, city, town, district, other than a school district, or other political subdivision and any other group or combination acting as a unit, and the plural as well as the singular number.

12. "Qualifying community health center":

(a) Means an entity that is recognized as nonprofit under section 501(c)(3) of the United States internal revenue code, that is a community-based, primary care clinic that has a community-based board of directors and that is either:

(i) The sole provider of primary care in the community.

(ii) A nonhospital affiliated clinic that is located in a federally designated medically underserved area in this state.

(b) Includes clinics that are being constructed as qualifying community health centers.

13. "Qualifying health care organization" means an entity that is recognized as nonprofit under section 501(c) of the United States internal revenue code and that uses, saves or invests at least eighty percent of all monies that it receives from all sources each year only for health and medical related educational and charitable services, as documented by annual financial audits prepared by an independent certified public accountant, performed according to generally accepted auditing standards and filed annually with the department. Monies that are used, saved or invested to lease, purchase or construct a facility for health and medical related education and charitable services are included in the eighty percent requirement.

14. "Qualifying health sciences educational institution" means an entity that is recognized as nonprofit under section 501(c) of the United States internal revenue code and that solely provides graduate and postgraduate education in the health sciences. For the purposes of this paragraph, "health sciences" includes medicine, nursing, physician's assistant studies, pharmacy, physical therapy, occupational therapy, biomedical sciences, podiatry, clinical psychology, cardiovascular science, nurse anesthesia, dentistry, optometry and veterinary medicine.

15. "Qualifying hospital" means any of the following:

(a) A licensed hospital that is organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(b) A licensed nursing care institution or a licensed residential care institution or a residential care facility operated in conjunction with a licensed nursing care institution or a licensed kidney dialysis center that provides medical services, nursing services or health related services and that is not used or held for profit.

(c) A hospital, nursing care institution or residential care institution that is operated by the federal government, this state or a political subdivision of this state.

(d) A facility that is under construction and that on completion will be a facility under subdivision (a), (b) or (c) of this paragraph.

16. "Remote seller" means a person that sells products for delivery into this state and that does not have a physical presence or other legal requirement to obtain a transaction privilege tax license in this state other than because the person's business exceeds the threshold provided in section ~~42-5043~~ 42-5044.

17. "Retailer" includes every person engaged in the business classified under the retail classification pursuant to section 42-5061 and, when in the opinion of the department it is necessary for the efficient administration of this article, includes dealers, distributors, supervisors, employers and salesmen, representatives, peddlers or canvassers as the agents of the dealers, distributors, supervisors or employers under whom they operate or from whom they obtain the tangible personal property sold by them, whether in making sales on their own behalf or on behalf of the dealers, distributors, supervisors or employers.

18. "Sale" means any transfer of title or possession, or both, exchange, barter, lease or rental, conditional or otherwise, in any manner or by any means whatever, including consignment transactions and auctions and transactions facilitated by a marketplace facilitator on behalf of a marketplace seller, of tangible personal property or other activities taxable under this chapter, for a consideration, and includes:

(a) Any transaction by which the possession of property is transferred but the seller retains the title as security for the payment of the price.

(b) Fabricating tangible personal property for consumers who furnish either directly or indirectly the materials used in the fabrication work.

(c) Furnishing, preparing or serving for a consideration any tangible personal property consumed on the premises of the person furnishing, preparing or serving the tangible personal property.

19. "Solar daylighting" means a device that is specifically designed to capture and redirect the visible portion of the solar beam, while controlling the infrared portion, for use in illuminating interior building spaces in lieu of artificial lighting.

20. "Solar energy device" means a system or series of mechanisms that are designed primarily to provide heating, to provide cooling, to produce electrical power, to produce mechanical power, to provide solar daylighting or to provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce

electricity. Solar energy systems may also have the capability of storing solar energy for future use. Passive systems shall clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

21. "Tangible personal property" means personal property that may be seen, weighed, measured, felt or touched or that is in any other manner perceptible to the senses.

22. "Taxpayer" means any person who is liable for any tax imposed by this article.

23. "Tax year" or "taxable year" means either the calendar year or the taxpayer's fiscal year, if permission is obtained from the department to use a fiscal year as the tax period instead of the calendar year.

24. "Wholesaler" or "jobber" means any person who sells tangible personal property for resale and not for consumption by the purchaser.

Sec. 8. Section 42-5014, Arizona Revised Statutes, is amended to read:

42-5014. <u>Return and payment of tax; estimated tax; extensions; abatements</u>

A. Except as provided in subsection B, C, D, E or F of this section, the taxes levied under this article:

1. Are due and payable monthly in the form required by section 42-5018 for the amount of the tax, to the department, on or before the twentieth day of the month next succeeding the month in which the tax accrues.

2. Are delinquent as follows:

(a) For taxpayers that are required or elect to file and pay electronically in any month, if not received by the department on or before the last business day of the month.

(b) For all other taxpayers, if not received by the department on or before the business day preceding the last business day of the month.

B. The department, for any taxpayer whose estimated annual liability for taxes imposed or administered by this article or chapter 6 of this title is between $2,000 and $8,000, shall authorize the taxpayer to pay the taxes on a quarterly basis. The department, for any taxpayer whose estimated annual liability for taxes imposed by this article is less than $2,000, shall authorize the taxpayer to pay the taxes on an annual basis. For the purposes of this subsection, the taxes due under this article:

1. For taxpayers that are authorized to pay on a quarterly basis, are due and payable monthly in the form required by section 42-5018 for the amount of the tax, to the department, on or before the twentieth day of the month next succeeding the quarter in which the tax accrues.

2. For taxpayers that are authorized to pay on an annual basis, are due and payable monthly in the form required by section 42-5018 for the amount of the tax, to the department, on or before the twentieth day of January next succeeding the year in which the tax accrues.

3. Are delinquent as follows:

(a) For taxpayers that are required or elect to file and pay electronically in any quarter, if not received by the department on or before the last business day of the month.

(b) For all other taxpayers that are required to file and pay quarterly, if not received by the department on or before the business day preceding the last business day of the month.

(c) For taxpayers that are required or elect to file and pay electronically on an annual basis, if not received by the department on or before the last business day of January.

(d) For all other taxpayers that are required to file and pay annually, if not received by the department on or before the business day preceding the last business day of January.

C. The department may require a taxpayer whose business is of a transient character to file the return and remit the taxes imposed by this article on a daily, a weekly or a transaction-by-transaction basis, and those returns and payments are due and payable on the date fixed by the department without a grace period otherwise allowed by this section. For the purposes of this subsection, "business of a transient character" means sales activity by a taxpayer not regularly engaged in selling within this state that is conducted from vehicles, portable stands, rented spaces, structures or booths, or concessions at fairs, carnivals, circuses, festivals or similar activities for not more than thirty consecutive days.

D. If the business entity under which a taxpayer reports and pays income tax under title 43 has an annual total tax liability under this article, article 6 of this chapter and chapter 6, article 3 of this title of $1,000,000 or more in 2019, $1,600,000 or more in 2020, $2,300,000 or more in 2021, $3,100,000 or more in 2022~~,~~ OR $4,100,000 or more in 2023 and each year thereafter, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at which the taxes imposed by this article, article 6 of this chapter or chapter 6, article 3 of this title are collected, or if the taxpayer can reasonably anticipate such liability in the current year, the taxpayer shall report on a form prescribed by the department and pay an estimated tax payment each June. Any other taxpayer may voluntarily elect to pay the estimated tax payment pursuant to this subsection. The payment shall be made on or before June 20 IN THE SAME MANNER AS THE TAXPAYER IS REQUIRED TO MAKE REGULAR PAYMENTS and is delinquent if not received by the department on or before the LAST business day ~~preceding the last business day~~ of June IF THE TAXPAYER IS REQUIRED TO MAKE THE PAYMENT BY ELECTRONIC MEANS OR DELINQUENT ON OR BEFORE THE BUSINESS DAY PRECEDING THE LAST BUSINESS DAY

OF JUNE for those taxpayers ~~electing~~ ALLOWED to file by mail, or delinquent if not received by the department on the business day preceding the last business day of June for those taxpayers ~~electing~~ ALLOWED to file in person. The estimated tax paid shall be credited against the taxpayer's tax liability under this article, article 6 of this chapter and chapter 6, article 3 of this title for the month of June for the current calendar year. The estimated tax payment shall equal either:

1. One-half of the actual tax liability under this article plus one-half of any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for May of the current calendar year.

2. The actual tax liability under this article plus any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for the first fifteen days of June of the current calendar year.

E. An online lodging marketplace, as defined in section 42-5076, that is registered with the department pursuant to section 42-5005, subsection L:

1. Shall remit to the department the applicable taxes payable pursuant to section 42-5076 and chapter 6 of this title with respect to each online lodging transaction, as defined in section 42-5076, facilitated by the online lodging marketplace.

2. Shall report the taxes monthly and remit the aggregate total amounts for each of the respective taxing jurisdictions.

3. Shall not be required to list or otherwise identify any individual online lodging operator, as defined in section 42-5076, on any return or any attachment to a return.

F. A person who is licensed pursuant to title 32, chapter 20 and who is licensed with the department pursuant to section 42-5005, subsection M shall:

1. File a consolidated return monthly with respect to all managed properties for which the licensee files an electronic consolidated tax return pursuant to section 42-6013.

2. Remit to the department the aggregate total amount of the applicable taxes payable pursuant to this chapter and chapter 6 of this title for all of the respective taxing jurisdictions with respect to the managed properties.

G. The taxpayer shall prepare a return showing the amount of the tax for which the taxpayer is liable for the preceding month, and shall mail or deliver the return to the department in the same manner and time as prescribed for the payment of taxes in subsection A of this section. If the taxpayer fails to file the return in the manner and time as prescribed for the payment of taxes in subsection A of this section, the amount of the tax required to be shown on the return is subject to the penalty imposed pursuant to section 42-1125, subsection X, without any reduction for taxes paid on or before the due date of the return. The return shall be verified by the oath of the taxpayer or an authorized

agent or as prescribed by the department pursuant to section 42-1105, subsection B.

H. Any person who is taxable under this article and who makes cash and credit sales shall report the cash and credit sales separately and may apply for and obtain from the department an extension of time to pay taxes due on the credit sales. The department shall grant the extension under such rules as the department prescribes. When the extension is granted, the taxpayer shall thereafter include in each monthly report all collections made on such credit sales during the month next preceding and shall pay the taxes due at the time of filing such a report.

I. The returns required under this article shall be made on forms prescribed by the department and shall capture data with sufficient specificity to meet the needs of all taxing jurisdictions.

J. Any person who is engaged in or conducting business in two or more locations or under two or more business names shall file the return required under this article using an electronic filing program established by the department.

K. For taxable periods beginning from and after December 31, 2017, any taxpayer with an annual total tax liability under this chapter and chapter 6 of this title of $20,000 or more, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at which the taxes imposed by this chapter or chapter 6 of this title are collected, or a taxpayer that can reasonably anticipate that liability in the current year, shall file the return required under this article using an electronic filing program established by the department.

L. For taxable periods beginning from and after December 31, 2018, any taxpayer with an annual total tax liability under this chapter and chapter 6 of this title of $10,000 or more, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at which the taxes imposed by this chapter or chapter 6 of this title are collected, or a taxpayer that can reasonably anticipate that liability in the current year, shall file the return required under this article using an electronic filing program established by the department.

M. For taxable periods beginning from and after December 31, 2019, any taxpayer with an annual total tax liability under this chapter and chapter 6 of this title of $5,000 or more, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at which the taxes imposed by this chapter or chapter 6 of this title are collected, or a taxpayer that can reasonably anticipate that liability in the current year, shall file the return required under this article using an electronic filing program established by the department.

N. For taxable periods beginning from and after December 31, 2020, any taxpayer with an annual total tax liability under this chapter and chapter 6 of this title of $500 or more, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at

which the taxes imposed by this chapter or chapter 6 of this title are collected, or a taxpayer that can reasonably anticipate that liability in the current year, shall file the return required under this article using an electronic filing program established by the department.

O. Any taxpayer that is required to report and pay using an electronic filing program established by the department may apply to the director, on a form prescribed by the department, for an annual waiver from the electronic filing requirement. The director may grant a waiver, which may be renewed, if any of the following applies:

1. The taxpayer has no computer.

2. The taxpayer has no internet access.

3. Any other circumstance considered to be worthy by the director exists.

P. A waiver is not required if the return cannot be electronically filed for reasons beyond the taxpayer's control, including situations in which the taxpayer was instructed by either the internal revenue service or the department of revenue to file by paper.

Q. The department, for good cause, may extend the time for making any return required by this article and may grant such reasonable additional time within which to make the return as it deems proper, but the time for filing the return shall not be extended beyond the first day of the third month next succeeding the regular due date of the return.

R. The department, with the approval of the attorney general, may abate small tax balances if the administration costs exceed the amount of tax due.

S. For the purposes of subsection D of this section, "taxpayer" means the business entity under which the business reports and pays state income taxes regardless of the number of offices at which the taxes imposed by this article, article 6 of this chapter or chapter 6, article 3 of this title are collected.

Sec. 9. Section 42-5069, Arizona Revised Statutes, is amended to read:

42-5069. <u>Commercial lease classification; definitions</u>

A. The commercial lease classification is comprised of the business of leasing for a consideration the use or occupancy of real property.

B. A person who, as a lessor, leases or rents for a consideration under one or more leases or rental agreements the use or occupancy of real property that is used by the lessee for commercial purposes is deemed to be engaged in business and subject to the tax imposed by article 1 of this chapter, but this subsection does not include leases or rentals of real property used for residential or agricultural purposes.

C. The commercial lease classification does not include:

1. Any business activities that are classified under the transient lodging classification.

2. Activities engaged in by the Arizona exposition and state fair board or county fair commissions in connection with events sponsored by those entities.

3. Leasing real property to a lessee who subleases the property if the lessee is engaged in business classified under the commercial lease classification or the transient lodging classification.

4. Leasing real property pursuant to a written lease agreement entered into before December 1, 1967. This exclusion does not apply to the businesses of hotels, guest houses, dude ranches and resorts, rooming houses, apartment houses, office buildings, automobile storage garages, parking lots or tourist camps, or to the extension or renewal of any such written lease agreement.

5. Leasing real property between affiliated companies, businesses, persons or reciprocal insurers. For the purposes of this paragraph:

(a) "Affiliated companies, businesses, persons or reciprocal insurers" means the lessor holds a controlling interest in the lessee, the lessee holds a controlling interest in the lessor, affiliated persons hold a controlling interest in both the lessor and the lessee, or an unrelated person holds a controlling interest in both the lessor and lessee.

(b) "Affiliated persons" means members of an individual's family or persons who have ownership or control of a business entity.

(c) "Controlling interest" means direct or indirect ownership of at least eighty percent of the voting shares of a corporation or of the interests in a company, business or person other than a corporation.

(d) "Members of an individual's family" means the individual's spouse and brothers and sisters, whether by whole or half blood, including adopted persons, ancestors and lineal descendants.

(e) "Reciprocal insurers" has the same meaning prescribed in section 20-762.

6. Leasing real property for boarding horses.

7. Leasing or renting real property or the right to use real property at exhibition events in this state sponsored, operated or conducted by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with major league baseball teams or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual. This paragraph does not apply to an organization that is owned, managed or controlled, in whole or in part, by a major league baseball team, or its owners, officers, employees or agents, or by a major league baseball association or professional golfing association, or its owners, officers, employees or agents, unless the organization conducted or operated exhibition events in this state before January 1, 2018 that were exempt from taxation under section 42-5073.

8. Leasing or renting real property or the right to use real property for use as a rodeo featuring primarily farm and ranch animals in this state sponsored, operated or conducted by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

9. Leasing or renting dwelling units, lodging facilities or trailer or mobile home spaces if the units, facilities or spaces are intended to serve as the principal or permanent place of residence for the lessee or renter or if the unit, facility or space is leased or rented to a single tenant thirty or more consecutive days.

10. Leasing or renting real property and improvements for use primarily for religious worship by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

~~11. Leasing or renting real property used for agricultural purposes under either of the following circumstances:~~

~~(a) The lease or rental is between family members, trusts, estates, corporations, partnerships, joint venturers or similar entities, or any combination thereof, if the individuals or at least eighty percent of the beneficiaries, shareholders, partners or joint venturers share a family relationship as parents or ancestors of parents, children or descendants of children, siblings, cousins of the first degree, aunts, uncles, nieces or nephews of the first degree, spouses of any of the listed relatives and listed relatives by the half-blood or by adoption.~~

~~(b) The lessor leases or rents real property used for agricultural purposes under no more than three leases or rental agreements.~~

~~12.~~ 11. Leasing, renting or granting the right to use real property to vendors or exhibitors by a trade or industry association that is a qualifying organization pursuant to section 513(d)(3)(C) of the internal revenue code for a period not to exceed twenty-one days in connection with an event that meets all of the following conditions:

(a) The majority of such vending or exhibition activities relate to the nature of the trade or business sponsoring the event.

(b) The event is held in conjunction with a formal business meeting of the trade or industry association.

(c) The event is organized by the persons engaged in the particular trade or industry.

~~13.~~ 12. Leasing, renting or granting the right to use real property for a period not to exceed twenty-one days by a coliseum, civic center, civic plaza, convention center, auditorium or arena owned by this state or any of its political subdivisions.

~~14.~~ 13. Leasing or subleasing real property used by a nursing care institution as defined in section 36-401 that is licensed pursuant to title 36, chapter 4.

~~15.~~ 14. Leasing or renting an eligible facility as defined in section 28-7701.

~~16.~~ 15. Granting or providing rights to real property that constitute a profit à prendre for the severance of minerals, including all rights to use the surface or subsurface of the property as is necessary or convenient to the right to sever the minerals. This paragraph does not exclude from the commercial lease classification leasehold rights to the real property that are granted in addition to and not included within the right of profit à prendre, but the tax base for the grant of such a leasehold right, if the gross income derived from the grant is not separately stated from the gross income derived from the grant of the profit à prendre, shall not exceed the fair market value of the leasehold rights computed after excluding the value of all rights under the profit à prendre. For the purposes of this paragraph, "profit à prendre" means a right to use the land of another to mine minerals, and carries with it the right of entry and the right to remove and take the minerals from the land and also includes the right to use the surface of the land as is necessary and convenient for exercise of the profit.

~~17.~~ 16. The leasing or renting of space to make attachments to utility poles as follows:

(a) By a person that is engaged in business under section 42-5063 or 42-5064 or that is a cable operator.

(b) To a person that is engaged in business under section 42-5063 or 42-5064 or that is a cable operator.

D. The tax base for the commercial lease classification is the gross proceeds of sales or gross income derived from the business, but reimbursements to the lessor for utility service shall be deducted from the tax base.

E. Notwithstanding section 42-1104, subsection B, paragraph 1, subdivision (b) and paragraph 2, the failure to file tax returns for the commercial lease classification that report gross income derived from any agreement that constitutes, in whole or in part, a grant of a right of profit à prendre for the severance of minerals does not constitute an exception to the general rule for the statute of limitations.

F. For the purposes of this section:

1. "Cable operator" has the same meaning prescribed in section 9-505 and includes a video service provider.

2. "Leasing" includes renting.

3. "Real property" includes any improvements, rights or interest in such property.

4. "Utility pole" means any wooden, metal or other pole used for utility purposes and the pole's appurtenances that are attached or authorized for attachment by the person controlling the pole.

Sec. 10. Section 42-5071, Arizona Revised Statutes, is amended to read:

42-5071. Personal property rental classification; definitions

A. The personal property rental classification is comprised of the business of leasing or renting tangible personal property for a consideration. The tax does not apply to:

1. Leasing or renting films, tapes or slides used by theaters or movies, which are engaged in business under the amusement classification, or used by television stations or radio stations.

2. Activities engaged in by the Arizona exposition and state fair board or county fair commissions in connection with events sponsored by such entities.

3. Leasing or renting tangible personal property by a parent ~~corporation~~ BUSINESS ENTITY to a subsidiary ~~corporation~~ BUSINESS ENTITY or by a subsidiary ~~corporation~~ BUSINESS ENTITY to another subsidiary of the same parent ~~corporation~~ BUSINESS ENTITY if taxes were paid under this chapter on the gross proceeds or gross income accruing from the initial sale of the tangible personal property. For the purposes of this paragraph, "subsidiary" means a ~~corporation~~ BUSINESS ENTITY of which at least eighty percent of the voting shares are owned by the parent ~~corporation~~ BUSINESS ENTITY.

4. Operating coin-operated washing, drying and dry cleaning machines or coin-operated car washing machines at establishments for the use of such machines.

5. Leasing or renting tangible personal property for incorporation into or comprising any part of a qualified environmental technology facility as described in section 41-1514.02. This paragraph shall apply for ten full consecutive calendar or fiscal years following the initial lease or rental by each qualified environmental technology manufacturer, producer or processor.

6. Leasing or renting aircraft, flight simulators or similar training equipment to students or staff by nonprofit, accredited educational institutions that offer associate or baccalaureate degrees in aviation or aerospace related fields.

7. Leasing or renting photographs, transparencies or other creative works used by this state on internet websites, in magazines or in other publications that encourage tourism.

8. Leasing or renting certified ignition interlock devices installed pursuant to the requirements prescribed by section 28-1461. For the purposes of this paragraph, "certified ignition interlock device" has the same meaning prescribed in section 28-1301.

9. The leasing or renting of space to make attachments to utility poles, as follows:

(a) By a person that is engaged in business under section 42-5063 or 42-5064 or that is a cable operator.

(b) To a person that is engaged in business under section 42-5063 or 42-5064 or that is a cable operator.

10. Leasing or renting billboards that are designed, intended or used to advertise or inform and that are visible from any street, road or other highway.

B. The tax base for the personal property rental classification is the gross proceeds of sales or gross income derived from the business, but the gross proceeds of sales or gross income derived from the following shall be deducted from the tax base:

1. Reimbursements by the lessee to the lessor of a motor vehicle for payments by the lessor of the applicable fees and taxes imposed by sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15, article 2 and article IX, section 11, Constitution of Arizona, to the extent such amounts are separately identified as such fees and taxes and are billed to the lessee.

2. Leases or rentals of tangible personal property that, if it had been purchased instead of leased or rented by the lessee, would have been exempt under:

(a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, 49 or 53.

(b) Section 42-5061, subsection B, except that a lease or rental of new machinery or equipment is not exempt pursuant to section 42-5061, subsection B, paragraph 13 if the lease is for less than two years.

(c) Section 42-5061, subsection I, paragraph 1.

(d) Section 42-5061, subsection M.

3. Motor vehicle fuel and use fuel that are subject to a tax imposed under title 28, chapter 16, article 1, sales of use fuel to a holder of a valid single trip use fuel tax permit issued under section 28-5739 and sales of aviation fuel that are subject to the tax imposed under section 28-8344.

4. Leasing or renting a motor vehicle subject to and on which the fee has been paid under title 28, chapter 16, article 4.

5. Amounts received by a motor vehicle dealer for the first month of a lease payment if the lease and the lease payment for the first month of the lease are transferred to a third-party leasing company.

C. Sales of tangible personal property to be leased or rented to a person engaged in a business classified under the personal property rental classification are deemed to be resale sales.

D. In computing the tax base, the gross proceeds of sales or gross income from the lease or rental of a motor vehicle does not include any amount attributable to the car rental surcharge under section 5-839, 28-5810 or 48-4234.

E. Until December 31, 1988, leasing or renting animals for recreational purposes is exempt from the tax imposed by this section. Beginning January 1, 1989, the gross proceeds or gross income from leasing or renting animals for recreational purposes is subject to taxation under this section. Tax liabilities, penalties and interest paid for taxable periods before January 1, 1989 shall not be refunded unless the taxpayer requesting the refund provides proof satisfactory to the department that the monies paid as taxes will be returned to the customer.

F. For the purposes of this section:

1. "Cable operator" has the same meaning prescribed ~~by~~ IN section 9-505 and includes a video service provider.

2. "Utility pole" means any wooden, metal or other pole used for utility purposes and the pole's appurtenances that are attached or authorized for attachment by the person controlling the pole.

Sec. 11. Section 42-13302, Arizona Revised Statutes, is amended to read:

42-13302. <u>Determining limited value in cases of modifications, omissions and changes</u>

A. In the following circumstances the limited property value shall be established at a level or percentage of full cash value that is comparable to that of other properties of the same or a similar use or classification:

1. Property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of this section.

2. Property for which a change in use has occurred since the preceding tax year.

3. Property that has been modified by construction, destruction or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the full cash value.

4. Property that has been split, SUBDIVIDED or consolidated from January 1 through September 30 of the valuation year, except for cases that result from an action initiated by a governmental entity.

B. In the case of property that is split, subdivided or consolidated after September 30 through December 31 of the valuation year, except for cases that result from an action initiated by a governmental entity, the total limited property value of the new parcel or parcels shall be the same as the total limited property value of the original parcel or parcels. For the following valuation year, the limited property value shall be established at a level or percentage of full cash value

that is comparable to that of other properties of the same or a similar use or classification. The new parcel or parcels shall retain the same value-adding characteristics that applied to the original parcel before being split or consolidated, except as provided in subsection A, paragraph 3 of this section.

C. In the case of property that was split, subdivided or consolidated from January 1 through September 30 of the valuation year as a result of an action initiated by a governmental entity, the limited value is the lower of either:

1. The level or percentage of full cash value that is comparable to that of other properties of the same or similar use or classification.

2. The total limited value for the original parcel or parcels as determined under section 42-13301, and in the following valuation year, the limited property value shall be established pursuant to section 42-13301.

D. In the case of property that was split, subdivided or consolidated after September 30 through December 31 of the valuation year as a result of an action initiated by a governmental entity, the total limited value for the resulting parcel or parcels is the same as the total limited value for the original parcel or parcels as determined under section 42-13301, and in the following valuation year, the limited property value shall be established as the lower of either:

1. The level or percentage of full cash value that is comparable to that of other properties of the same or similar use or classification.

2. The limited property value established pursuant to section 42-13301.

Sec. 12. Section 43-222, Arizona Revised Statutes, is amended to read:

43-222. <u>Income tax credit review schedule</u>

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

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

2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02, 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

3. For years ending in 2 and 7, sections 43-1073, ~~43-1080,~~ 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164~~,~~ AND 43-1169 ~~and 43-1181~~.

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

5. For years ending in 4 and 9, sections 43-1073.01, 43-1076, 43-1081.01, 43-1083.03, 43-1084, ~~43-1162,~~ 43-1164.04, 43-1164.05, ~~43-1170.01~~ and 43-1184 ~~and, beginning in 2019, sections 43-1083.03 and 43-1164.04~~.

Sec. 13. Section 43-301, Arizona Revised Statutes, is amended to read:

43-301. Individual returns; definition

A. ~~An~~ A FULL-YEAR OR PART-YEAR RESIDENT individual ~~whose income is taxable under this title~~ shall file a return with the department if, for the taxable year, the ~~individual has any of the following:~~

~~1. An Arizona adjusted gross income of five thousand five hundred dollars or over, if single or married filing a separate return.~~

~~2. An Arizona adjusted gross income of eleven thousand dollars or over, if married filing a joint return pursuant to section 43-309.~~

~~3. A gross income of fifteen thousand dollars or over, regardless of the amount of taxable income~~ INDIVIDUAL'S GROSS INCOME WAS GREATER THAN THE AMOUNT OF THE STANDARD DEDUCTION ALLOWED UNDER SUBSECTION 43-1041, SUBSECTION A AS ADJUSTED FOR INFLATION PURSUANT TO SECTION 43-1041, SUBSECTION H.

B. A NONRESIDENT INDIVIDUAL SHALL FILE A RETURN WITH THE DEPARTMENT IF, FOR THE TAXABLE YEAR, THE INDIVIDUAL'S GROSS INCOME WAS GREATER THAN THE AMOUNT UNDER SUBSECTION A OF THIS SECTION DETERMINED FOR A FULL-YEAR OR PART-YEAR RESIDENT INDIVIDUAL MULTIPLIED BY THE PERCENTAGE THAT THE INDIVIDUAL'S ARIZONA GROSS INCOME IS OF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME.

~~B.~~ C. In the case of a husband and wife, the spouse who controls the disposition of or who receives or spends community income as well as the spouse who is taxable on such income is liable for the payment of taxes imposed by this title on such income. If a joint return is filed, the liability for the tax on the aggregate income is joint and several.

~~C.~~ D. This section applies regardless of whether an individual is required to file a return under the internal revenue code or whether the individual has any federal adjusted gross income for the taxable year.

~~D.~~ E. For the purposes of this section, "gross income" means gross income as defined in the internal revenue code minus income included in gross income but excluded from taxation under this title.

Sec. 14. Section 43-1021, Arizona Revised Statutes, is amended to read:

43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

~~7. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under section 43-1080 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.~~

~~8. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1080 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1080.~~

~~9.~~ 7. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under either section 43-1081 or 43-1081.01 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

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

~~11.~~ 9. The deduction referred to in section 1341(a)(4) of the internal revenue code for restoration of a substantial amount held under a claim of right.

~~12.~~ 10. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code exceeds the net operating loss carryover or capital loss carryover allowable pursuant to section 43-1029, subsection F.

~~13.~~ 11. Any wage expenses deducted pursuant to the internal revenue code for which a credit is claimed under section 43-1087 and representing net increases in qualified employment positions for employment of temporary assistance for needy families recipients.

~~14.~~ 12. The amount of any depreciation allowance allowed pursuant to section 167(a) of the internal revenue code to the extent not previously added.

~~15.~~ 13. The amount of a nonqualified withdrawal, as defined in section 15-1871, from a college savings plan established pursuant to section 529 of the internal revenue code that is made to a distributee to the extent the amount is not included in computing federal adjusted gross income, except that the amount added under this paragraph shall not exceed the difference between the amount subtracted under section 43-1022 in prior taxable years and the amount added under this section in any prior taxable years.

~~16. The amount of discharge of indebtedness income that is deferred and excluded from the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).~~

~~17. The amount of any previously deferred original issue discount that was deducted in computing federal adjusted gross income in the current year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously subtracted from Arizona gross income pursuant to section 43-1022, paragraph 21.~~

~~18.~~ 14. If a subtraction is or has been taken by the taxpayer under section 43-1024, in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing taxable income for the current taxable year.

~~19.~~ 15. For taxable years beginning from and after December 31, 2017, the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

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

43-1022. Subtractions from Arizona gross income

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

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

2. Benefits, annuities and pensions in an amount totaling not more than $2,500 received from one or more of the following:

(a) The United States government service retirement and disability fund, the United States foreign service retirement and disability system and any other retirement system or plan established by federal law, except retired or retainer pay of the uniformed services of the United States that ~~qualify~~ QUALIFIES for a subtraction under paragraph ~~29~~ 27 of this section.

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

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

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

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

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

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

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

9. The amount of exploration expenses that is determined pursuant to section 617 of the internal revenue code, that has been deferred in a taxable year ending before January 1, 1990 and for which a subtraction has

not previously been made. The subtraction shall be made on a ratable basis as the units of produced ores or minerals discovered or explored as a result of this exploration are sold.

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

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

12. The amount of unreimbursed medical and hospital costs, adoption counseling, legal and agency fees and other nonrecurring costs of adoption not to exceed $3,000. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed $3,000. The subtraction under this paragraph may be taken for the costs that are described in this paragraph and that are incurred in prior years, but the subtraction may be taken only in the year during which the final adoption order is granted.

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

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

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

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

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

18. For property placed in service:

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

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

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

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

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

19. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph ~~14~~ 12 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

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

(a) $2,000 for a single individual or a head of household.

(b) $4,000 for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed $4,000.

~~21. The amount of any original issue discount that was deferred and not allowed to be deducted in computing federal adjusted gross income in~~

~~the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).~~

~~22. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously added to Arizona gross income pursuant to section 43-1021, paragraph 16.~~

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

~~24.~~ 22. For taxable years beginning from and after December 31, 2013, the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona commerce authority pursuant to section 41-1518.

~~25.~~ 23. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:

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

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

(c) For taxable years beginning from and after December 31, 2014, twenty-five percent of the net long-term capital gain included in federal adjusted gross income. For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.

~~26.~~ 24. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

~~27.~~ 25. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1024.

~~28.~~ 26. For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

~~29.~~ 27. Benefits, annuities and pensions received as retired or retainer pay of the uniformed services of the United States in amounts as follows:

(a) For taxable years through December 31, 2018, an amount totaling not more than $2,500.

(b) For taxable years beginning from and after December 31, 2018, an amount totaling not more than $3,500.

Sec. 16. Section 43-1023, Arizona Revised Statutes, is amended to read:

43-1023. <u>Exemptions for blind persons and persons sixty-five years of age or older</u>

A. A taxpayer is allowed an exemption of $1,500:

1. For a taxpayer who is blind or if either the taxpayer's central visual acuity does not exceed 20/200 in the better eye with correcting lenses or the taxpayer's visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle not greater than twenty degrees.

2. For the taxpayer's spouse if a separate return is made by the taxpayer and if the spouse is blind as described in paragraph 1 of this subsection, has no Arizona adjusted gross income for the calendar year in which the taxable year of the taxpayer begins and is not the dependent of another taxpayer. For the purposes of this paragraph, the determination of whether the spouse is blind shall be made at the close of the taxable year of the taxpayer. If the spouse dies during the taxable year, the determination shall be made as of the time of the spouse's death.

B. A taxpayer is allowed an exemption of $2,300 for:

1. Each person sixty-five years of age or older regardless of the person's relationship to the taxpayer:

(a) If the taxpayer pays more than one-fourth of the total cost of maintaining that person in a nursing care institution or residential care institution licensed pursuant to title 36, chapter 4, or an assisted

living facility provider of a type certified pursuant to title 11, chapter 2, article 7, if such payments exceed $800 in the taxable year.

(b) If the taxpayer otherwise makes payments exceeding $800 in the taxable year for home health care or other types of medical care.

2. For taxable years beginning from and after December 31, 2003, each birth for which a certificate of birth resulting in stillbirth has been issued pursuant to section 36-330 if the child otherwise would have been a member of the taxpayer's household. The taxpayer may claim the exemption under this paragraph only in the taxable year in which the stillbirth occurred.

C. For taxable years beginning from and after December 31, 1998, a resident taxpayer is allowed an exemption of $10,000 for each parent or ancestor of a parent of the taxpayer, who is sixty-five years of age or older, who requires assistance with activities of daily living and who lives in the taxpayer's principal residence for the entire taxable year, if the taxpayer pays more than one-half of the person's total support and maintenance costs. An exemption under this subsection is in lieu of an exemption under subsection B of this section for the same person.

D. ~~The~~ AN exemption under subsection B OR C of this section is in lieu of claiming a credit for the same person under section 43-1073.01.

E. A taxpayer is allowed an exemption of $2,100:

1. If the taxpayer has attained sixty-five years of age before the close of the taxable year filing a separate or joint return and the taxpayer is not claimed as a dependent by another taxpayer.

2. For the taxpayer's spouse if the spouse has attained sixty-five years of age before the close of the taxable year, a joint return is filed and the spouse is not a dependent of another taxpayer.

Sec. 17. Section 43-1024, Arizona Revised Statutes, is amended to read:

43-1024. <u>Americans with disabilities act access expenditures</u>

A. For taxable years beginning from and after December 31, 2017, in computing Arizona adjusted gross income, a subtraction is allowed under section 43-1022, paragraph ~~27~~ 25 for eligible business access expenditures paid or incurred by the taxpayer during the taxable year in order to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year.

B. For the purposes of this section, eligible business access expenditures include reasonable and necessary amounts paid or incurred to:

1. Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.

2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.

3. Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.

4. Acquire or modify equipment or devices for individuals with disabilities.

5. Provide other similar services, modifications, materials or equipment.

C. A taxpayer who has been cited for noncompliance with the Americans with disabilities act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

Sec. 18. Section 43-1029, Arizona Revised Statutes, is amended to read:

43-1029. Restoration of a substantial amount held under claim of right; computation of tax

A. This section applies if:

1. An item of income was included in gross income for a prior taxable year or years because it appeared that the taxpayer had an unrestricted right to the item.

2. A deduction would be allowable under the internal revenue code or this title for the taxable year, without application of section 1341(b)(3) of the internal revenue code or section 43-1021, paragraph ~~11~~ 9, because after the close of the prior taxable year or years it was established that the taxpayer did not have an unrestricted right to all or part of the item.

3. The amount of the deduction exceeds ~~three thousand dollars~~ $3,000.

B. If all of the conditions in subsection A of this section apply, the tax imposed by this chapter for the taxable year is an amount equal to the tax for the taxable year computed without the deduction, minus the decrease in tax under this chapter for the prior taxable year or years that would result solely from excluding the item or portion of the item from gross income for the prior taxable year or years.

C. If the decrease in tax exceeds the tax imposed by this chapter for the taxable year, computed without the deduction, the excess is considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year and shall be refunded or credited in the same manner as if it were an overpayment for the taxable year.

D. Subsection B of this section does not apply to any deduction that is allowable with respect to an item that was included in gross income by reason of the sale or other disposition of stock in trade of the taxpayer, or other property of a kind that would properly have been included in the inventory of the taxpayer on hand at the close of the prior taxable year, or property that is held by the taxpayer primarily for

sale to customers in the ordinary course of the taxpayer's trade or business. This subsection does not apply if the deduction arises out of refunds or repayments with respect to rates made by a regulated public utility that is listed in section 7701(a)(33)(A) through (H) of the internal revenue code, if the refunds or repayments are:

1. Required to be made by the government, political subdivision, agency or instrumentality referred to in that section.

2. Required to be made by an order of a court.

3. Made in settlement of litigation or under threat or imminence of litigation.

E. If the exclusion under subsection B of this section results in:

1. A net operating loss for the prior taxable year or years for purposes of computing the decrease in tax for the prior year or years under subsection B of this section:

(a) The loss shall be:

(i) Carried over under this chapter to the same extent and in the same manner as was provided under prior law for taxable years beginning on or before December 31, 1989.

(ii) Carried back and carried over to the same extent and in the same manner as provided under section 172 of the internal revenue code for taxable years beginning from and after December 31, 1989.

(b) No carryover beyond the taxable year may be taken into account.

2. A capital loss for the prior taxable year or years, for purposes of computing the decrease in tax for the prior taxable year or years under subsection B of this section:

(a) The loss shall be carried back and carried over to the same extent and in the same manner as is provided under section 1212 of the internal revenue code.

(b) No carryover beyond the taxable year may be taken into account.

F. In computing Arizona taxable income for taxable years subsequent to the current taxable year, the net operating loss or capital loss determined in subsection E of this section shall be taken into account to the same extent and in the same manner as a net operating loss or capital loss sustained for prior taxable years.

Sec. 19. Section 43-1042, Arizona Revised Statutes, is amended to read:

43-1042. <u>Itemized deductions</u>

A. Except as provided by subsections B and C of this section, at the election of the taxpayer, and in lieu of the standard deduction allowed by section 43-1041, in computing taxable income the taxpayer may take the amount of itemized deductions allowable for the taxable year pursuant to subtitle A, chapter 1, subchapter B, parts VI and VII, but subject to the limitations prescribed by sections 67, 68 and 274 of the internal revenue code.

B. In lieu of the amount of the federal itemized deduction for expenses paid for medical care allowed under section 213 of the internal revenue code, the taxpayer may deduct the full amount of such expenses.

C. A taxpayer shall not claim both a deduction provided by this section and a credit allowed by this title with respect to the same charitable contributions. THIS SUBSECTION APPLIES TO ANY CONTRIBUTION FOR WHICH A CREDIT IS ALLOWED BY THIS TITLE EVEN IF THE CONTRIBUTION IS TREATED AS A PAYMENT OF STATE INCOME TAX.

D. The taxpayer may add any interest expense paid by the taxpayer for the taxable year that is equal to the amount of federal credit for interest on certain home mortgages allowed by section 25 of the internal revenue code.

Sec. 20. Section 43-1076, Arizona Revised Statutes, is amended to read:

43-1076. Credit for employment by a healthy forest enterprise

A. For taxable years beginning from and after December 31, 2004 through December 31, 2024, a credit is allowed against the taxes imposed by this title for net increases in qualified employment positions by a qualified business that is certified by the Arizona commerce authority as a healthy forest enterprise pursuant to section 41-1516.

B. Subject to subsection E of this section, the amount of the credit is equal to:

1. One-fourth of the taxable wages paid to an employee in a qualified employment position, not to exceed ~~five hundred dollars~~ $500 per qualified employment position, in the first year or partial year of employment.

2. One-third of the taxable wages paid to an employee in a qualified employment position, not to exceed ~~one thousand dollars~~ $1,000 per qualified employment position, in the second year of continuous employment.

3. One-half of the taxable wages paid to an employee in a qualified employment position, not to exceed ~~one thousand five hundred dollars~~ $1,500 per qualified employment position, in the third year of continuous employment.

C. To qualify for a credit under this section:

1. The business must employ at least one new full-time employee in a qualified employment position in the first taxable year in which the credit is claimed.

2. Each employee with respect to whom a credit is claimed must reside in this state on the date of hire.

3. A qualified employment position must meet all of the following requirements:

(a) The position must be full-time employment for a minimum of one thousand five hundred fifty hours per year, unless a shorter period of

1 employment is due to forest closures or weather conditions beyond the
2 taxpayer's control.
3 (b) The job duties must primarily involve or directly support
4 harvesting, transporting or processing qualifying forest products removed
5 from qualifying projects as defined in section 41-1516 into a product
6 having commercial value.
7 (c) The employer must pay compensation at least equal to the wage
8 offer by county as computed annually by the department of economic
9 security research administration division.
10 (d) The employee must have been employed for at least ninety days
11 during the first taxable year. An employee who is hired during the last
12 ninety days of the taxable year shall be considered a new employee during
13 the next taxable year. A qualified employment position that is filled
14 during the last ninety days of the taxable year is considered to be a new
15 qualified employment position for the next taxable year.
16 (e) The employee has not been previously employed by the taxpayer
17 within twelve months before the current date of hire.
18 4. The employer shall provide health insurance coverage for
19 employees as follows:
20 (a) The employer shall pay:
21 (i) At least twenty-five percent of the premium or membership cost
22 of the insurance program in the third year the taxpayer claims a credit
23 under this section. If the taxpayer is self-insured, the taxpayer must
24 pay at least twenty-five percent of a predetermined fixed cost per
25 employee for an insurance program that is payable whether or not the
26 employee has filed claims.
27 (ii) At least forty percent of the premium or membership cost in
28 the fourth year the taxpayer claims a credit under this section. If the
29 taxpayer is self-insured, the taxpayer must pay at least forty percent of
30 a predetermined fixed cost per employee for an insurance program that is
31 payable whether or not the employee has filed claims.
32 (iii) At least fifty percent of the premium or membership cost of
33 the insurance program in the fifth and each subsequent year the taxpayer
34 claims a credit under this section. If the taxpayer is self-insured, the
35 taxpayer must pay at least fifty percent of a predetermined fixed cost per
36 employee for an insurance program that is payable whether or not the
37 employee has filed claims.
38 (b) An employer shall not reduce the amount of health insurance
39 coverage provided to employees before certification by the Arizona
40 commerce authority.
41 D. A credit is allowed for employment in the second and third year
42 only for qualified employment positions for which a credit was allowed and
43 claimed by the taxpayer on the original first and second year tax returns.
44 E. The net increase in the number of qualified employment positions
45 is the lesser of the total number of filled qualified employment positions

created during the taxable year or the difference between the average number of full-time employees in the current taxable year and the average number of full-time employees during the immediately preceding taxable year. The net increase in the number of qualified employment positions computed under this subsection may not exceed two hundred qualified employment positions per taxpayer each year.

F. A taxpayer who claims a credit under section 43-1074 may not claim a credit under this section with respect to the same employees.

G. If the allowable tax credit exceeds the income taxes otherwise due on the claimant's income, or if there are no state income taxes due on the claimant's income, the amount of the claim not used as an offset against income taxes may be carried forward as a tax credit against subsequent years' income tax liability for the period not to exceed five taxable years, provided the business maintains its certification under section 41-1516.

H. Co-owners of a business, including INDIVIDUAL partners in a partnership ~~and shareholders of an S corporation as defined in section 1361 of the internal revenue code~~, may each claim only the pro rata share of the credit allowed under this section based on the ownership interest. The total of the credits allowed all such owners of the business may not exceed the amount that would have been allowed for a sole owner of the business.

I. If a qualified business changes ownership through reorganization, stock purchase or merger, the new taxpayer may claim first year credits only for one or more qualified employment positions that it created and filled with an eligible employee after the purchase or reorganization was complete. If a person purchases a business that had qualified for first or second year credits or changes ownership through reorganization, stock purchase or merger, the new taxpayer may claim the second or third year credits if it meets the other eligibility requirements of this section. Credits for which a taxpayer qualified before the changes described in this subsection are terminated and lost at the time the changes are implemented.

J. If, within five taxable years after first receiving a credit pursuant to this section, the certification of qualification of a business is terminated or revoked under section 41-1516 other than for reasons beyond the control of the business as determined by the Arizona commerce authority, the credits allowed the business pursuant to this section are subject to recapture pursuant to this subsection. This subsection applies only in the case of the termination or revocation of a certification of qualification. This subsection does not apply if, in any taxable year, a taxpayer otherwise does not qualify for or fails to claim the credit under this section. The recapture of credits under this subsection is computed by increasing the amount of taxes imposed in the year following the year in which the qualification of the business was terminated or revoked by an

amount determined by multiplying the full amount of all credits previously allowed under this section by a percentage determined as follows:

1. If the initial credit under this section was allowed for the taxable year immediately preceding the taxable year in which the certification of qualification of a business is terminated or revoked, one hundred percent.

2. If the initial credit under this section was allowed two taxable years before the taxable year in which the certification of qualification of a business is terminated or revoked, eighty percent.

3. If the initial credit under this section was allowed three taxable years before the taxable year in which the certification of qualification of a business is terminated or revoked, sixty percent.

4. If the initial credit under this section was allowed four taxable years before the taxable year in which the certification of qualification of a business is terminated or revoked, forty percent.

5. If the initial credit under this section was allowed five taxable years before the taxable year in which the certification of qualification of a business is terminated or revoked, twenty percent.

Sec. 21. Repeal

Section 43-1080, Arizona Revised Statutes, is repealed.

Sec. 22. Section 43-1081.01, Arizona Revised Statutes, is amended to read:

43-1081.01. Credit for agricultural pollution control equipment

A. A credit is allowed against the taxes imposed by this title for expenses that a taxpayer, involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products, incurred during the taxable year to purchase tangible personal property that is primarily used in the taxpayer's trade or business in this state to control or prevent pollution. The amount of the credit is equal to twenty-five ~~per cent~~ PERCENT of the cost of the real or personal property. The maximum credit that a taxpayer may claim under this section is ~~twenty-five thousand dollars~~ $25,000 in a taxable year.

B. Property that qualifies for the credit under this section includes the portion of a structure, building, installation, excavation, machine, equipment or device and any attachment or addition to or reconstruction, replacement or improvement of that property that is directly used, constructed or installed in this state to prevent, monitor, control or reduce air, water or land pollution.

C. Amounts that qualify for a credit under this section must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property with respect to which the taxpayer has claimed a credit shall be reduced by the amount of credit claimed with

respect to that asset. This credit does not affect the deductibility for depreciation or amortization of the remaining adjusted basis of the asset.

D. Co-owners of a business, including INDIVIDUAL partners in a partnership ~~and shareholders of an S corporation, as defined in section 1361 of the internal revenue code~~, may each claim only the pro rata share of the credit allowed under this section based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

E. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the claim not used to offset the taxes under this title may be carried forward to the next five consecutive taxable years as a credit against subsequent years' income tax liability.

F. A taxpayer who claims a credit for pollution control equipment under this section shall not claim a credit under section 43-1081 for the same equipment or expense.

Sec. 23. Section 43-1089.02, Arizona Revised Statutes, is amended to read:

43-1089.02. Credit for donation of school site

A. A credit is allowed against the taxes imposed by this title in the amount of thirty ~~per cent~~ PERCENT of the value of real property and improvements donated by the taxpayer to a school district or a charter school for use as a school or as a site for the construction of a school.

B. To qualify for the credit:

1. The real property and improvements must be located in this state.

2. The real property and improvements must be conveyed unencumbered and in fee simple, except that:

(a) The conveyance must include as a deed restriction and protective covenant running with title to the land the requirement that as long as the donee holds title to the property the property shall only be used as a school or as a site for the construction of a school, subject to subsection I or J of this section.

(b) In the case of a donation to a charter school, the donor shall record a lien on the property as provided by subsection J, paragraph 3 of this section.

3. The conveyance shall not violate section 15-341, subsection D or section 15-183, subsection U.

C. For the purposes of this section, the value of the donated property is the property's fair market value as determined in an appraisal as defined in section 32-3601 that is conducted by an independent party and that is paid for by the donee.

D. If the property is donated by co-owners, including INDIVIDUAL partners in a partnership ~~and shareholders of an S corporation, as defined in section 1361 of the internal revenue code~~, each donor may claim only

1 the pro rata share of the allowable credit under this section based on the
2 ownership interest. If the property is donated by a husband and wife who
3 file separate returns for a taxable year in which they could have filed a
4 joint return, they may determine between them the share of the credit each
5 will claim. The total of the credits allowed all co-owner donors may not
6 exceed the allowable credit.
7 E. If the allowable tax credit exceeds the taxes otherwise due
8 under this title on the claimant's income, or if there are no taxes due
9 under this title, the taxpayer may carry the amount of the claim not used
10 to offset the taxes under this title forward for not more than five
11 consecutive taxable years' income tax liability.
12 F. The credit under this section is in lieu of any deduction
13 pursuant to section 170 of the internal revenue code taken for state tax
14 purposes.
15 G. On written request by the donee, the donor shall disclose in
16 writing to the donee the amount of the credit allowed pursuant to this
17 section with respect to the property received by the donee.
18 H. A school district or charter school may refuse the donation of
19 any property for purposes of this section.
20 I. If the donee is a school district:
21 1. The district shall notify the school facilities board
22 established by section 15-2001 and furnish the board with any information
23 the board requests regarding the donation. A school district shall not
24 accept a donation pursuant to this section unless the school facilities
25 board has reviewed the proposed donation and has issued a written
26 determination that the real property and improvements are suitable as a
27 school site or as a school. The school facilities board shall issue a
28 determination that the real property and improvements are not suitable as
29 a school site or as a school if the expenses that would be necessary to
30 make the property suitable as a school site or as a school exceed the
31 value of the proposed donation.
32 2. The district may sell any donated property pursuant to section
33 15-342, but the proceeds from the sale shall only be used for capital
34 projects. The school facilities board shall withhold an amount that
35 corresponds to the amount of the proceeds from any monies that would
36 otherwise be due the school district from the school facilities board
37 pursuant to section 15-2041.
38 J. If the donee is a charter school:
39 1. The charter school shall:
40 (a) Immediately notify the sponsor of the charter school by
41 certified mail and shall furnish the sponsor with any information
42 requested by the sponsor regarding the donation during the ten year period
43 after the conveyance is recorded.

(b) Notify the sponsor by certified mail, and the sponsor shall notify the state treasurer, in the event of the charter school's financial failure or if the charter school:

(i) Fails to establish a charter school on the property within forty-eight months after the conveyance is recorded.

(ii) Fails to provide instruction to pupils on the property within forty-eight months after the conveyance is recorded.

(iii) Establishes a charter school on the property but subsequently ceases to operate the charter school on the property for twenty-four consecutive months or fails to provide instruction to pupils on the property for twenty-four consecutive months.

2. The charter school, or a successor in interest, shall pay to the state treasurer the amount of the credit allowed under this section, or if that amount is unknown, the amount of the allowable credit under this section, if any of the circumstances listed in paragraph 1, subdivision (b) of this subsection occurs. If the amount is not paid within one year after the treasurer receives notice under paragraph 1, subdivision (b) of this subsection, a penalty and interest shall be added, determined pursuant to title 42, chapter 1, article 3.

3. A tax credit under this section constitutes a lien on the property, which the donor must record along with the title to the property to qualify for the credit. The amount of the lien is the amount of the allowable credit under this section, adjusted according to the average change in the GDP price deflator, as defined in section 41-563, for each calendar year since the donation, but not exceeding twelve and one-half ~~per cent~~ PERCENT more than the allowable credit. The lien is subordinate to any liens securing the financing of the school construction. The lien is extinguished on the earliest of the following:

(a) Ten years after the lien is recorded. After that date, the charter school, or a successor in interest, may request the state treasurer to release the lien.

(b) On payment to the state treasurer by the donee charter school, or by a successor in interest, of the amount of the allowable credit under this section, either voluntarily or as required by paragraph 2 of this subsection. After the required amount is paid, the charter school or successor in interest may request the state treasurer to release the lien.

(c) On conveyance of fee simple title to the property to a school district.

(d) On enforcement and satisfaction of the lien pursuant to paragraph 4 of this subsection.

4. The state treasurer shall enforce the lien by foreclosure within one year after receiving notice of any of the circumstances described in paragraph 1, subdivision (b) of this subsection.

5. Subject to paragraphs 3 and 4 of this subsection, the charter school may sell any donated property.

Sec. 24. Section 43-1121, Arizona Revised Statutes, is amended to read:

43-1121. Additions to Arizona gross income; corporations

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

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

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

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

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

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

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

~~7.~~ 5. The amount of dividend income received from corporations and allowed as a deduction pursuant to sections 243, 245, 245A and 250(a)(1)(B) of the internal revenue code.

~~8.~~ 6. Taxes that are based on income paid to states, local governments or foreign governments and that were deducted in computing federal taxable income.

~~9.~~ 7. Expenses and interest relating to tax-exempt income on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the tax imposed by this title. Financial institutions, as defined in section 6-101, shall be governed by section 43-961, paragraph 2.

~~10.~~ 8. Commissions, rentals and other amounts paid or accrued to a domestic international sales corporation controlled by the payor corporation if the domestic international sales corporation is not required to report its taxable income to this state because its income is not derived from or attributable to sources within this state. If the domestic international sales corporation is subject to article 4 of this chapter, the department shall prescribe by rule the method of determining the portion of the commissions, rentals and other amounts that are paid or accrued to the controlled domestic international sales corporation and that shall be deducted by the payor. For the purposes of this paragraph, "control" means direct or indirect ownership or control of fifty percent or more of the voting stock of the domestic international sales corporation by the payor corporation.

~~11.~~ 9. The amount of net operating loss taken pursuant to section 172 of the internal revenue code.

~~12.~~ 10. The amount of exploration expenses determined pursuant to section 617 of the internal revenue code to the extent that they exceed $75,000 and to the extent that the election is made to defer those expenses not in excess of $75,000.

~~13.~~ 11. Amortization of costs incurred to install pollution control devices and deducted pursuant to the internal revenue code or the amount of deduction for depreciation taken pursuant to the internal revenue code on pollution control devices for which an election is made pursuant to section 43-1129.

~~14.~~ 12. The amount of depreciation or amortization of costs of child care facilities deducted pursuant to section 167 or 188 of the internal revenue code for which an election is made to amortize pursuant to section 43-1130.

~~15.~~ 13. The loss of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

~~16.~~ 14. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under section 43-1169 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

~~17.~~ 15. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1169 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1169.

~~18.~~ 16. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under ~~either~~ section 43-1170 ~~or 43-1170.01~~

exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

~~19.~~ 17. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under ~~either~~ section 43-1170 ~~or 43-1170.01~~ and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1170 ~~or 43-1170.01, as applicable~~.

~~20.~~ 18. The deduction referred to in section 1341(a)(4) of the internal revenue code for restoration of a substantial amount held under a claim of right.

~~21.~~ 19. The amount by which a capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code exceeds the capital loss carryover allowable pursuant to section 43-1130.01, subsection F.

~~22.~~ 20. Any wage expenses deducted pursuant to the internal revenue code for which a credit is claimed under section 43-1175 and representing net increases in qualified employment positions for employment of temporary assistance for needy families recipients.

~~23.~~ 21. Any amount of expenses that were deducted pursuant to the internal revenue code and for which a credit is claimed under section 43-1178.

~~24. The amount of any deduction that is claimed in computing Arizona gross income and that represents a donation of a school site for which a credit is claimed under section 43-1181.~~

~~25.~~ 22. Any amount deducted pursuant to section 170 of the internal revenue code representing contributions to a school tuition organization for which a credit is claimed under section 43-1183 or 43-1184.

~~26.~~ 23. If a subtraction is or has been taken by the taxpayer under section 43-1124, in the current or a prior taxable year for the full amount of eligible access expenditures paid or incurred to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8, any amount of eligible access expenditures that is recognized under the internal revenue code, including any amount that is amortized according to federal amortization schedules, and that is included in computing Arizona taxable income for the current taxable year.

~~27.~~ 24. For taxable years beginning from and after December 31, 2017, the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

Sec. 25. Section 43-1122, Arizona Revised Statutes, is amended to read:

43-1122. Subtractions from Arizona gross income; corporations

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

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

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

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

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

5. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1121, paragraph 4 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current taxable year or prior taxable years.

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

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

~~8.~~ 6. With respect to a financial institution as defined in section 6-101, expenses and interest relating to tax-exempt income disallowed pursuant to section 265 of the internal revenue code.

~~9.~~ 7. Dividends received from another corporation owned or controlled directly or indirectly by a recipient corporation. For the purposes of this paragraph, "control" means direct or indirect ownership or control of fifty percent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in section 316 of the internal revenue code. This subtraction shall apply without regard to section 43-961, paragraph 2 and article 4 of this chapter.

~~10.~~ 8. Interest income received on obligations of the United States.

~~11.~~ 9. The amount of dividend income from foreign corporations. For the purposes of this paragraph, gross up income as described in section 78 of the internal revenue code, global intangible low-taxed income as defined in section 951A of the internal revenue code and subpart F income as defined in section 952 of the internal revenue code shall be considered foreign dividends.

~~12.~~ 10. The amount of net operating loss allowed by section 43-1123.

~~13.~~ 11. The amount of any state income tax refunds received that were included as income in computing federal taxable income.

~~14.~~ 12. The amount of expense recapture included in income pursuant to section 617 of the internal revenue code for mine exploration expenses.

~~15.~~ 13. The amount of deferred exploration expenses allowed by section 43-1127.

~~16.~~ 14. The amount of exploration expenses related to the exploration of oil, gas or geothermal resources, computed in the same manner and on the same basis as a deduction for mine exploration pursuant to section 617 of the internal revenue code. This computation is subject to the adjustments contained in section 43-1121, paragraph ~~12~~ 10 and paragraphs ~~14~~ 12 and ~~15~~ 13 of this section relating to exploration expenses.

~~17.~~ 15. The amortization of pollution control devices allowed by section 43-1129.

~~18.~~ 16. The amount of amortization of the cost of child care facilities pursuant to section 43-1130.

~~19.~~ 17. The amount of income from a domestic international sales corporation required to be included in the income of its shareholders pursuant to section 995 of the internal revenue code.

~~20.~~ 18. The income of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

~~21.~~ 19. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

~~22.~~ 20. An amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(7) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.

~~23.~~ 21. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1124.

~~24.~~ 22. For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

Sec. 26. Section 43-1123, Arizona Revised Statutes, is amended to read:

43-1123. <u>Net operating loss; definition</u>

A. For the purposes of this section, "net operating loss" means:

1. In the case of a taxpayer who has a net operating loss for the taxable year within the meaning of section 172(c) of the internal revenue code, the amount of the net operating loss increased by the subtractions specified in section 43-1122, except the subtraction allowed in section 43-1122, paragraph ~~12~~ 10, and reduced by the additions specified in section 43-1121.

2. In the case of a taxpayer not described in paragraph 1 of this subsection, any excess of the subtractions specified in section 43-1122, except the subtraction allowed in section 43-1122, paragraph ~~12~~ 10, over the sum of the Arizona gross income plus the additions specified in section 43-1121.

B. If for any taxable year the taxpayer has a net operating loss:

1. Such net operating loss shall be a net operating loss carryover for:

(a) Each of the five succeeding taxable years for net operating losses arising in taxable periods through December 31, 2011.

(b) Each of the twenty succeeding taxable years for net operating losses arising in taxable periods beginning from and after December 31, 2011.

2. The carryover in the case of each such succeeding taxable year, other than the first succeeding taxable year, shall be the excess, if any, of the amount of such net operating loss over the sum of the taxable income for each of the intervening years computed by determining the net operating loss subtraction for each intervening taxable year, without regard to such net operating loss or to the net operating loss for any succeeding taxable year.

C. The amount of the net operating loss subtraction shall be the aggregate of the net operating loss carryovers to the taxable year.

Sec. 27. Section 43-1124, Arizona Revised Statutes, is amended to read:

43-1124. Americans with disabilities act access expenditures

A. For taxable years beginning from and after December 31, 2017, in computing Arizona taxable income, a subtraction is allowed under section 43-1122, paragraph ~~23~~ 21 for eligible business access expenditures paid or incurred by the taxpayer during the taxable year in order to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed real property that was originally placed in service at least ten years before the current taxable year.

B. For the purposes of this section, eligible business access expenditures include reasonable and necessary amounts paid or incurred to:

1. Remove any barriers that prevent a business from being accessible to or usable by individuals with disabilities.

2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.

3. Provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments.

4. Acquire or modify equipment or devices for individuals with disabilities.

5. Provide other similar services, modifications, materials or equipment.

C. A taxpayer that has been cited for noncompliance with the Americans with disabilities act of 1990 or title 41, chapter 9, article 8 by either federal or state enforcement officials is ineligible for a subtraction under this section for any expenditure required to cure the cited violation.

Sec. 28. Section 43-1127, Arizona Revised Statutes, is amended to read:

43-1127. Deferred exploration expenses

The amount of exploration expenses added to Arizona gross income pursuant to section 43-1121, paragraph ~~12~~ 10 may be subtracted on a ratable basis as the units of produced ores or minerals discovered or

explored by reason of such expenditures are sold. An election made for any taxable year shall be binding for that year.

Sec. 29. Section 43-1130.01, Arizona Revised Statutes, is amended to read:

43-1130.01. Restoration of a substantial amount held under claim of right; computation of tax

A. This section applies if:

1. An item of income was included in gross income for a prior taxable year or years because it appeared that the taxpayer had an unrestricted right to the item.

2. A deduction would be allowable under the internal revenue code or this title for the taxable year, without application of section 1341(b)(3) of the internal revenue code or section 43-1121, paragraph ~~20~~ 18, because after the close of the prior taxable year or years it was established that the taxpayer did not have an unrestricted right to all or part of the item.

3. The amount of the deduction exceeds ~~three thousand dollars~~ $3,000.

B. If all of the conditions in subsection A of this section apply, the tax imposed by this chapter for the taxable year is an amount equal to the tax for the taxable year computed without the deduction, minus the decrease in tax under this chapter for the prior taxable year or years that would result solely from excluding the item or portion of the item from gross income for the prior taxable year or years.

C. If the decrease in tax exceeds the tax imposed by this chapter for the taxable year, computed without the deduction, the excess is considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year and shall be refunded or credited in the same manner as if it were an overpayment for the taxable year.

D. Subsection B of this section does not apply to any deduction that is allowable with respect to an item that was included in gross income by reason of the sale or other disposition of stock in trade of the taxpayer, or other property of a kind that would properly have been included in the inventory of the taxpayer on hand at the close of the prior taxable year, or property that is held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business. This subsection does not apply if the deduction arises out of refunds or repayments with respect to rates made by a regulated public utility that is listed in section 7701(a)(33)(A) through (H) of the internal revenue code, if the refunds or repayments are:

1. Required to be made by the government, political subdivision, agency or instrumentality referred to in that section.

2. Required to be made by an order of a court.

3. Made in settlement of litigation or under threat or imminence of litigation.

E. If the exclusion under subsection B of this section results in:

1. A net operating loss for the prior taxable year or years for purposes of computing the decrease in tax for the prior year or years under subsection B of this section:

(a) The loss shall be carried over under this chapter to the same extent and in the same manner as provided under section 43-1123, and under prior law.

(b) A carryover beyond the taxable year may not be taken into account.

2. A capital loss for the prior taxable year or years, for purposes of computing the decrease in tax for the prior taxable year or years under subsection B of this section:

(a) The loss shall be:

(i) Carried over under this chapter to the same extent and in the same manner as was provided under prior law for taxable years beginning on or before December 31, 1987.

(ii) Carried back and carried over to the same extent and in the same manner as provided under section 1212 of the internal revenue code for taxable years beginning from and after December 31, 1987.

(b) A carryover beyond the taxable year may not be taken into account.

F. In computing Arizona taxable income for taxable years subsequent to the current taxable year, the net operating loss or capital loss determined in subsection E of this section shall be taken into account to the same extent and in the same manner as a net operating loss or capital loss sustained for prior taxable years.

Sec. 30. Repeal

Section 43-1162, Arizona Revised Statutes, is repealed.

Sec. 31. Section 43-1169, Arizona Revised Statutes, is amended to read:

43-1169. Credit for construction costs of qualified environmental technology facility

A. A credit is allowed against the taxes imposed by this title for expenses incurred in constructing a qualified environmental technology manufacturing, producing or processing facility as described in section 41-1514.02. The amount of the credit is equal to ten ~~per cent~~ PERCENT of the amount spent during the taxable year to construct the facility, including land acquisition, improvements, building improvements, machinery and equipment, but not exceeding seventy-five ~~per cent~~ PERCENT of the tax liability under this title for the taxable year determined without applying the credit.

B. Amounts qualifying for the credit under this section must be includible in the taxpayer's adjusted basis for the facility. The adjusted basis of any asset with respect to which the taxpayer has claimed a credit shall be reduced by the amount of credit claimed with respect to

that asset. This credit does not affect the deductibility for depreciation or amortization of the remaining adjusted basis of the asset.

C. A taxpayer may claim a credit under this section with respect to new qualifying construction within ten years after the start of the facility's initial construction, but a credit is not allowed under this section for any amount spent more than ten years after the start of the facility's initial construction.

D. A taxpayer qualifies for the credit under this section if the taxpayer owns the facility or leases the facility or any component of the facility for a term of five or more years.

E. If the allowable tax credit exceeds seventy-five ~~per cent~~ PERCENT of the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the claim not used to offset taxes under this title may be carried forward for not more than fifteen taxable years as a credit against subsequent years' income tax liability.

F. Co-owners of a business, including CORPORATE partners in a partnership, may each claim only the pro rata share of the credit allowed under this section based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

G. If either of the following circumstances occurs with respect to a qualified environmental technology manufacturing, producing or processing facility, the tax imposed by this title for the taxable year in which the circumstance occurs shall be increased by the full amount of all credits previously allowed under this section with respect to that facility:

1. The taxpayer abandons construction before the facility is placed in service.

2. Before the facility is placed in service, the taxpayer changes plans in such a manner as to no longer qualify as an environmental technology manufacturing, producing or processing facility under section 41-1514.02.

H. If, within five years after being placed in service, an operating environmental technology manufacturing, producing or processing facility with respect to which a credit has been allowed under this section ceases for any reason to operate as an environmental technology manufacturing, producing or processing facility as described in section 41-1514.02, the tax imposed by this title for the taxable year shall be increased by an amount determined by multiplying the full amount of all credits previously allowed under this section with respect to that facility by a percentage determined as follows:

1. If the facility was placed in service less than one year before ceasing to operate as an environmental technology manufacturing, producing or processing facility, one hundred ~~per cent~~ PERCENT.

2. If the facility was placed in service at least one year but not more than two years before ceasing to operate as an environmental technology manufacturing, producing or processing facility, eighty ~~per cent~~ PERCENT.

3. If the facility was placed in service at least two years but less than three years before ceasing to operate as an environmental technology manufacturing, producing or processing facility, sixty ~~per cent~~ PERCENT.

4. If the facility was placed in service at least three years but less than four years before ceasing to operate as an environmental technology manufacturing, producing or processing facility, forty ~~per cent~~ PERCENT.

5. If the facility was placed in service at least four years but less than five years before ceasing to operate as an environmental technology manufacturing, producing or processing facility, twenty ~~per cent~~ PERCENT.

I. The department by rule shall prescribe ~~record keeping~~ RECORDKEEPING requirements for taxpayers who claim a credit under this section.

Sec. 32. Repeal

Sections 43-1170.01 and 43-1181, Arizona Revised Statutes, are repealed.

Sec. 33. Laws 2019, chapter 273, section 36 is amended to read:

Sec. 36. Retroactivity

A. Sections 42-1001 and 43-105, Arizona Revised Statutes, as amended by ~~this act~~ LAWS 2019, CHAPTER 273, apply retroactively to taxable years beginning from and after December 31, 2017.

B. Sections 42-1108, 43-222, 43-323, 43-945, 43-1001, 43-1011, 43-1021, 43-1022, 43-1023, 43-1024, 43-1041, 43-1072.02, 43-1073, 43-1095~~,~~ AND 43-1098, ~~43-1121 and 43-1122,~~ Arizona Revised Statutes, as amended by ~~this act~~ LAWS 2019, CHAPTER 273, section 43-1073.01, Arizona Revised Statutes, as added by ~~this act~~ LAWS 2019, CHAPTER 273, and section 43-1043, Arizona Revised Statutes, as repealed by ~~this act~~ LAWS 2019, CHAPTER 273, apply retroactively to taxable years beginning from and after December 31, 2018.

C. SECTIONS 43-1121 AND 43-1122, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 273, APPLY RETROACTIVELY TO TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2017.

Sec. 34. Retroactivity

Sections 43-301, 43-1076, 43-1081.01, 43-1089.02 and 43-1169, Arizona Revised Statutes, as amended by this act, and sections 43-1080, 43-1162, 43-1170.01 and 43-1181, Arizona Revised Statutes, as repealed by this act, apply retroactively to taxable years beginning from and after December 31, 2019.

1 Sec. 35. Saving clause
2 The repeal of the income tax credits by this act does not affect the
3 continuing validity of any amount of the credit carried forward from
4 previous taxable years for application against subsequent tax liabilities
5 as allowed by prior law.

APPROVED BY THE GOVERNOR MARCH 24, 2020.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 24, 2020.

Passed the House March 17, 2020, by the following vote: 34 Ayes, ~~24~~ 21 Nays, 5 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate February 27, 2020, by the following vote: 30 Ayes, 0 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR
This Bill was received by the Governor this
18th day of March, 2020,
at 2:03 o'clock P M.

Secretary to the Governor

Approved this 24th day of
March, 2020,
at 3:20 o'clock P M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 24th day of March, 2020,
at 4:29 o'clock P. M.

Secretary of State

S.B. 1348