

Conference Engrossed

State of Arizona
House of Representatives
Forty-fifth Legislature
Second Regular Session
2002

CHAPTER 238

HOUSE BILL 2186

AN ACT

AMENDING TITLE 43, CHAPTER 2, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2;
RELATING TO INCOME TAX CREDIT REVIEW.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 43, chapter 2, Arizona Revised Statutes, is amended
3 by adding article 2, to read:

4 ARTICLE 2. INCOME TAX CREDIT REVIEW

5 43-221. Joint legislative income tax credit review committee

6 A. THE JOINT LEGISLATIVE INCOME TAX CREDIT REVIEW COMMITTEE IS
7 ESTABLISHED CONSISTING OF THE FOLLOWING MEMBERS:

8 1. FIVE MEMBERS OF THE HOUSE OF REPRESENTATIVES WAYS AND MEANS
9 COMMITTEE APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. NOT MORE
10 THAN THREE APPOINTEES SHALL BE OF THE SAME POLITICAL PARTY.

11 2. FIVE MEMBERS OF THE SENATE FINANCE COMMITTEE APPOINTED BY THE
12 PRESIDENT OF THE SENATE. NOT MORE THAN THREE APPOINTEES SHALL BE OF THE SAME
13 POLITICAL PARTY.

14 B. THE COMMITTEE SHALL DETERMINE THE ORIGINAL PURPOSE OF EXISTING TAX
15 CREDITS AND ESTABLISH A STANDARD FOR EVALUATING AND MEASURING THE SUCCESS OR
16 FAILURE OF THE TAX CREDITS. THE STANDARD FOR EVALUATING TAX CREDITS MAY
17 INCLUDE:

18 1. THE HISTORY, RATIONALE AND ESTIMATED REVENUE IMPACT OF THE CREDIT.

19 2. WHETHER THE CREDIT HAS PROVIDED A BENEFIT TO THIS STATE INCLUDING,
20 FOR CORPORATE TAX CREDITS, MEASURABLE ECONOMIC DEVELOPMENT, NEW INVESTMENTS,
21 CREATION OF NEW JOBS OR RETENTION OF EXISTING JOBS IN THIS STATE.

22 3. WHETHER THE CREDIT IS UNNECESSARILY COMPLEX IN THE APPLICATION,
23 ADMINISTRATION AND APPROVAL PROCESS.

24 C. THE COMMITTEE SHALL REVIEW THE INDIVIDUAL AND CORPORATE INCOME TAX
25 CREDITS PURSUANT TO THE SCHEDULE PRESCRIBED IN SECTION 43-222. THE COMMITTEE
26 SHALL USE THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF AND MAY USE THE STAFF
27 OF THE DEPARTMENT OF REVENUE AND LEGISLATIVE COUNCIL FOR ASSISTANCE.

28 D. AFTER COMPLETING THE REVIEW PROCESS, THE COMMITTEE SHALL DETERMINE
29 WHETHER THE CREDIT SHOULD BE AMENDED OR REPEALED. THE COMMITTEE SHALL REPORT
30 ITS FINDINGS AND RECOMMENDATIONS TO THE PRESIDENT OF THE SENATE, THE SPEAKER
31 OF THE HOUSE OF REPRESENTATIVES AND THE GOVERNOR BY DECEMBER 15 OF THE YEAR
32 THAT THE COMMITTEE REVIEWS THE CREDIT.

33 43-222. Income tax credit review schedule

34 EACH YEAR THE JOINT LEGISLATIVE INCOME TAX CREDIT REVIEW COMMITTEE
35 SHALL REVIEW THE FOLLOWING INCOME TAX CREDITS:

36 1. IN 2002, SECTIONS 43-1076, 43-1077, 43-1078, 43-1079, 43-1080,
37 43-1165, 43-1166, 43-1167 AND 43-1169.

38 2. IN 2003, SECTIONS 43-1074.01, 43-1081, 43-1085, 43-1168, 43-1170,
39 43-1173 AND 43-1178.

40 3. IN 2004, SECTIONS 43-1081.01, 43-1083, 43-1084 AND 43-1170.01.

41 4. IN 2005, SECTIONS 43-1087, 43-1088, 43-1090.01, 43-1175 AND
42 43-1177.

43 5. IN 2006, SECTIONS 43-1073, 43-1089, 43-1089.01, 43-1089.02,
44 43-1090, 43-1176 AND 43-1181.

45 43-223. Requirements for new income tax credits established by
46 the legislature

1 ANY NEW INDIVIDUAL OR CORPORATE INCOME TAX CREDIT THAT IS ENACTED BY
2 THE LEGISLATURE SHALL INCLUDE IN ITS ENABLING LEGISLATION:

3 1. A SPECIFIC REVIEW YEAR FOR THE JOINT LEGISLATIVE INCOME TAX CREDIT
4 REVIEW COMMITTEE TO REVIEW THE CREDIT. THE SPECIFIC REVIEW YEAR SHALL BE THE
5 FIFTH FULL CALENDAR YEAR FOLLOWING THE DATE THE CREDIT IS ENACTED.

6 2. A PURPOSE CLAUSE THAT EXPLAINS THE RATIONALE AND OBJECTIVE OF THE
7 TAX CREDIT.

8 Sec. 2. Purpose

9 A. The legislature finds that there has been an increase in the number
10 of individual and corporate income tax credits in this state and that the tax
11 credits have been enacted without sufficient legislative oversight.
12 Furthermore, the legislature finds that income tax credits should be
13 continually reviewed and revised in response to the developing needs of the
14 public and taxpayers. In addition, the legislature finds that income tax
15 credits are perpetuated without periodic and systematic reappraisal of their
16 actual achievements as compared to their original objectives. The
17 legislature concludes that by establishing a system for study, review or
18 continuation of such income tax credits, it will be in a better position to
19 evaluate the need for the continued existence of current and future income
20 tax credits of this state.

21 B. It is the intention of the legislature to establish an orderly
22 schedule for the review of individual and corporate income tax credits. The
23 legislative review will enable the legislature to have the benefit of
24 recommendations for the continuation or termination of income tax credits.

25 Sec. 3. New tax credits

26 The legislature shall not enact any new income tax credits until the
27 joint legislative income tax credit review committee has filed its first
28 report pursuant to section 43-221 and section 43-222, paragraph 1, Arizona
29 Revised Statutes, as added by this act.

APPROVED BY THE GOVERNOR MAY 20, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2002.