

State of Arizona  
Senate  
Fifty-third Legislature  
Second Regular Session  
2018

**CHAPTER 283**  
**SENATE BILL 1529**

AN ACT

AMENDING SECTIONS 6-991.21, 15-910, 43-409 AND 43-1022, ARIZONA REVISED  
STATUTES; AMENDING LAWS 2017, CHAPTER 312, SECTIONS 7, 8 AND 9;  
APPROPRIATING MONIES; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 6-991.21, Arizona Revised Statutes, is amended  
3 to read:

4 6-991.21. Financial services fund; use of fund

5 A. The financial services fund is established consisting of loan  
6 originator fees collected pursuant to this article. The superintendent  
7 shall administer the fund for the ~~supervision and regulation of loan~~  
8 ~~originators~~ PURPOSE OF DISCHARGING THE DUTIES IMPOSED BY LAW ON THE  
9 DEPARTMENT.

10 B. Monies deposited in the financial services fund are subject to  
11 section 35-143.01.

12 Sec. 2. Section 15-910, Arizona Revised Statutes, is amended to  
13 read:

14 15-910. School district budgets; excess utility costs;  
15 desegregation costs; tuition costs for bond issues;  
16 costs for registering warrants; report

17 A. The governing board may budget for the district's excess utility  
18 costs that are specifically exempt from the district's revenue control  
19 limit. If approved by the qualified electors voting at a statewide general  
20 election, the exemption from the revenue control limit under this  
21 subsection expires at the end of the 2008-2009 budget year. The uniform  
22 system of financial records shall specify expenditure items allowable as  
23 excess utility costs, which are limited to direct operational costs of  
24 heating, cooling, water and electricity, telephone communications and  
25 sanitation fees. The department of education and the auditor general  
26 shall include in the maintenance and operation section of the budget  
27 format, as provided in section 15-903, a separate line for utility  
28 expenditures and a special excess utility cost category. The special  
29 excess utility cost category shall contain budgeted expenditures for  
30 excess utility costs, determined as follows:

31 1. Determine the lesser of the total budgeted or total actual  
32 utility expenditures for fiscal year 1984-1985.

33 2. Multiply the amount in paragraph 1 of this subsection by the  
34 total percentage increase or decrease in the revenue control limit and the  
35 capital outlay revenue limit for the budget year over the revenue control  
36 limit and the capital outlay revenue limit for fiscal year 1984-1985  
37 excluding monies available from a teacher compensation program provided  
38 for in section 15-952.

39 3. The sum of the amounts in paragraphs 1 and 2 of this subsection  
40 is the amount budgeted in the utility expenditure line.

41 4. Additional expenditures for utilities are budgeted in the excess  
42 utility cost category.

43 B. The governing board shall apply the same percentage increase or  
44 decrease allowed in the revenue control limit and the capital outlay

1 revenue limit as provided in section 15-905, subsection E to the utility  
2 expenditure line of the budget.

3 C. The governing board may expend from the excess utility cost  
4 category only after it has expended for utility purposes the full amount  
5 budgeted in the utility expenditure line of the budget.

6 D. The governing board, after notice is given and a public meeting  
7 is held as provided in section 15-905, subsection D, may revise at any  
8 time before May 15 the amount budgeted in the excess utility cost category  
9 for the current year. Not later than May 18, the budget as revised shall  
10 be submitted electronically to the superintendent of public instruction.

11 E. If the revised excess utility cost category results in an  
12 expenditure of monies in excess of school district revenues for the  
13 current year, the county school superintendent shall include within the  
14 revenue estimate for the budget year monies necessary to meet the  
15 liabilities incurred by the school district in the current year in excess  
16 of revenues received for the current year.

17 F. If a school district receives a refund of utility expenditures  
18 or a rebate on energy saving devices or services, the refund or rebate  
19 shall be applied against utility expenditures for the current year as a  
20 reduction of the expenditures, except that the reduction of expenditures  
21 shall not exceed the amount of actual utility expenditures.

22 G. The governing board may budget for expenses of complying with or  
23 continuing to implement activities that were required or permitted by a  
24 court order of desegregation or administrative agreement with the United  
25 States department of education office for civil rights directed toward  
26 remediating alleged or proven racial discrimination that are specifically  
27 exempt in whole or in part from the revenue control limit and district  
28 additional assistance. This exemption applies only to expenses incurred  
29 for activities that are begun before the termination of the court order or  
30 administrative agreement. If a district is levying a **primary** property tax  
31 on February 23, 2006 and using those monies to administer an English  
32 language learner program to remedy alleged or proven discrimination under  
33 title VI of the civil rights act of 1964 (42 United States Code section  
34 2000d), the district may spend those monies to remedy a violation of the  
35 equal educational opportunities act of 1974 (20 United States Code section  
36 1703(f)). Nothing in this subsection allows a school district to levy a  
37 **primary** property tax for violations of the equal educational opportunities  
38 act of 1974 (20 United States Code section 1703(f)) in the absence of an  
39 alleged or proven discrimination under title VI of the civil rights act of  
40 1964 (42 United States Code section 2000d).

41 H. If a governing board chooses to budget monies outside of the  
42 revenue control limit as provided in subsection G of this section, the  
43 governing board may do one of the following:

1           1. Use monies from the maintenance and operation fund equal to any  
2 excess desegregation or compliance expenses beyond the revenue control  
3 limit before June 30 of the current year.

4           2. Notify the county school superintendent to include the cost of  
5 the excess expenses in the county school superintendent's estimate of the  
6 additional amount needed for the school district from the ~~primary~~  
7 **SECONDARY** property tax as provided in section 15-991.

8           3. Employ the provisions of both paragraphs 1 and 2 of this  
9 subsection, provided that the total amount transferred and included in the  
10 amount needed from property taxes does not exceed the total amount  
11 budgeted as prescribed in subsection J, paragraph 1 of this section.

12           I. If a governing board chooses to budget monies outside of  
13 district additional assistance as provided in subsection G of this  
14 section, the governing board may notify the county school superintendent  
15 to include the cost of the excess expenses in the county school  
16 superintendent's estimate of the additional amount needed for the school  
17 district from the ~~primary~~ **SECONDARY** property tax as provided in section  
18 15-991.

19           J. A governing board using subsections G, H and I of this section:

20           1. Shall prepare and employ a separate maintenance and operation  
21 desegregation budget and capital outlay desegregation budget on a form  
22 prescribed by the superintendent of public instruction in conjunction with  
23 the auditor general. The budget format shall be designed to allow a  
24 school district to plan and provide in detail for expenditures to be  
25 incurred solely as a result of compliance with or continuing to implement  
26 activities that were required or permitted by a court order of  
27 desegregation or administrative agreement with the United States  
28 department of education office for civil rights directed toward  
29 remediating alleged or proven racial discrimination.

30           2. Shall prepare as a part of the annual financial report a  
31 detailed report of expenditures incurred solely as a result of compliance  
32 with or continuing to implement activities that were required or permitted  
33 by a court order of desegregation or administrative agreement with the  
34 United States department of education office for civil rights directed  
35 toward remediating alleged or proven racial discrimination, in a format  
36 prescribed by the auditor general in conjunction with the Arizona  
37 department of education as provided by section 15-904.

38           3. On or before July 15 each year, shall collect and report data  
39 regarding activities related to a court order of desegregation or an  
40 administrative agreement with the United States department of education  
41 office for civil rights directed toward remediating alleged or proven  
42 racial discrimination in a format prescribed by the Arizona department of  
43 education. The Arizona department of education shall compile and submit  
44 copies of the reports to the governor, the president of the senate, the  
45 speaker of the house of representatives and the chairpersons of the

1 education committees of the senate and the house of representatives and  
2 shall submit a copy to the secretary of state. A school district that  
3 becomes subject to a new court order of desegregation or a party to an  
4 administrative agreement with the United States department of education  
5 office for civil rights directed toward remediating alleged or proven  
6 racial discrimination shall submit these reports on or before July 15 or  
7 within ninety days of the date of the court order or administrative  
8 agreement, whichever occurs first. The Arizona department of education,  
9 in consultation with the auditor general, shall develop reporting  
10 requirements to ensure that school districts submit at least the following  
11 information and documentation to the Arizona department of education:

12 (a) A district-wide budget summary and a budget summary on a  
13 school-by-school basis for each school in the school district that lists  
14 the sources and uses of monies that are designated for desegregation  
15 purposes.

16 (b) A detailed list of desegregation activities on a district-wide  
17 basis and on a school-by-school basis for each school in the school  
18 district.

19 (c) The date that the school district was determined to be out of  
20 compliance with title VI of the civil rights act of 1964 (42 United States  
21 Code section 2000d) and the basis for that determination.

22 (d) The initial date that the school district began to levy  
23 property taxes to provide funding for desegregation expenses and any dates  
24 that these property tax levies were increased.

25 (e) If applicable, a current and accurate description of all magnet  
26 type programs that are in operation pursuant to the court order during the  
27 current school year on a district-wide basis and on a school-by-school  
28 basis. This information shall contain the eligibility and attendance  
29 criteria of each magnet type program, the capacity of each magnet type  
30 program, the ethnic composition goals of each magnet type program, the  
31 actual attending ethnic composition of each magnet type program and the  
32 specific activities offered in each magnet type program.

33 (f) The number of pupils who participate in desegregation  
34 activities on a district-wide basis and on a school-by-school basis for  
35 each school in the school district.

36 (g) A detailed summary of the academic achievement of pupils on a  
37 district-wide basis and on a school-by-school basis for each school in the  
38 school district.

39 (h) The number of employees, including teachers and administrative  
40 personnel, on a district-wide basis and on a school-by-school basis for  
41 each school in the school district that is necessary to conduct  
42 desegregation activities.

43 (i) The number of employees, including teachers and administrative  
44 personnel, on a district-wide basis and on a school-by-school basis for  
45 each school in the school district and the number of employees at school

1 district administrative offices that are funded in whole or in part with  
2 desegregation monies received pursuant to this section.

3 (j) The amount of monies that is not derived through a primary or  
4 secondary property tax levy and that is budgeted and spent on  
5 desegregation activities on a district-wide basis and on a  
6 school-by-school basis for each school in the school district.

7 (k) Verification that the desegregation funding will supplement and  
8 not supplant funding for other academic and extracurricular activities.

9 (l) Verification that the desegregation funding is educationally  
10 justifiable.

11 (m) Any documentation that supports the proposition that the  
12 requested desegregation funding is intended to result in equal education  
13 opportunities for all pupils in the school district.

14 (n) Verification that the desegregation funding will be used to  
15 promote systemic and organizational changes within the school district.

16 (o) Verification that the desegregation funding will be used in  
17 accordance with the academic standards adopted by the state board of  
18 education pursuant to sections 15-701 and 15-701.01.

19 (p) Verification that the desegregation funding will be used to  
20 accomplish specific actions to remediate proven discrimination pursuant to  
21 title VI of the civil rights act of 1964 (42 United States Code section  
22 2000d) as specified in the court order or administrative agreement.

23 (q) An evaluation by the school district of the effectiveness of  
24 the school district's desegregation measures.

25 (r) An estimate of when the school district will be in compliance  
26 with the court order or administrative agreement and a detailed account of  
27 the steps that the school district will take to achieve compliance.

28 (s) Any other information that the Arizona department of education  
29 deems necessary to carry out the purposes of this paragraph.

30 K. If a school district governing board budgets for expenses of  
31 complying with a court order of desegregation or an administrative  
32 agreement with the United States department of education office for civil  
33 rights directed toward remediating alleged or proven racial  
34 discrimination, the governing board shall ensure that the desegregation  
35 expenses will:

36 1. Be educationally justifiable.

37 2. Result in equal education opportunities for all pupils in the  
38 school district.

39 3. Be used to promote systemic and organizational changes within  
40 the school district.

41 4. Be used in accordance with the academic standards adopted by the  
42 state board of education pursuant to sections 15-701 and 15-701.01.

43 5. Be used to accomplish specific actions to remediate proven  
44 discrimination pursuant to title VI of the civil rights act of 1964

1 (42 United States Code section 2000d) as specified in the court order or  
2 administrative agreement.

3 6. Be used in accordance with a plan submitted to the department of  
4 education that includes an estimate of the amount of monies that will be  
5 required to bring the school district into compliance with the court order  
6 or administrative agreement and an estimate of when the school district  
7 will be in compliance with the court order or administrative agreement.

8 7. Each fiscal year, not exceed the amount budgeted by the school  
9 district for desegregation expenses in fiscal year 2008-2009.

10 L. BEGINNING IN FISCAL YEAR 2018-2019, SUBSECTIONS G THROUGH K OF  
11 THIS SECTION APPLY ONLY IF THE GOVERNING BOARD USES REVENUES FROM  
12 SECONDARY PROPERTY TAXES RATHER THAN PRIMARY PROPERTY TAXES TO FUND  
13 EXPENSES OF COMPLYING WITH OR CONTINUING TO IMPLEMENT ACTIVITIES THAT WERE  
14 REQUIRED OR ALLOWED BY A COURT ORDER OF DESEGREGATION OR ADMINISTRATIVE  
15 AGREEMENT WITH THE UNITED STATES DEPARTMENT OF EDUCATION OFFICE FOR CIVIL  
16 RIGHTS DIRECTED TOWARD REMEDIATING ALLEGED OR PROVEN RACIAL DISCRIMINATION  
17 THAT ARE SPECIFICALLY EXEMPT IN WHOLE OR IN PART FROM THE REVENUE CONTROL  
18 LIMIT AND DISTRICT ADDITIONAL ASSISTANCE. SECONDARY PROPERTY TAXES LEVIED  
19 PURSUANT TO THIS SUBSECTION DO NOT REQUIRE VOTER APPROVAL, BUT SHALL BE  
20 SEPARATELY DELINEATED ON A PROPERTY OWNER'S PROPERTY TAX STATEMENT.

21 ~~L.~~ M. The governing board may budget for the bond issues portion  
22 of the cost of tuition charged the district as provided in section 15-824  
23 for the pupils attending school in another school district, except that if  
24 the district is a common school district not within a high school  
25 district, the district may only include that part of tuition that is  
26 excluded from the revenue control limit and district support level as  
27 provided in section 15-951. The bond issues portion of the cost of  
28 tuition charged is specifically exempt from the revenue control limit of  
29 the school district of residence, and the primary property tax rate set to  
30 fund this amount shall not be included in the computation of additional  
31 state aid for education as provided in section 15-972, except as provided  
32 in section 15-972, subsection E. The department of education and the  
33 auditor general shall include in the maintenance and operation section of  
34 the budget format, as provided in section 15-903, a separate category for  
35 the bond issues portion of the cost of tuition.

36 ~~M.~~ N. The governing board may budget for interest expenses it  
37 incurred for registering warrants drawn against a fund of the school  
38 district or net interest expense on tax anticipation notes as prescribed  
39 in section 35-465.05, subsection C for the fiscal year preceding the  
40 current year if the county treasurer pooled all school district monies for  
41 investment as provided in section 15-996 for the fiscal year preceding the  
42 current year and, in those school districts that receive state aid, the  
43 school districts applied for an apportionment of state aid before the date  
44 set for the apportionment as provided in section 15-973 for the fiscal  
45 year preceding the current year. The governing board may budget an amount

1 for interest expenses for registering warrants or issuing tax anticipation  
2 notes equal to or less than the amount of the warrant interest expense or  
3 net interest expense on tax anticipation notes as prescribed in section  
4 35-465.05, subsection C for the fiscal year preceding the current year as  
5 provided in this subsection that is specifically exempt from the revenue  
6 control limit. For the purposes of this subsection, "state aid" means  
7 state aid as determined in sections 15-971 and 15-972.

8 Sec. 3. Section 43-409, Arizona Revised Statutes, is amended to  
9 read:

10 43-409. Job creation withholdings clearing account

11 A. The job creation withholdings clearing account is established  
12 consisting of the sum of ~~twenty-six million five hundred thousand dollars~~  
13 ~~of withholding tax revenues in fiscal year 2015-2016 and twenty-one~~  
14 ~~million five hundred thousand dollars for~~ \$21,500,000 IN FISCAL YEAR  
15 2018-2019 AND \$15,500,000 IN each fiscal year after ~~2015-2016~~ FISCAL YEAR  
16 2018-2019.

17 B. On the twentieth day of each month, the state treasurer shall  
18 credit the following amounts from the clearing account:

19 1. To the Arizona commerce authority fund established by section  
20 41-1506, one-twelfth of the annual sum of ~~ten million dollars~~ \$10,000,000  
21 in each fiscal year.

22 2. To the Arizona competes fund established by section 41-1545.01,  
23 one-twelfth of the annual sum of ~~sixteen million five hundred thousand~~  
24 ~~dollars in fiscal year 2015-2016 and eleven million five hundred thousand~~  
25 ~~dollars for~~ \$11,500,000 IN FISCAL YEAR 2018-2019 AND \$5,500,000 IN  
26 each fiscal year after ~~2015-2016~~ FISCAL YEAR 2018-2019.

27 Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to  
28 read:

29 43-1022. Subtractions from Arizona gross income

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

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

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

36 (a) The United States government service retirement and disability  
37 fund, ~~retired or retainer pay of the uniformed services of the United~~  
38 ~~States~~, the United States foreign service retirement and disability system  
39 and any other retirement system or plan established by federal law.

40 (b) The Arizona state retirement system, the corrections officer  
41 retirement plan, the public safety personnel retirement system, the  
42 elected officials' retirement plan, an optional retirement program  
43 established by the Arizona board of regents under section 15-1628, an  
44 optional retirement program established by a community college district



1 board under section 15-1451 or a retirement plan established for employees  
2 of a county, city or town in this state.

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

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

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

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

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

18 8. The portion of any wages or salaries paid or incurred by the  
19 taxpayer for the taxable year that is equal to the amount of the federal  
20 work opportunity credit, the empowerment zone employment credit, the  
21 credit for employer paid social security taxes on employee cash tips and  
22 the Indian employment credit that the taxpayer received under sections  
23 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

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

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

41 13. The amount of unreimbursed medical and hospital costs, adoption  
42 counseling, legal and agency fees and other nonrecurring costs of adoption  
43 not to exceed three thousand dollars. In the case of a husband and wife  
44 who file separate returns, the subtraction may be taken by either taxpayer  
45 or may be divided between them, but the total subtractions allowed both

1 husband and wife shall not exceed three thousand dollars. The subtraction  
2 under this paragraph may be taken for the costs that are described in this  
3 paragraph and that are incurred in prior years, but the subtraction may be  
4 taken only in the year during which the final adoption order is granted.

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

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

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

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

20 18. The amount authorized by section 43-1030 relating to holocaust  
21 survivors.

22 19. For property placed in service:

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

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

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

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

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

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

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

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

27 (a) Two thousand dollars for a single individual or a head of  
28 household.

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

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

39 24. The amount of previously deferred discharge of indebtedness  
40 income that is included in the computation of federal adjusted gross  
41 income in the current taxable year pursuant to section 108(i) of the  
42 internal revenue code as added by section 1231 of the American recovery  
43 and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount  
44 was previously added to Arizona gross income pursuant to section 43-1021,  
45 paragraph 17.

1           25. The portion of the net operating loss carryforward that would  
2 have been allowed as a deduction in the current year pursuant to section  
3 172 of the internal revenue code if the election described in section  
4 172(b)(1)(H) of the internal revenue code had not been made in the year of  
5 the loss that exceeds the actual net operating loss carryforward that was  
6 deducted in arriving at federal adjusted gross income. This subtraction  
7 only applies to taxpayers who made an election under section 172(b)(1)(H)  
8 of the internal revenue code as amended by section 1211 of the American  
9 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by  
10 section 13 of the worker, homeownership, and business assistance act of  
11 2009 (P.L. 111-92).

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

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

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

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

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

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

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

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

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

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

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

10 32. BENEFITS, ANNUITIES AND PENSIONS RECEIVED AS RETIRED OR  
11 RETAINER PAY OF THE UNIFORMED SERVICES OF THE UNITED STATES IN AMOUNTS AS  
12 FOLLOWS:

13 (a) FOR TAXABLE YEARS THROUGH DECEMBER 31, 2018, AN AMOUNT TOTALING  
14 NOT MORE THAN TWO THOUSAND FIVE HUNDRED DOLLARS.

15 (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018,  
16 AN AMOUNT TOTALING NOT MORE THAN THREE THOUSAND FIVE HUNDRED DOLLARS.

17 Sec. 5. Laws 2017, chapter 312, section 7 is amended to read:

18 Sec. 7. Department of gaming; regulatory assessment;  
19 pari-mutuel pool

20 Notwithstanding ~~section 5-104, Arizona Revised Statutes~~ ANY OTHER  
21 LAW, in fiscal ~~year~~ YEARS 2017-2018 AND 2018-2019, the department of  
22 gaming shall establish and collect a regulatory assessment from each  
23 commercial racing permittee, payable from amounts deducted from  
24 pari-mutuel pools by the permittee, in addition to the amounts the  
25 permittee is authorized to deduct pursuant to section 5-111, subsection B,  
26 Arizona Revised Statutes, from amounts wagered on live and simulcast races  
27 from in-state and out-of-state wagering handled by the permittee, in the  
28 amount of 0.5 percent of the amounts wagered.

29 Sec. 6. Laws 2017, chapter 312, section 8 is amended to read:

30 Sec. 8. Appropriation; department of transportation; local  
31 governments; highways; fiscal year 2017-2018

32 A. Notwithstanding any other law, the sum of \$30,000,000 is  
33 appropriated on a onetime basis from the highway expansion and extension  
34 loan program fund established by section 28-7674, Arizona Revised  
35 Statutes, in ~~each of~~ fiscal ~~years~~ YEAR 2017-2018 ~~and 2018-2019~~ to the  
36 department of transportation for distribution as follows:

37 1. To the counties, 33.231 percent.

38 2. To the incorporated cities and towns, 48.097 percent.

39 3. To incorporated cities with a population of three hundred  
40 thousand or more persons, 5.247 percent.

41 4. To counties with a population of more than eight hundred  
42 thousand persons, 13.425 percent.

43 B. The allocation and distribution made pursuant to subsection A,  
44 paragraphs 1, 2 and 3 of this section shall be made as prescribed in  
45 section 28-6540, Arizona Revised Statutes. The allocation and

1 distribution made pursuant to subsection A, paragraph 4 of this section  
2 shall be made as prescribed in section 28-6538, subsection B, Arizona  
3 Revised Statutes.

4 C. The ~~amounts~~ AMOUNT appropriated in this section may be used only  
5 for the direct costs of constructing, reconstructing, maintaining or  
6 repairing public highways, streets or bridges and direct costs of  
7 rights-of-way acquisitions and expenses related thereto.

8 Sec. 7. Laws 2017, chapter 312, section 9 is amended to read:

9 Sec. 9. Arizona highway user revenue fund; distributions;  
10 fiscal years 2018-2019 and 2019-2020

11 A. Notwithstanding any other law, before the distribution of  
12 revenues of the Arizona highway user revenue fund pursuant to section  
13 28-6538, Arizona Revised Statutes, the department of transportation shall  
14 allocate and the state treasurer shall distribute \$30,000,000 in EACH OF  
15 fiscal year YEARS 2018-2019 and ~~\$60,000,000 in fiscal year~~ 2019-2020 as  
16 follows:

17 1. To the counties, 33.231 percent.

18 2. To the incorporated cities and towns, 48.097 percent.

19 3. To incorporated cities with a population of three hundred  
20 thousand or more persons, 5.247 percent.

21 4. To counties with a population of more than eight hundred  
22 thousand persons, 13.425 percent.

23 B. The allocation and distributions made pursuant to subsection A,  
24 paragraphs 1, 2 and 3 of this section shall be made as prescribed in  
25 section 28-6540, Arizona Revised Statutes. The allocation and  
26 distribution made pursuant to subsection A, paragraph 4 of this section  
27 shall be made as prescribed in section 28-6538, subsection B, Arizona  
28 Revised Statutes.

29 C. The amounts appropriated in this section may be used only for  
30 the direct costs of constructing, reconstructing, maintaining or repairing  
31 public highways, streets or bridges and direct costs of rights-of-way  
32 acquisitions and expenses related thereto.

33 ~~D. It is the intent of the legislature that the fiscal year~~  
34 ~~2019-2020 distribution be matched by a \$30,000,000 reduction to the~~  
35 ~~Arizona highway user revenue fund appropriation to the department of~~  
36 ~~public safety. It is also the intent of the legislature that the state~~  
37 ~~general fund appropriation to the department of public safety be increased~~  
38 ~~by \$30,000,000 in fiscal year 2019-2020 so as to not allow the shift to~~  
39 ~~impact the operations of the department.~~

40 Sec. 8. Department of gaming; boxing and mixed martial arts  
41 revenues; unarmed combat subaccount

42 Notwithstanding any other law, the director of the department of  
43 gaming shall deposit amounts received in fiscal year 2018-2019 from all  
44 sources, except licensing fees, related to the conduct of boxing and mixed  
45 martial arts under title 5, Arizona Revised Statutes, including the levy

1 of the tax on gross receipts imposed on boxing or mixed martial events,  
2 cash bonds and surety bonds, in an unarmed combat subaccount within the  
3 racing regulation fund established by section 5-113.01, Arizona Revised  
4 Statutes. Monies deposited in the racing regulation fund pursuant to this  
5 section shall be used exclusively to administer and regulate boxing, mixed  
6 martial arts and other unarmed combat events.

7       Sec. 9. Department of insurance; fee and assessment  
8                   adjustment suspension

9       Notwithstanding section 20-167, subsection E, Arizona Revised  
10 Statutes, and section 20-466, subsection J, Arizona Revised Statutes, the  
11 director of insurance may not revise fees or assessments in fiscal year  
12 2018-2019 for the purpose of meeting the requirement to recover at least  
13 ninety-five percent but not more than one hundred ten percent of the  
14 department of insurance's appropriated budget.

15       Sec. 10. Agricultural fees; continuation; intent; rulemaking  
16                   exemption

17       A. Notwithstanding any other law, the director of the Arizona  
18 department of agriculture, with the assistance of the department of  
19 agriculture advisory council, may continue, increase or lower existing  
20 fees from fiscal years 2016-2017 and 2017-2018 in fiscal year 2018-2019  
21 for services provided in fiscal year 2018-2019.

22       B. It is the intent of the legislature that the additional revenue  
23 generated by the fees prescribed in subsection A of this section not  
24 exceed \$218,000 to the state general fund, \$113,000 to the pesticide trust  
25 fund established by section 3-350, Arizona Revised Statutes, and \$26,000  
26 to the dangerous plants, pests and diseases trust fund established by  
27 section 3-214.01, Arizona Revised Statutes, in fiscal year 2018-2019.

28       C. The Arizona department of agriculture is exempt from the  
29 rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes,  
30 until July 1, 2019 for the purpose of establishing fees pursuant to this  
31 section.

32       Sec. 11. County fiscal obligations; report

33       A. Notwithstanding any other law, for fiscal year 2018-2019, a  
34 county with a population of less than two hundred fifty thousand persons  
35 according to the 2010 United States decennial census may meet any county  
36 fiscal obligation from any source of county revenue designated by the  
37 county, including monies of any countywide special taxing jurisdiction of  
38 which the board of supervisors serves as the board of directors. Under  
39 the authority provided in this subsection, a county may not use more than  
40 \$1,250,000 for purposes other than the purposes of the revenue source.

41       B. On or before October 1, 2018, all counties with a population of  
42 less than two hundred fifty thousand persons according to the 2010 United  
43 States decennial census shall report to the director of the joint  
44 legislative budget committee whether the county used a revenue source for  
45 purposes other than the purposes of the revenue source to meet a county

1 fiscal obligation pursuant to subsection A of this section and, if so, the  
2 specific source and amount of revenues that the county intends to use in  
3 fiscal year 2018-2019.

4 Sec. 12. Legislative intent

5 It is the intent of the legislature that in fiscal year 2018-2019  
6 the fee prescribed in section 42-5041, subsection B, Arizona Revised  
7 Statutes, be assessed and collected pursuant to the following guidelines:

8 1. The total amount of fees for all counties, cities, towns,  
9 councils of governments and regional transportation authorities may not  
10 exceed \$20,755,835 in any fiscal year.

11 2. The share of fees assessed to all counties pursuant to paragraph  
12 1 of this section shall be in proportion to the aggregate amount of monies  
13 distributed to counties for the fiscal year two years preceding the  
14 current fiscal year pursuant to sections 42-5029, 42-6103, 42-6107,  
15 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111 and 42-6112,  
16 Arizona Revised Statutes, as a percentage of aggregate distributions to  
17 all counties, cities, towns, councils of governments and regional  
18 transportation authorities located in a county with a population of more  
19 than four hundred thousand persons for the fiscal year two years preceding  
20 the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103,  
21 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01,  
22 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

23 3. The share of fees assessed to all cities and towns pursuant to  
24 paragraph 1 of this section shall be in proportion to the aggregate amount  
25 of monies distributed to cities and towns for the fiscal year two years  
26 preceding the current fiscal year pursuant to sections 42-5029, 42-6001  
27 and 43-206, Arizona Revised Statutes, as a percentage of aggregate  
28 distributions to all counties, cities, towns, councils of governments and  
29 regional transportation authorities located in a county with a population  
30 of more than four hundred thousand persons for the fiscal year two years  
31 preceding the current fiscal year pursuant to sections 42-5029, 42-6001,  
32 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109,  
33 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised  
34 Statutes.

35 4. The share of fees assessed to all councils of governments  
36 pursuant to paragraph 1 of this section shall be in proportion to the  
37 aggregate amount of monies distributed to all councils of governments for  
38 the fiscal year two years preceding the current fiscal year pursuant to  
39 section 42-6105, Arizona Revised Statutes, as a percentage of aggregate  
40 distributions to all counties, cities, towns, councils of governments and  
41 regional transportation authorities located in a county with a population  
42 of more than four hundred thousand persons for the fiscal year two years  
43 preceding the current fiscal year pursuant to sections 42-5029, 42-6001,  
44 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109,



1 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised  
2 Statutes.

3 5. The share of fees assessed to all regional transportation  
4 authorities located in a county with a population of more than four  
5 hundred thousand persons pursuant to paragraph 1 of this section shall be  
6 in proportion to the aggregate amount of monies distributed to all  
7 regional transportation authorities located in a county with a population  
8 of more than four hundred thousand persons for the fiscal year two years  
9 preceding the current fiscal year pursuant to section 42-6106, Arizona  
10 Revised Statutes, as a percentage of aggregate distributions to all  
11 counties, cities, towns, councils of governments and regional  
12 transportation authorities located in a county with a population of more  
13 than four hundred thousand persons for the fiscal year two years preceding  
14 the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103,  
15 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01,  
16 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

17 6. Except as provided by sections 42-5033 and 42-5033.01, Arizona  
18 Revised Statutes, the population of a county as determined by the most  
19 recent United States decennial census plus any revision to the decennial  
20 census certified by the United States census bureau shall be used as the  
21 basis for apportioning monies pursuant to paragraph 2 of this section.

22 7. Except as provided by sections 42-5033 and 42-5033.01, Arizona  
23 Revised Statutes, the population of a city or town as determined by the  
24 most recent United States decennial census plus any revision to the  
25 decennial census certified by the United States census bureau shall be  
26 used as the basis for apportioning monies pursuant to paragraph 3 of this  
27 section.

28 Sec. 13. Retroactivity

29 Section 15-910, Arizona Revised Statutes, as amended by this act,  
30 Laws 2017, chapter 312, sections 7 and 8, as amended by this act, and  
31 section 8 of this act apply retroactively to from and after June 30, 2018.

APPROVED BY THE GOVERNOR MAY 3, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 3, 2018.