

COMMITTEE ON FINANCE
SENATE AMENDMENTS TO H.B. 2112
(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1122, Arizona Revised Statutes, is amended to
3 read:

4 43-1122. Subtractions from Arizona gross income; corporations

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

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

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

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

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

21 5. With respect to property that is sold or otherwise disposed of
22 during the taxable year by a taxpayer that complied with section 43-1121,
23 paragraph 4 with respect to that property, the amount of depreciation that
24 has been allowed pursuant to section 167(a) of the internal revenue code to

1 the extent that the amount has not already reduced Arizona taxable income
2 in the current taxable year or prior taxable years.

3 6. With respect to a financial institution as defined in section
4 6-101, expenses and interest relating to tax-exempt income disallowed
5 pursuant to section 265 of the internal revenue code.

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

14 8. Interest income received on obligations of the United States.

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

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

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

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

26 13. The amount of deferred exploration expenses allowed by section
27 43-1127.

28 14. The amount of exploration expenses related to the exploration of
29 oil, gas or geothermal resources, computed in the same manner and on the
30 same basis as a deduction for mine exploration pursuant to section 617 of
31 the internal revenue code. This computation is subject to the adjustments

1 contained in section 43-1121, paragraph 10 and paragraphs 12 and 13 of this
2 section relating to exploration expenses.

3 15. The amortization of pollution control devices allowed by section
4 43-1129.

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

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

10 18. The income of an insurance company that is exempt under section
11 43-1201 to the extent that it is included in computing Arizona gross income
12 on a consolidated return pursuant to section 43-947.

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

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

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

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

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

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

1 23. With respect to a public service corporation operating a water
2 system or sewage disposal facility, the amount of monies or property
3 received as a contribution in aid of construction. For the purposes of
4 this paragraph:

5 (a) "Contribution in aid of construction" means any amount of monies
6 or other property contributed to a public service corporation that provides
7 water or sewage disposal services to the extent that the purpose of the
8 contribution is to provide for expanding, improving or replacing the public
9 service corporation's water system or sewage disposal facilities, including
10 any amount of monies or other property contributed to a public service
11 corporation for a water system or sewage disposal facility subject to a
12 contingent obligation to repay the amount, in whole or in part, to the
13 contributor.

14 (b) "Public service corporation" means a public service corporation
15 as defined in article XV, section 2, Constitution of Arizona, that is
16 regulated by the corporation commission.

17 24. FOR ANY TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31, 2019,
18 THE AMOUNT OF ANY FEDERAL DEPOSIT INSURANCE CORPORATION PREMIUMS PAID OR
19 INCURRED BY THE TAXPAYER THAT IS DISALLOWED AS A DEDUCTION FOR FEDERAL
20 INCOME TAX PURPOSES UNDER SECTION 162(r) OF THE INTERNAL REVENUE CODE FOR
21 THE TAXABLE YEAR.

22 Sec. 2. Retroactivity

23 This act applies retroactively to taxable years beginning from and
24 after December 31, 2019."

25 Amend title to conform

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03/18/2022
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C: ED