

COMMITTEE ON COMMERCE  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2204  
(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1001, Arizona Revised Statutes, is amended to  
3 read:

4 43-1001. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Arizona adjusted gross income" of a resident individual means  
7 the individual's Arizona gross income subject to modifications specified in  
8 sections 43-1021, ~~and~~ 43-1022 AND 43-1028.

9 2. "Arizona gross income" of a resident individual means the  
10 individual's federal adjusted gross income for the taxable year, computed  
11 pursuant to the internal revenue code.

12 3. "Dependent" has the same meaning prescribed by section 152 of the  
13 internal revenue code.

14 4. "Federal adjusted gross income" of a resident individual means  
15 the individual's adjusted gross income computed pursuant to the internal  
16 revenue code.

17 5. "Head of household" has the same meaning prescribed by sections  
18 2(b) and 2(c) of the internal revenue code. Head of household includes an  
19 individual who meets the qualifications of a surviving spouse under section  
20 2(a) of the internal revenue code.

21 6. "Married person" means a married person on the last day of the  
22 taxable year subject to the rules in section 43-1002.

23 7. "Net income" means taxable income.

1           8. "Person" means an individual.

2           9. "Single person" means any person who is not married or who was  
3 legally separated on the last day of the person's taxable year.

4           10. "Spouse" means the wife or husband of the taxpayer.

5           11. "Taxable income" of a resident individual means Arizona adjusted  
6 gross income less the deductions allowed in article 4 of this chapter.

7           12. "Taxpayer" means any person who is subject to a tax imposed by  
8 this chapter.

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

11           43-1022. Subtractions from Arizona gross income

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

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

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

17           (a) The United States government service retirement and disability  
18 fund, the United States foreign service retirement and disability system  
19 and any other retirement system or plan established by federal law, except  
20 retired or retainer pay of the uniformed services of the United States that  
21 qualifies for a subtraction under paragraph 26 of this section.

22           (b) The Arizona state retirement system, the corrections officer  
23 retirement plan, the public safety personnel retirement system, the elected  
24 officials' retirement plan, an optional retirement program established by  
25 the Arizona board of regents under section 15-1628, an optional retirement  
26 program established by a community college district board under section  
27 15-1451 or a retirement plan established for employees of a county, city or  
28 town in this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24           17. For property placed in service:

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

31           (b) In taxable years beginning from and after December 31, 2012  
32 through December 31, 2013, an amount determined in the year the asset was

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

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

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

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

27 18. With respect to property that is sold or otherwise disposed of  
28 during the taxable year by a taxpayer that complied with section 43-1021,  
29 paragraph 11 with respect to that property, the amount of depreciation that  
30 has been allowed pursuant to section 167(a) of the internal revenue code to  
31 the extent that the amount has not already reduced Arizona taxable income  
32 in the current or prior taxable years.

1           19. The amount contributed during the taxable year to college  
2 savings plans established pursuant to section 529 of the internal revenue  
3 code on behalf of the designated beneficiary to the extent that the  
4 contributions were not deducted in computing federal adjusted gross income.  
5 The amount subtracted may not exceed:

6           (a) \$2,000 per beneficiary for a single individual or a head of  
7 household.

8           (b) \$4,000 per beneficiary for a married couple filing a joint  
9 return. In the case of a husband and wife who file separate returns, the  
10 subtraction may be taken by either taxpayer or may be divided between them,  
11 but the total subtractions allowed both husband and wife may not exceed  
12 \$4,000 per beneficiary.

13           20. The portion of the net operating loss carryforward that would  
14 have been allowed as a deduction in the current year pursuant to section  
15 172 of the internal revenue code if the election described in section  
16 172(b)(1)(H) of the internal revenue code had not been made in the year of  
17 the loss that exceeds the actual net operating loss carryforward that was  
18 deducted in arriving at federal adjusted gross income. This subtraction  
19 only applies to taxpayers who made an election under section 172(b)(1)(H)  
20 of the internal revenue code as amended by section 1211 of the American  
21 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section  
22 13 of the worker, homeownership, and business assistance act of 2009 (P.L.  
23 111-92).

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

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

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

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

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

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

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

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

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

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

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

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

1 (b) For taxable years beginning from and after December 31, 2018  
2 through December 31, 2020, an amount totaling not more than \$3,500.

3 (c) For taxable years beginning from and after December 31, 2020,  
4 the full amount received.

5 27. For taxable years beginning from and after December 31, 2020,  
6 the amount contributed during the taxable year to an achieving a better  
7 life experience account established pursuant to section 529A of the  
8 internal revenue code on behalf of the designated beneficiary to the extent  
9 that the contributions were not deducted in computing federal adjusted  
10 gross income. The amount subtracted may not exceed:

11 (a) \$2,000 per beneficiary for a single individual or a head of  
12 household.

13 (b) \$4,000 per beneficiary for a married couple filing a joint  
14 return. In the case of a husband and wife who file separate returns, the  
15 subtraction may be taken by either taxpayer or may be divided between them,  
16 but the total subtractions allowed both husband and wife may not exceed  
17 \$4,000 per beneficiary.

18 28. For taxable years beginning from and after December 31, 2020,  
19 Arizona small business adjusted gross income, but only if an individual  
20 taxpayer has elected to separately report and pay tax on the taxpayer's  
21 Arizona small business adjusted gross income on the Arizona small business  
22 income tax return.

23 29. TO THE EXTENT NOT ALREADY EXCLUDED FROM ARIZONA GROSS INCOME  
24 UNDER SECTION 2503 OF THE INTERNAL REVENUE CODE, THE AMOUNT OF THE VALUE OF  
25 VIRTUAL CURRENCY AND NON-FUNGIBLE TOKENS THE TAXPAYER RECEIVED PURSUANT TO  
26 AN AIRDROP AT THE TIME OF THE AIRDROP UP TO THE DOLLAR AMOUNT THRESHOLD  
27 PRESCRIBED IN SECTION 2503 OF THE INTERNAL REVENUE CODE AND AS LONG AS THE  
28 TAXPAYER HAS NOT ALREADY MET THE DOLLAR AMOUNT THRESHOLD PRESCRIBED IN  
29 SECTION 2503 OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS  
30 PARAGRAPH, "AIRDROP" MEANS THE RECEIPT OF VIRTUAL CURRENCY THROUGH A MEANS  
31 OF DISTRIBUTION OF VIRTUAL CURRENCY TO THE DISTRIBUTED LEDGER ADDRESSES OF  
32 MULTIPLE TAXPAYERS.



1           Sec. 3. Title 43, chapter 10, article 3, Arizona Revised Statutes,  
2 is amended by adding section 43-1028, to read:

3           43-1028. Sale of virtual currency; calculation of gain or  
4                                   loss; gas fees; subtraction; definitions

5           A. IF A TAXPAYER HAS INCLUDED IN ARIZONA GROSS INCOME A GAIN OR LOSS  
6 ON THE SALE OF VIRTUAL CURRENCY AND IN CALCULATING THE GAIN OR LOSS THE  
7 TAXPAYER DID NOT INCLUDE IN THE BASIS OF THE VIRTUAL CURRENCY ANY GAS FEES  
8 PAID ON THE PURCHASE OF THE VIRTUAL CURRENCY OR DID NOT OTHERWISE DEDUCT  
9 THESE GAS FEES IN DETERMINING ARIZONA GROSS INCOME, THE TAXPAYER MAY  
10 SUBTRACT THE AMOUNT OF THE GAS FEES FROM ARIZONA GROSS INCOME.

11           B. FOR THE PURPOSES OF THIS SECTION:

12           1. "FOREIGN CURRENCY" MEANS THE COIN AND PAPER MONEY OF A COUNTRY  
13 OTHER THAN THE UNITED STATES THAT IS DESIGNATED AS LEGAL TENDER, CIRCULATES  
14 AND IS CUSTOMARILY USED AND ACCEPTED AS A MEDIUM OF EXCHANGE IN THE COUNTRY  
15 OF ISSUANCE.

16           2. "GAS FEE" MEANS A FEE PAID TO THE OPERATOR OF A VIRTUAL NETWORK  
17 FOR THE USE OF THE NETWORK TO FACILITATE THE PURCHASE OR SALE OF VIRTUAL  
18 CURRENCY.

19           3. "VIRTUAL CURRENCY" MEANS A DIGITAL REPRESENTATION OF VALUE THAT  
20 FUNCTIONS AS A MEDIUM OF EXCHANGE, A UNIT OF ACCOUNT AND A STORE OF VALUE  
21 OTHER THAN A REPRESENTATION OF THE UNITED STATES DOLLAR OR A FOREIGN  
22 CURRENCY.

23           Sec. 4. Section 43-1042, Arizona Revised Statutes, is amended to  
24 read:

25           43-1042. Itemized deductions

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

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

4           C. A taxpayer shall not claim both a deduction provided by this  
5 section and a credit allowed by this title with respect to the same  
6 charitable contributions. This subsection applies to any contribution for  
7 which a credit is allowed by this title even if the contribution is treated  
8 as a payment of state income tax.

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

13           E. IN LIEU OF THE AMOUNT OF THE FEDERAL ITEMIZED DEDUCTION FOR  
14 PERSONAL CASUALTY LOSSES ALLOWED UNDER SECTION 165 OF THE INTERNAL REVENUE  
15 CODE, THE TAXPAYER MAY:

16           1. DEDUCT THE AMOUNT ALLOWED BY SECTION 213 OF THE INTERNAL REVENUE  
17 CODE FOR PERSONAL CASUALTY LOSSES WITHOUT CONSIDERATION OF THE LIMITATIONS  
18 PRESCRIBED IN SECTION 165(h)(5) OF THE INTERNAL REVENUE CODE.

19           2. DEDUCT THE AMOUNT OF PERSONAL CASUALTY LOSSES RELATED TO VIRTUAL  
20 CURRENCY AND NON-FUNGIBLE TOKENS TO THE EXTENT THEY ARE NOT DEDUCTED  
21 PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION."

22 Amend title to conform

And, as so amended, it do pass

JEFF WENINGER  
CHAIRMAN

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