

~~pharmacy board; information change requirement~~
(now: tax credits; motion picture credits)

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HOUSE BILL 2156

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1517; REPEALING SECTION 41-1517, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING SECTIONS 42-1122, 42-2003, 43-222 AND 43-1021, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1082; REPEALING SECTION 43-1082, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING SECTION 43-1121, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1165; REPEALING SECTION 43-1165, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; RELATING TO INCOME TAX CREDITS

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 10, article 1, Arizona Revised
3 Statutes, is amended by adding section 41-1517, to read:

4 41-1517. Arizona motion picture production program; duties;
5 preapproval; postapproval; fee; rulemaking; audit;
6 report; definitions

7 A. THE AUTHORITY SHALL:

8 1. IMPLEMENT AN ARIZONA MOTION PICTURE PRODUCTION PROGRAM IN THIS
9 STATE TO PROMOTE THE WORKFORCE DEVELOPMENT AND EXPANSION OF THE COMMERCIAL
10 MOTION PICTURE INDUSTRY IN THIS STATE.

11 2. CERTIFY MOTION PICTURE PRODUCTION COMPANIES THAT PRODUCE ONE OR
12 MORE MOTION PICTURES IN THIS STATE FOR THE PURPOSE OF THE TAX CREDITS
13 ALLOWED UNDER SECTION 43-1082 OR 43-1165.

14 B. TO QUALIFY FOR THE PROGRAM, A MOTION PICTURE PRODUCTION COMPANY
15 SHALL:

16 1. DO EITHER OF THE FOLLOWING:

17 (a) USE A QUALIFIED PRODUCTION FACILITY IN THIS STATE TO PRODUCE
18 THE MOTION PICTURE PRODUCTION.

19 (b) IF THE MOTION PICTURE PRODUCTION IS FILMED PRIMARILY AT A
20 PRACTICAL LOCATION, PRODUCE AND FILM THE MOTION PICTURE PRODUCTION
21 PRIMARILY IN THIS STATE AND PERFORM ALL PREPRODUCTION, POSTPRODUCTION AND
22 EDITING AT AN INDUSTRY STANDARD FACILITY IN THIS STATE, IF SUCH A FACILITY
23 FOR THOSE FUNCTIONS IS AVAILABLE.

24 2. MAINTAIN THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION
25 LABOR POSITIONS IN THIS STATE.

26 3. INCLUDE IN THE CREDITS FOR EACH MOTION PICTURE PRODUCTION AN
27 ACKNOWLEDGMENT THAT THE PRODUCTION WAS FILMED IN ARIZONA.

28 4. SUBMIT A COMPLETED APPLICATION PURSUANT TO SUBSECTION C OF THIS
29 SECTION. AN APPLICATION IS COMPLETE ON RECEIPT OF ALL REQUESTED
30 INFORMATION.

31 5. PROVIDE SUPPORTING STATEMENTS AND RECORDS REQUESTED BY THE
32 AUTHORITY TO DEMONSTRATE THAT THE MOTION PICTURE PRODUCTION COMPANY
33 SATISFIES THE CRITERIA PROVIDED IN THIS SUBSECTION.

34 C. THE APPLICATION FOR CERTIFICATION UNDER THIS SECTION SHALL BE ON
35 A FORM PRESCRIBED BY THE AUTHORITY AND SHALL INCLUDE THE FOLLOWING:

36 1. THE NAME, ADDRESS, TELEPHONE NUMBER AND WEBSITE ADDRESS OF THE
37 MOTION PICTURE PRODUCTION COMPANY.

38 2. THE NAME AND ADDRESS OF AN INDIVIDUAL WHO WILL MAINTAIN RECORDS
39 OF EXPENDITURES IN THIS STATE.

40 3. THE PROJECTED FIRST PREPRODUCTION DATE AND LAST PRODUCTION DATE
41 IN THIS STATE.

42 4. THE PRODUCTION OFFICE ADDRESS AND OFFICE TELEPHONE NUMBER IN
43 THIS STATE.

44 5. THE ESTIMATED TOTAL BUDGET OF THE PRODUCTION.

45 6. THE ESTIMATED TOTAL PRODUCTION COST EXPENDITURES IN THIS STATE.

- 1 7. THE ESTIMATED TOTAL PERCENTAGE OF THE PRODUCTION THAT WILL TAKE
2 PLACE IN THIS STATE.
- 3 8. THE ESTIMATED NUMBER AND DURATION OF FULL-TIME PRODUCTION LABOR
4 EMPLOYMENT POSITIONS IN THIS STATE.
- 5 9. THE ESTIMATED NUMBER OF EMPLOYEES WHO ARE RESIDENTS OF THIS
6 STATE IN THE CAST AND CREW.
- 7 10. THE ESTIMATED MEDIAN WAGE OF PRODUCTION LABOR EMPLOYMENT
8 POSITIONS IN THIS STATE.
- 9 11. A SCRIPT OR SYNOPSIS, THE NAME OF THE PROPOSED DIRECTOR AND A
10 PRELIMINARY LIST OF THE CAST AND PRODUCER.
- 11 12. AN AFFIDAVIT THAT ATTESTS THAT THE MOTION PICTURE PRODUCTION
12 COMPANY WILL MEET ALL OF THE REQUIREMENTS TO QUALIFY FOR THE TAX CREDITS,
13 INCLUDING THAT THE MOTION PICTURE PRODUCTION COMPANY WILL USE A QUALIFIED
14 PRODUCTION FACILITY IN THIS STATE TO PRODUCE THE MOTION PICTURE PRODUCTION
15 OR OTHERWISE SATISFY THE REQUIREMENTS PRESCRIBED IN SUBSECTION B,
16 PARAGRAPH 1 OF THIS SECTION.
- 17 D. THE AUTHORITY SHALL ESTABLISH PROCESSES TO:
 - 18 1. REVIEW A COMPLETED INITIAL APPLICATION SUBMITTED PURSUANT TO
19 THIS SECTION WITHIN A TIME PERIOD PRESCRIBED BY THE AUTHORITY BY RULE TO
20 DETERMINE WHETHER THE MOTION PICTURE PRODUCTION COMPANY SATISFIES ALL OF
21 THE CRITERIA PROVIDED IN SUBSECTION B OF THIS SECTION.
 - 22 2. CERTIFY AND PREAPPROVE A MOTION PICTURE PRODUCTION COMPANY FOR
23 THE MOTION PICTURE PRODUCTION TAX CREDITS UNDER SECTION 43-1082 OR
24 43-1165. PREAPPROVAL PRIORITY SHALL BE BASED ON THE DATE THAT THE MOTION
25 PICTURE PRODUCTION COMPANY FILES A COMPLETE INITIAL APPLICATION FOR
26 CERTIFICATION WITH THE AUTHORITY.
- 27 E. THE PREAPPROVED AMOUNT APPLIES AGAINST THE APPLICABLE DOLLAR
28 LIMIT PRESCRIBED BY SUBSECTION I OF THIS SECTION FOR THE CALENDAR YEAR IN
29 WHICH THE APPLICATION WAS SUBMITTED REGARDLESS OF WHETHER THE PREAPPROVAL
30 PERIOD EXTENDS INTO THE FOLLOWING YEAR OR YEARS.
- 31 F. THE AUTHORITY SHALL DENY AN APPLICATION IF THE AUTHORITY
32 DETERMINES THAT:
 - 33 1. THE MOTION PICTURE PRODUCTION COMPANY DOES NOT MEET ALL OF THE
34 ESTABLISHED CRITERIA PROVIDED IN SUBSECTION B OF THIS SECTION.
 - 35 2. THE PRODUCTION WOULD CONSTITUTE AN OBSCENE MOTION PICTURE FILM
36 OR OBSCENE PICTORIAL PUBLICATION UNDER TITLE 12, CHAPTER 7, ARTICLE 1.1.
 - 37 3. THE PRODUCTION VIOLATES THE OBSCENITY LAWS UNDER TITLE 13,
38 CHAPTER 35.
 - 39 4. THE PRODUCTION WOULD CONSTITUTE SEXUAL EXPLOITATION OF A MINOR
40 OR COMMERCIAL SEXUAL EXPLOITATION OF A MINOR UNDER TITLE 13, CHAPTER 35.1.
- 41 G. ON A DETERMINATION BY THE AUTHORITY THAT A MOTION PICTURE
42 PRODUCTION COMPANY QUALIFIES FOR THE MOTION PICTURE PRODUCTION TAX CREDITS
43 UNDER SECTION 43-1082 OR 43-1165, THE AUTHORITY SHALL ISSUE THE MOTION
44 PICTURE PRODUCTION COMPANY A PREAPPROVAL LETTER AND TRANSMIT A COPY OF THE
45 PREAPPROVAL LETTER TO THE DEPARTMENT OF REVENUE. A PREAPPROVAL LETTER IS

1 EFFECTIVE FOR A TIME PERIOD PRESCRIBED BY THE AUTHORITY BY RULE THAT SHALL
2 BE STATED IN THE PREAPPROVAL LETTER. A MOTION PICTURE PRODUCTION COMPANY
3 MAY APPLY TO THE AUTHORITY TO EXTEND THE PREAPPROVAL PERIOD IF THE MOTION
4 PICTURE PRODUCTION COMPANY CAN DEMONSTRATE THAT AN ACT OF FORCE MAJEURE
5 OCCURRED AND THAT THE PREAPPROVAL LETTER WILL EXPIRE BEFORE THE PRODUCTION
6 IS COMPLETE.

7 H. ON COMPLETION OF THE MOTION PICTURE PRODUCTION, A MOTION PICTURE
8 PRODUCTION COMPANY THAT IS PREAPPROVED FOR THE MOTION PICTURE PRODUCTION
9 TAX CREDITS UNDER SECTION 43-1082 OR 43-1165 SHALL APPLY TO THE AUTHORITY,
10 ON A FORM PRESCRIBED BY THE AUTHORITY, FOR APPROVAL OF MOTION PICTURE
11 PRODUCTION TAX CREDITS AND PROVIDE AN AUDITED STATEMENT COMPLETED BY A
12 CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE THAT CERTIFIES THE TOTAL AMOUNT
13 OF ELIGIBLE PRODUCTION COSTS ASSOCIATED WITH THE PRODUCTION. THE
14 AUTHORITY SHALL PROVIDE POSTAPPROVAL TO A MOTION PICTURE PRODUCTION
15 COMPANY THAT THE MOTION PICTURE PRODUCTION COMPANY HAS MET THE ELIGIBILITY
16 REQUIREMENTS OF THIS SECTION AND NOTIFY THE DEPARTMENT OF REVENUE THAT THE
17 MOTION PICTURE PRODUCTION COMPANY MAY CLAIM THE TAX CREDITS UNDER SECTION
18 43-1082 OR 43-1165.

19 I. THE AUTHORITY MAY NOT PREAPPROVE TAX CREDITS EXCEEDING THE
20 FOLLOWING AMOUNTS IN A CALENDAR YEAR, OF WHICH UP TO \$25,000,000 IN EACH
21 CALENDAR YEAR MAY BE USED FOR MOTION PICTURE PRODUCTIONS THAT QUALIFY FOR
22 THE PROGRAM PURSUANT TO SUBSECTION B, PARAGRAPH 1, SUBDIVISION (b) OF THIS
23 SECTION:

- 24 1. IN CALENDAR YEAR 2023, \$75,000,000.
- 25 2. IN CALENDAR YEAR 2024, \$100,000,000.
- 26 3. IN CALENDAR YEAR 2025, AND EACH CALENDAR YEAR THEREAFTER,
27 \$125,000,000.

28 J. ANY INFORMATION GATHERED FROM MOTION PICTURE PRODUCTION
29 COMPANIES FOR THE PURPOSES OF THIS SECTION IS CONSIDERED CONFIDENTIAL
30 TAXPAYER INFORMATION AND SHALL BE DISCLOSED ONLY AS PROVIDED IN SECTION
31 42-2003, SUBSECTION B, PARAGRAPH 12.

32 K. THE AUTHORITY SHALL ADOPT FEES AND DEPOSIT REQUIREMENTS AND
33 RULES AND SHALL PUBLISH AND PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO
34 ADMINISTER THIS SECTION AND PROVIDE ADMINISTRATIVE SUPPORT SERVICES.

35 L. THE AUTHORITY SHALL SUBMIT A REPORT ON OR BEFORE DECEMBER 31
36 EACH YEAR TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF
37 THE HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY OF THIS REPORT TO
38 THE SECRETARY OF STATE. THE AUTHORITY SHALL ALSO MAKE THE REPORT
39 AVAILABLE TO THE GENERAL PUBLIC ON REQUEST. THE REPORT SHALL INCLUDE:

- 40 1. INFORMATION RELATING TO THE PROGRAM'S ACTIVITIES, RECEIPTS AND
41 EXPENDITURES.
- 42 2. INFORMATION COMPARING THE ANNUAL AMOUNT OF MONIES CREDITED TO
43 CERTIFIED MOTION PICTURE PRODUCTION COMPANIES TO THE ESTIMATED AMOUNT OF
44 MONIES SPENT ON IN-STATE PRODUCTION COSTS BY MOTION PICTURE PRODUCTION
45 COMPANIES.

1 3. QUARTERLY DATA ON THE GROWTH AND DEVELOPMENT OF MOTION PICTURE
2 INDUSTRY EMPLOYMENT AND WAGES IN THIS STATE.

3 4. A THIRD-PARTY REVIEW OF THE RELATIVE ECONOMIC BENEFITS TO THIS
4 STATE BASED ON AN ANALYSIS OF THE FOLLOWING:

5 (a) A COMPARISON OF THE ESTIMATED STATE TAX REVENUES GENERATED BY
6 MOTION PICTURE PRODUCTION ACTIVITY TO THE CALCULATED VALUE OF THE TAX
7 CREDIT. STATE TAX REVENUE ESTIMATES SHALL INCLUDE THE SUM OF ALL INCOME
8 TAXES, TRANSACTION PRIVILEGE TAXES AND OTHER TAXES IMPOSED BY THIS STATE.

9 (b) THE DIRECT, INDIRECT AND INDUCED INPUTS THAT RELY ON COMMONLY
10 USED INPUT-OUTPUT ECONOMIC MODELING FOR GENERATING ECONOMIC MULTIPLIERS
11 AND THAT MEASURE THE DIRECT AND INDIRECT IMPACT OF THE MOTION PICTURE
12 PRODUCTION INDUSTRY AND IDENTIFIABLE INDUCED ECONOMIC ACTIVITY IN THIS
13 STATE, INCLUDING BENEFITS RELATED TO CONSTRUCTION ACTIVITY AND THE
14 ASSOCIATED STATE TRANSACTION PRIVILEGE TAX.

15 (c) THE DIFFERENCE BETWEEN THE STATE TAX REVENUES ESTIMATED
16 PURSUANT TO SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT OF MONIES
17 CREDITED PURSUANT TO SECTIONS 43-1082 AND 43-1165, AGGREGATED EACH YEAR
18 AND REPORTED ON A CUMULATIVE BASIS IN EACH SUCCEEDING YEAR.

19 M. BEGINNING ON THE FIFTH YEAR AFTER THE AUTHORITY ISSUES THE FIRST
20 PREAPPROVAL LETTER AND AT LEAST EVERY FIFTH YEAR THEREAFTER, THE AUTHORITY
21 SHALL PERFORM AN AUDIT OF THE PROGRAM. ON OR BEFORE JUNE 30 OF THE
22 RESPECTIVE YEAR, THE AUTHORITY SHALL ISSUE A PUBLIC REPORT OF THE AUDIT
23 AND SUBMIT THE REPORT OF THE AUDIT TO THE PRESIDENT OF THE SENATE AND THE
24 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY TO THE
25 SECRETARY OF STATE. THE AUDITOR GENERAL SHALL REVIEW EACH AUDIT PERFORMED
26 PURSUANT TO THIS SUBSECTION AND REPORT THE AUDITOR GENERAL'S FINDINGS TO
27 THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
28 REPRESENTATIVES AND SHALL PROVIDE A COPY TO THE SECRETARY OF STATE. THE
29 AUDIT PERFORMED ON THE TENTH YEAR AFTER THE FIRST AUDIT BY THE AUTHORITY
30 SHALL INCLUDE A RECOMMENDATION FOR WHETHER THE PROGRAM IS ECONOMICALLY
31 VIABLE AND EFFECTIVE.

32 N. EACH AUDIT REPORT REQUIRED BY SUBSECTION M OF THIS SECTION MUST
33 INCLUDE:

34 1. THE CUMULATIVE TOTAL NUMBER OF PRODUCTION LABOR EMPLOYMENT
35 POSITIONS AND LABOR COSTS RELATED TO THOSE POSITIONS THAT QUALIFIED FOR
36 THE TAX CREDITS ALLOWED UNDER SECTION 43-1082, SUBSECTION A, PARAGRAPH 2
37 OR SECTION 43-1165, SUBSECTION A, PARAGRAPH 2 FOR EACH YEAR THE CREDIT IS
38 TAKEN.

39 2. A COMPARISON OF THE MEDIAN WAGE OF PRODUCTION LABOR EMPLOYMENT
40 POSITIONS IN EACH COUNTY AND THE MEDIAN WAGE IN THE COUNTY IN WHICH A
41 PRODUCTION LABOR EMPLOYMENT POSITION IS LOCATED.

42 3. THE CUMULATIVE TOTAL OF WORKER-DAYS CALCULATED BY MULTIPLYING
43 THE TOTAL NUMBER OF PRODUCTION LABOR EMPLOYMENT POSITIONS BY THE NUMBER OF
44 DAYS WORKED FOR EACH POSITION DURING THE EMPLOYMENT.

- 1 0. FOR THE PURPOSES OF THIS SECTION:
- 2 1. "MOTION PICTURE PRODUCTION" MEANS A SINGLE MEDIUM OR MULTIMEDIA
- 3 PROGRAM, INCLUDING A FEATURE FILM, EPISODIC SERIES OR COMMERCIAL
- 4 ADVERTISEMENT MESSAGE, THAT:
- 5 (a) IS CREATED BY PRODUCTION ACTIVITIES CONDUCTED IN THIS STATE.
- 6 (b) CAN BE VIEWED OR REPRODUCED.
- 7 (c) IS INTENDED FOR COMMERCIAL DISTRIBUTION OR LICENSING IN THE
- 8 DELIVERY MEDIUM USED.
- 9 2. "MOTION PICTURE PRODUCTION COMPANY" MEANS ANY PERSON THAT IS
- 10 PRIMARILY ENGAGED IN THE BUSINESS OF PRODUCING MOTION PICTURES AND THAT
- 11 HAS A PHYSICAL BUSINESS OFFICE IN THIS STATE.
- 12 3. "PRACTICAL LOCATION" MEANS A LOCATION AT WHICH A MOTION PICTURE
- 13 PRODUCTION IS FILMED THAT IS NOT AND THAT DOES NOT USE AN INDUSTRY
- 14 STANDARD SOUND STAGE OR PRODUCTION FACILITY TO PRODUCE AND FILM THE MOTION
- 15 PICTURE PRODUCTION.
- 16 4. "PRODUCTION COSTS":
- 17 (a) MEANS COSTS FOR THE FOLLOWING THAT ARE INCURRED AND TAXABLE IN
- 18 THIS STATE:
- 19 (i) ALL COMPENSATION PAID TO TALENT, WRITERS, DIRECTORS AND
- 20 MANAGEMENT.
- 21 (ii) ALL COMPENSATION PAID FOR PRODUCTION LABOR.
- 22 (iii) SET CONSTRUCTION AND OPERATION COSTS PAID PURSUANT TO
- 23 CONSTRUCTION CONTRACTS WITH CONTRACTORS THAT ARE LICENSED UNDER TITLE 32,
- 24 CHAPTER 10.
- 25 (iv) WARDROBE, PROPS, ACCESSORIES AND RELATED SERVICES.
- 26 (v) PHOTOGRAPHY, SOUND SYNCHRONIZATION, LIGHTING AND RELATED COSTS.
- 27 (vi) EDITING AND RELATED SERVICES.
- 28 (vii) RENTAL OF QUALIFIED PRODUCTION FACILITIES.
- 29 (viii) RENTAL OF EQUIPMENT.
- 30 (ix) CATERED FOOD, DRINK AND CONDIMENT PURCHASED FROM A QUALIFIED
- 31 PRODUCTION FACILITY.
- 32 (x) OTHER DIRECT IN-STATE COSTS OF PRODUCING THE MOTION PICTURE
- 33 PRODUCTION PURSUANT TO RULES ADOPTED BY THE AUTHORITY.
- 34 (b) DOES NOT INCLUDE PAYMENTS FOR PENALTIES AND FINES OR FEES OR
- 35 DEPOSITS ESTABLISHED BY THE AUTHORITY OR THE DEPARTMENT OF REVENUE TO
- 36 ADMINISTER THE PROGRAM.
- 37 5. "PRODUCTION LABOR" MEANS ALL LABORERS WORKING ON A PRODUCTION
- 38 THAT ARE NOT TALENT, WRITERS, DIRECTORS, PRODUCERS OR MANAGEMENT.
- 39 6. "PROGRAM" MEANS THE ARIZONA MOTION PICTURE PRODUCTION PROGRAM
- 40 IMPLEMENTED PURSUANT TO THIS SECTION.
- 41 7. "QUALIFIED PRODUCTION FACILITY" MEANS A STRUCTURE THAT IS BUILT
- 42 FOR FILM INDUSTRY PURPOSES, IS LOCATED IN THIS STATE, IS AT LEAST TEN
- 43 THOUSAND SQUARE FEET AND MEETS GENERALLY ACCEPTED INDUSTRY STANDARDS,
- 44 INCLUDING STANDARDS FOR SOUNDPROOFING, LIGHTING, AIR CONDITIONING AND

1 MOTION PICTURE PRODUCTION QUALITY TECHNOLOGY FOR PRODUCING, FILMING OR
2 OTHERWISE CREATING A MOTION PICTURE PRODUCTION.

3 Sec. 2. Delayed repeal

4 Section 41-1517, Arizona Revised Statutes, as added by this act, is
5 repealed from and after December 31, 2043.

6 Sec. 3. Section 42-1122, Arizona Revised Statutes, is amended to
7 read:

8 42-1122. Setoff for debts to state agencies, political subdivisions
9 and courts; revolving fund; penalties; definitions

10 A. The department shall establish a liability setoff program by
11 which refunds under ~~sections~~ SECTION 42-1118 and ~~43-1072~~ TITLE 43,
12 CHAPTERS 10 AND 11 may be used to satisfy debts that the taxpayer owes to
13 this state, a political subdivision or a court. The program shall comply
14 with the standards and requirements prescribed by this section.

15 B. If a taxpayer owes an agency, political subdivision or court a
16 debt, the agency, political subdivision or court, by November 1 of each
17 year, may notify the department, furnishing at least the state agency,
18 court or program identifier, the taxpayer's first name, last name, middle
19 initial or middle name and suffix and social security number and any other
20 available identification that the agency, political subdivision or court
21 deems appropriate of the debtor as shown on the records of the agency,
22 political subdivision or court, and the amount of the debt.

23 C. The department shall match the information submitted by the
24 agency, political subdivision or court by at least two items of
25 identification of the taxpayer with taxpayers who qualify for refunds
26 under section 42-1118 and shall:

27 1. Notify the agency, political subdivision or court of a potential
28 match, the taxpayer's home address and any additional taxpayer
29 identification numbers used by the taxpayer. Even if the taxpayer is not
30 entitled to a refund, the department of revenue shall provide to:

31 (a) The court, the clerk of the court and the department of
32 economic security, for child support and spousal maintenance purposes
33 only, the home address of a taxpayer whose debt for overdue support is
34 referred for setoff and any additional taxpayer identification numbers
35 used by the taxpayer.

36 (b) The court the home address and any additional taxpayer
37 identification numbers used by the taxpayer whose debt for a court
38 obligation is referred for setoff and who is identified by the court as a
39 probationer on absconder status.

40 2. Request final agency, political subdivision or court
41 confirmation in writing or electronically as determined by the department
42 within ten days after the match and of the continuation of the debt. If
43 the agency, political subdivision or court fails to provide confirmation
44 within forty-five days after the request, the department shall release the
45 refund to the taxpayer.

1 D. An agency, political subdivision or court may submit updated
2 information, additions, deletions and other changes on a quarterly or more
3 frequent basis, at the convenience of the agency, political subdivision or
4 court.

5 E. On confirmation pursuant to subsection C, paragraph 2 of this
6 section, the agency or political subdivision shall notify the taxpayer, by
7 mail to the most recent physical address or electronically to the most
8 recent ~~e-mail~~ EMAIL address provided by the taxpayer to the department:

9 1. Of the intention to set off the debt against the refund due.

10 2. Of the taxpayer's right to appeal to the appropriate court or to
11 request a review by the agency or political subdivision pursuant to agency
12 or political subdivision rule, within thirty days after the physical or
13 electronic mailing of the notice.

14 F. In addition, the taxpayer shall receive notice that if the
15 refund is intercepted in error through no fault of the taxpayer, the
16 taxpayer is entitled to the full refund plus interest and penalties from
17 the agency, political subdivision or court as provided by subsection 0 of
18 this section.

19 G. The basis for a request for review as provided by subsection E
20 of this section shall not include the validity of the claim if its
21 validity has been established at an agency hearing, by judicial review in
22 a court of competent jurisdiction in this or any other state or by final
23 administrative decision and shall state with specificity why the taxpayer
24 claims the obligation does not exist or why the amount of the obligation
25 is incorrect.

26 H. If, within thirty days after the physical or electronic mailing
27 of the notice, the taxpayer requests a review by the agency or political
28 subdivision or provides the agency or political subdivision with proof
29 that an appeal has been taken to the appropriate court, the agency or
30 political subdivision shall immediately notify the department and the
31 setoff procedure shall be stayed pending resolution of the review or
32 appeal.

33 I. If the department does not receive notice of a timely appeal, it
34 shall draw and deliver a warrant in the amount of the available refund up
35 to the amount of the debt in favor of the agency or political subdivision
36 and notify the taxpayer of the action by physical mail or ~~e-mail~~ EMAIL.

37 J. Subsections E, G, H and I of this section do not apply to a debt
38 imposed by a court except that the taxpayer shall receive notice of the
39 intent to set off the debt against the refund due and the right to appeal
40 to the court that imposed the debt within thirty days after the physical
41 or electronic mailing of the notice. The basis for the request for review
42 shall not include the validity of the claim and shall state with
43 specificity why the taxpayer claims the obligation does not exist or why
44 the obligation is incorrect.

1 K. If the setoff accounts for only a portion of the refund due, the
2 remainder of the refund shall be sent to the taxpayer. A court shall not
3 use this section to satisfy a judgment or payment of a fine or civil
4 penalty until the judgment has become final or until the time to appeal
5 the imposition of a fine or civil penalty has expired.

6 L. A revolving fund is established to recover and pay the cost of
7 operating the setoff program under this section. Monies in the fund may
8 also be used for the general operating expenses of the department. The
9 department may prescribe a fee to be collected from each agency, political
10 subdivision or court using the setoff procedure or from the taxpayer, and
11 the amount shall be deposited in the fund. The amount of the fee shall
12 reasonably reflect the actual cost of the service provided. Monies in the
13 revolving fund are subject to legislative appropriation.

14 M. If agencies, political subdivisions or courts have two or more
15 delinquent accounts for the same taxpayer, the refund may be apportioned
16 among them pursuant to rules prescribed by the department of revenue,
17 except that a setoff to the department of economic security for overdue
18 support has priority over all other setoffs.

19 N. If the refund is insufficient to satisfy the entire debt, the
20 remainder of the debt may be collected by the agency, political
21 subdivision or court as provided by law or resubmitted for setoff against
22 subsequent refunds.

23 O. In the case of a refund that is intercepted in error through no
24 fault of the taxpayer under this section, the taxpayer shall be reimbursed
25 by the agency, political subdivision or court with interest pursuant to
26 section 42-1123. In addition, if all or part of a refund is intercepted
27 in error due to an agency, political subdivision or court incorrectly
28 identifying a taxpayer as a debtor through no fault of the taxpayer, the
29 agency, political subdivision or court shall also pay the taxpayer a
30 penalty as follows:

31 1. If the agency, political subdivision or court reimburses the
32 taxpayer sixteen through one hundred eighty days after the agency,
33 political subdivision or court receives notification that the refund was
34 erroneously intercepted and the refund was received by the agency,
35 political subdivision or court, the penalty is equal to ten percent of the
36 amount of the refund that was intercepted.

37 2. If the agency, political subdivision or court reimburses the
38 taxpayer one hundred eighty-one through three hundred sixty-five days
39 after the agency, political subdivision or court receives notification
40 that the refund was erroneously intercepted and the refund was received by
41 the agency, political subdivision or court, the penalty is equal to
42 fifteen percent of the amount of the refund that was intercepted.

43 3. If the agency, political subdivision or court fails to reimburse
44 the taxpayer within three hundred sixty-five days after the agency,
45 political subdivision or court receives notification that the refund was

1 erroneously intercepted and the refund was received by the agency,
2 political subdivision or court, the penalty is equal to twenty percent of
3 the amount of the refund that was intercepted.

4 P. The time periods set forth in subsection O of this section shall
5 be stayed during a review of an agency decision pursuant to section
6 25-522.

7 Q. Except as is reasonably necessary to accomplish the purposes of
8 this section, the department shall not disclose under this section any
9 information in violation of chapter 2, article 1 of this title.

10 R. An agency, political subdivision or court shall not enter into
11 an agreement with a debtor for:

12 1. The assignment of any prospective refund to the agency,
13 political subdivision or court in satisfaction of the debt.

14 2. Payment of the debt if the debt has been confirmed to the
15 department for setoff under subsection C, paragraph 2 of this section.

16 S. If a tax refund is based on a joint income tax return and the
17 department of economic security receives a written claim from the
18 nonobligated spouse within forty-five days after the notice of a setoff
19 for overdue child support, the setoff only applies to that portion of the
20 refund due to the obligor. The nonobligated spouse shall provide to the
21 department of economic security copies of both the obligated and
22 nonobligated spouse's federal W-2 forms and evidence of estimated tax
23 payments supporting the proportionate share of each spouse's payment of
24 tax. The department of economic security shall retain the amount of the
25 setoff refund due to the obligated spouse determined by a proration based
26 on the tax payments of each spouse by estimated tax payment or tax
27 withheld from wages.

28 T. For the purposes of this section:

29 1. "Agency" means:

30 (a) A department, agency, board, commission or institution of this
31 state.

32 (b) A corporation that is under contract with this state and that
33 provides a service that would otherwise be provided by a department,
34 agency, board, commission or institution of this state, if the contract
35 specifically authorizes participation in the liability setoff program and
36 the attorney general's office has reviewed the contract and approves such
37 authorization. The participation in the liability setoff program shall be
38 limited to debt related to the services the corporation provides for or on
39 behalf of this state.

40 2. "Court" means all courts of record, justice courts and municipal
41 courts.

42 3. "Debt":

43 (a) Means an amount over \$50 that is owed to an agency, political
44 subdivision or court by a taxpayer and may include a judgment in favor of
45 this state or a political subdivision of this state, interest, penalties,

1 charges, costs, fees, fines, civil penalties, surcharges, assessments,
2 administrative charges or any other amount.

3 (b) Includes monies that are owed by a taxpayer for overdue support
4 and that are referred to the department of economic security or the clerk
5 of the court for collection.

6 4. "Overdue support" means a delinquency in court ordered payments
7 for spousal maintenance or support of a child or for spousal maintenance
8 to the parent with whom the child is living if child support is also being
9 enforced pursuant to an assignment or application filed under 42 United
10 States Code section 654(6) or other applicable law.

11 5. "Political subdivision" means a county or an incorporated city
12 or town in this state.

13 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to
14 read:

15 42-2003. Authorized disclosure of confidential information

16 A. Confidential information relating to:

17 1. A taxpayer may be disclosed to the taxpayer, its successor in
18 interest or a designee of the taxpayer who is authorized in writing by the
19 taxpayer. A principal corporate officer of a parent corporation may
20 execute a written authorization for a controlled subsidiary.

21 2. A corporate taxpayer may be disclosed to any principal officer,
22 any person designated by a principal officer or any person designated in a
23 resolution by the corporate board of directors or other similar governing
24 body. If a corporate officer signs a statement under penalty of perjury
25 representing that the officer is a principal officer, the department may
26 rely on the statement until the statement is shown to be false. For the
27 purposes of this paragraph, "principal officer" includes a chief executive
28 officer, president, secretary, treasurer, vice president of tax, chief
29 financial officer, chief operating officer or chief tax officer or any
30 other corporate officer who has the authority to bind the taxpayer on
31 matters related to state taxes.

32 3. A partnership may be disclosed to any partner of the
33 partnership. This exception does not include disclosure of confidential
34 information of a particular partner unless otherwise authorized.

35 4. A limited liability company may be disclosed to any member of
36 the company or, if the company is manager-managed, to any manager.

37 5. An estate may be disclosed to the personal representative of the
38 estate and to any heir, next of kin or beneficiary under the will of the
39 decedent if the department finds that the heir, next of kin or beneficiary
40 has a material interest that will be affected by the confidential
41 information.

42 6. A trust may be disclosed to the trustee or trustees, jointly or
43 separately, and to the grantor or any beneficiary of the trust if the
44 department finds that the grantor or beneficiary has a material interest
45 that will be affected by the confidential information.

1 7. A government entity may be disclosed to the head of the entity
2 or a member of the governing board of the entity, or any employee of the
3 entity who has been delegated the authorization in writing by the head of
4 the entity or the governing board of the entity.

5 8. Any taxpayer may be disclosed if the taxpayer has waived any
6 rights to confidentiality either in writing or on the record in any
7 administrative or judicial proceeding.

8 9. The name and taxpayer identification numbers of persons issued
9 direct payment permits may be publicly disclosed.

10 10. Any taxpayer may be disclosed during a meeting or telephone
11 call if the taxpayer is present during the meeting or telephone call and
12 authorizes the disclosure of confidential information.

13 B. Confidential information may be disclosed to:

14 1. Any employee of the department whose official duties involve tax
15 administration.

16 2. The office of the attorney general solely for its use in
17 preparation for, or in an investigation that may result in, any proceeding
18 involving tax administration before the department or any other agency or
19 board of this state, or before any grand jury or any state or federal
20 court.

21 3. The department of liquor licenses and control for its use in
22 determining whether a spirituous liquor licensee has paid all transaction
23 privilege taxes and affiliated excise taxes incurred as a result of the
24 sale of spirituous liquor, as defined in section 4-101, at the licensed
25 establishment and imposed on the licensed establishments by this state and
26 its political subdivisions.

27 4. Other state tax officials whose official duties require the
28 disclosure for proper tax administration purposes if the information is
29 sought in connection with an investigation or any other proceeding
30 conducted by the official. Any disclosure is limited to information of a
31 taxpayer who is being investigated or who is a party to a proceeding
32 conducted by the official.

33 5. The following agencies, officials and organizations, if they
34 grant substantially similar privileges to the department for the type of
35 information being sought, pursuant to statute and a written agreement
36 between the department and the foreign country, agency, state, Indian
37 tribe or organization:

38 (a) The United States internal revenue service, alcohol and tobacco
39 tax and trade bureau of the United States treasury, United States bureau
40 of alcohol, tobacco, firearms and explosives of the United States
41 department of justice, United States drug enforcement agency and federal
42 bureau of investigation.

43 (b) A state tax official of another state.

1 (c) An organization of states, federation of tax administrators or
2 multistate tax commission that operates an information exchange for tax
3 administration purposes.

4 (d) An agency, official or organization of a foreign country with
5 responsibilities that are comparable to those listed in subdivision (a),
6 (b) or (c) of this paragraph.

7 (e) An agency, official or organization of an Indian tribal
8 government with responsibilities comparable to the responsibilities of the
9 agencies, officials or organizations identified in subdivision (a), (b) or
10 (c) of this paragraph.

11 6. The auditor general, in connection with any audit of the
12 department subject to the restrictions in section 42-2002, subsection D.

13 7. Any person to the extent necessary for effective tax
14 administration in connection with:

15 (a) The processing, storage, transmission, destruction and
16 reproduction of the information.

17 (b) The programming, maintenance, repair, testing and procurement
18 of equipment for purposes of tax administration.

19 (c) The collection of the taxpayer's civil liability.

20 8. The office of administrative hearings relating to taxes
21 administered by the department pursuant to section 42-1101, but the
22 department shall not disclose any confidential information without the
23 taxpayer's written consent:

24 (a) Regarding income tax or withholding tax.

25 (b) On any tax issue relating to information associated with the
26 reporting of income tax or withholding tax.

27 9. The United States treasury inspector general for tax
28 administration for the purpose of reporting a violation of internal
29 revenue code section 7213A (26 United States Code section 7213A),
30 unauthorized inspection of returns or return information.

31 10. The financial management service of the United States treasury
32 department for use in the treasury offset program.

33 11. The United States treasury department or its authorized agent
34 for use in the state income tax levy program and in the electronic federal
35 tax payment system.

36 12. The Arizona commerce authority for its use in:

37 (a) Qualifying renewable energy operations for the tax incentives
38 under section 42-12006.

39 (b) Qualifying businesses with a qualified facility for income tax
40 credits under sections 43-1083.03 and 43-1164.04.

41 (c) Fulfilling its annual reporting responsibility pursuant to
42 section 41-1511, subsections U and V, ~~and~~ section 41-1512, subsections U
43 and V **AND SECTION 41-1517, SUBSECTION L.**

44 (d) Certifying computer data centers for tax relief under section
45 41-1519.

1 (e) CERTIFYING APPLICANTS FOR THE TAX CREDIT FOR MOTION PICTURE
2 PRODUCTION COSTS UNDER SECTIONS 43-1082 AND 43-1165.

3 13. A prosecutor for purposes of section 32-1164, subsection C.

4 14. The office of the state fire marshal for use in determining
5 compliance with and enforcing title 37, chapter 9, article 5.

6 15. The department of transportation for its use in administering
7 taxes, surcharges and penalties prescribed by title 28.

8 16. The Arizona health care cost containment system administration
9 for its use in administering nursing facility provider assessments.

10 17. The department of administration risk management division and
11 the office of the attorney general if the information relates to a claim
12 against this state pursuant to section 12-821.01 involving the department
13 of revenue.

14 18. Another state agency if the taxpayer authorizes the disclosure
15 of confidential information in writing, including an authorization that is
16 part of an application form or other document submitted to the agency.

17 19. The department of economic security for its use in determining
18 whether an employer has paid all amounts due under the unemployment
19 insurance program pursuant to title 23, chapter 4.

20 20. The department of health services for its use in determining
21 the following:

22 (a) Whether a medical marijuana dispensary is in compliance with
23 the tax requirements of chapter 5 of this title for the purposes of
24 section 36-2806, subsection A.

25 (b) Whether a marijuana establishment, marijuana testing facility
26 or dual licensee licensed under title 36, chapter 28.2 is in compliance
27 with the tax obligations under this title or title 43.

28 C. Confidential information may be disclosed in any state or
29 federal judicial or administrative proceeding pertaining to tax
30 administration pursuant to the following conditions:

31 1. One or more of the following circumstances must apply:

32 (a) The taxpayer is a party to the proceeding.

33 (b) The proceeding arose out of, or in connection with, determining
34 the taxpayer's civil or criminal liability, or the collection of the
35 taxpayer's civil liability, with respect to any tax imposed under this
36 title or title 43.

37 (c) The treatment of an item reflected on the taxpayer's return is
38 directly related to the resolution of an issue in the proceeding.

39 (d) Return information directly relates to a transactional
40 relationship between a person who is a party to the proceeding and the
41 taxpayer and directly affects the resolution of an issue in the
42 proceeding.

43 2. Confidential information may not be disclosed under this
44 subsection if the disclosure is prohibited by section 42-2002, subsection
45 C or D.

1 D. Identity information may be disclosed for purposes of notifying
2 persons entitled to tax refunds if the department is unable to locate the
3 persons after reasonable effort.

4 E. The department, on the request of any person, shall provide the
5 names and addresses of bingo licensees as defined in section 5-401, verify
6 whether or not a person has a privilege license and number, a tobacco
7 product distributor's license and number or a withholding license and
8 number or disclose the information to be posted on the department's
9 website or otherwise publicly accessible pursuant to section 42-1124,
10 subsection F and section 42-3401.

11 F. A department employee, in connection with the official duties
12 relating to any audit, collection activity or civil or criminal
13 investigation, may disclose return information to the extent that
14 disclosure is necessary to obtain information that is not otherwise
15 reasonably available. These official duties include the correct
16 determination of and liability for tax, the amount to be collected or the
17 enforcement of other state tax revenue laws.

18 G. Confidential information relating to transaction privilege tax,
19 use tax, severance tax, jet fuel excise and use tax and any other tax
20 collected by the department on behalf of any jurisdiction may be disclosed
21 to any county, city or town tax official if the information relates to a
22 taxpayer who is or may be taxable by a county, city or town or who may be
23 subject to audit by the department pursuant to section 42-6002. Any
24 taxpayer information that is released by the department to the county,
25 city or town:

26 1. May be used only for internal purposes, including audits. If
27 there is a legitimate business need relating to enforcing laws,
28 regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a
29 county, city or town tax official may redisclose transaction privilege tax
30 information relating to a vacation rental or short-term rental property
31 owner or online lodging operator from the new license report and license
32 update report, subject to the following:

33 (a) The information redisclosed is limited to the following:

34 (i) The transaction privilege tax license number.

35 (ii) The type of organization or ownership of the business.

36 (iii) The legal business name and doing business as name, if
37 different from the legal name.

38 (iv) The business mailing address, tax record physical location
39 address, telephone number, email address and fax number.

40 (v) The date the business started in this state, the business
41 description and the North American industry classification system code.

42 (vi) The name, address and telephone number for each owner,
43 partner, corporate officer, member, managing member or official of the
44 employing unit.

1 (b) Redisdisclosure is limited to nonelected officials in other units
2 within the county, city or town. The information may not be redisdisclosed
3 to an elected official or the elected official's staff.

4 (c) All redisdisclosures of confidential information made pursuant to
5 this paragraph are subject to paragraph 2 of this subsection.

6 2. May not be disclosed to the public in any manner that does not
7 comply with confidentiality standards established by the department. The
8 county, city or town shall agree in writing with the department that any
9 release of confidential information that violates the confidentiality
10 standards adopted by the department will result in the immediate
11 suspension of any rights of the county, city or town to receive taxpayer
12 information under this subsection.

13 H. The department may disclose statistical information gathered
14 from confidential information if it does not disclose confidential
15 information attributable to any one taxpayer. The department may disclose
16 statistical information gathered from confidential information, even if it
17 discloses confidential information attributable to a taxpayer, to:

18 1. The state treasurer in order to comply with the requirements of
19 section 42-5029, subsection A, paragraph 3.

20 2. The joint legislative income tax credit review committee, the
21 joint legislative budget committee staff and the legislative staff in
22 order to comply with the requirements of section 43-221.

23 I. The department may disclose the aggregate amounts of any tax
24 credit, tax deduction or tax exemption enacted after January 1, 1994.
25 Information subject to disclosure under this subsection shall not be
26 disclosed if a taxpayer demonstrates to the department that such
27 information would give an unfair advantage to competitors.

28 J. Except as provided in section 42-2002, subsection C,
29 confidential information, described in section 42-2001, paragraph 1,
30 subdivision (a), item (ii), may be disclosed to law enforcement agencies
31 for law enforcement purposes.

32 K. The department may provide transaction privilege tax license
33 information to property tax officials in a county for the purpose of
34 identification and verification of the tax status of commercial property.

35 L. The department may provide transaction privilege tax, luxury
36 tax, use tax, property tax and severance tax information to the
37 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

38 M. Except as provided in section 42-2002, subsection D, a court may
39 order the department to disclose confidential information pertaining to a
40 party to an action. An order shall be made only on a showing of good
41 cause and that the party seeking the information has made demand on the
42 taxpayer for the information.

43 N. This section does not prohibit the disclosure by the department
44 of any information or documents submitted to the department by a bingo

1 licensee. Before disclosing the information, the department shall obtain
2 the name and address of the person requesting the information.

3 O. If the department is required or ~~permitted~~ ALLOWED to disclose
4 confidential information, it may charge the person or agency requesting
5 the information for the reasonable cost of its services.

6 P. Except as provided in section 42-2002, subsection D, the
7 department of revenue shall release confidential information as requested
8 by the department of economic security pursuant to section 42-1122 or
9 46-291. Information disclosed under this subsection is limited to the
10 same type of information that the United States internal revenue service
11 is authorized to disclose under section 6103(1)(6) of the internal revenue
12 code.

13 Q. Except as provided in section 42-2002, subsection D, the
14 department shall release confidential information as requested by the
15 courts and clerks of the court pursuant to section 42-1122.

16 R. To comply with the requirements of section 42-5031, the
17 department may disclose to the state treasurer, to the county stadium
18 district board of directors and to any city or town tax official that is
19 part of the county stadium district confidential information attributable
20 to a taxpayer's business activity conducted in the county stadium
21 district.

22 S. The department shall release to the attorney general
23 confidential information as requested by the attorney general for purposes
24 of determining compliance with or enforcing any of the following:

25 1. Any public health control law relating to tobacco sales as
26 provided under title 36, chapter 6, article 14.

27 2. Any law relating to reduced cigarette ignition propensity
28 standards as provided under title 37, chapter 9, article 5.

29 3. Sections 44-7101 and 44-7111, the master settlement agreement
30 referred to in those sections and all agreements regarding disputes under
31 the master settlement agreement.

32 T. For proceedings before the department, the office of
33 administrative hearings, the state board of tax appeals or any state or
34 federal court involving penalties that were assessed against a return
35 preparer, an electronic return preparer or a payroll service company
36 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential
37 information may be disclosed only before the judge or administrative law
38 judge adjudicating the proceeding, the parties to the proceeding and the
39 parties' representatives in the proceeding prior to its introduction into
40 evidence in the proceeding. The confidential information may be
41 introduced as evidence in the proceeding only if the taxpayer's name, the
42 names of any dependents listed on the return, all social security numbers,
43 the taxpayer's address, the taxpayer's signature and any attachments
44 containing any of the foregoing information are redacted and if either:

1 1. The treatment of an item reflected on such a return is or may be
2 related to the resolution of an issue in the proceeding.

3 2. Such a return or the return information relates or may relate to
4 a transactional relationship between a person who is a party to the
5 proceeding and the taxpayer that directly affects the resolution of an
6 issue in the proceeding.

7 3. The method of payment of the taxpayer's withholding tax
8 liability or the method of filing the taxpayer's withholding tax return is
9 an issue for the period.

10 U. The department and attorney general may share the information
11 specified in subsection S of this section with any of the following:

12 1. Federal, state or local agencies located in this state for the
13 purposes of enforcement of the statutes or agreements specified in
14 subsection S of this section or for the purposes of enforcement of
15 corresponding laws of other states.

16 2. Indian tribes located in this state for the purposes of
17 enforcement of the statutes or agreements specified in subsection S of
18 this section.

19 3. A court, arbitrator, data clearinghouse or similar entity for
20 the purpose of assessing compliance with or making calculations required
21 by the master settlement agreement or agreements regarding disputes under
22 the master settlement agreement, and with counsel for the parties or
23 expert witnesses in any such proceeding, if the information otherwise
24 remains confidential.

25 V. The department may provide the name and address of qualifying
26 hospitals and qualifying health care organizations, as defined in section
27 42-5001, to a business that is classified and reporting transaction
28 privilege tax under the utilities classification.

29 W. The department may disclose to an official of any city, town or
30 county in a current agreement or considering a prospective agreement with
31 the department as described in section 42-5032.02, subsection G any
32 information relating to amounts that are subject to distribution and that
33 are required by section 42-5032.02. Information disclosed by the
34 department under this subsection:

35 1. May ~~only~~ be used ONLY by the city, town or county for internal
36 purposes.

37 2. May not be disclosed to the public in any manner that does not
38 comply with confidentiality standards established by the department. The
39 city, town or county must agree with the department in writing that any
40 release of confidential information that violates the confidentiality
41 standards will result in the immediate suspension of any rights of the
42 city, town or county to receive information under this subsection.

43 X. Notwithstanding any other provision of this section, the
44 department may not disclose information provided by an online lodging
45 marketplace, as defined in section 42-5076, without the written consent of

1 the online lodging marketplace, and the information may be disclosed only
2 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,
3 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such
4 information:

5 1. Is not subject to disclosure pursuant to title 39, relating to
6 public records.

7 2. May not be disclosed to any agency of this state or of any
8 county, city, town or other political subdivision of this state.

9 Sec. 5. Section 43-222, Arizona Revised Statutes, is amended to
10 read:

11 43-222. Income tax credit review schedule

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

14 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
15 43-1089.04, 43-1167.01 and 43-1175.

16 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
17 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,
18 43-1164.03 and 43-1183.

19 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
20 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1165,
21 43-1169 and 43-1181.

22 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
23 43-1168, 43-1170 and 43-1178.

24 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
25 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05 and 43-1184.

26 Sec. 6. Section 43-1021, Arizona Revised Statutes, is amended to
27 read:

28 43-1021. Addition to Arizona gross income

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

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

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

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

- 1 4. The excess of a partner's share of partnership taxable income
2 required to be included under chapter 14, article 2 of this title over the
3 income required to be reported under section 702(a)(8) of the internal
4 revenue code.
- 5 5. The excess of a partner's share of partnership losses determined
6 pursuant to section 702(a)(8) of the internal revenue code over the losses
7 allowable under chapter 14, article 2 of this title.
- 8 6. Any amount of agricultural water conservation expenses that were
9 deducted pursuant to the internal revenue code for which a credit is
10 claimed under section 43-1084.
- 11 7. The amount by which the depreciation or amortization computed
12 under the internal revenue code with respect to property for which a
13 credit was taken under either section 43-1081 or 43-1081.01 exceeds the
14 amount of depreciation or amortization computed pursuant to the internal
15 revenue code on the Arizona adjusted basis of the property.
- 16 8. The amount by which the adjusted basis computed under the
17 internal revenue code with respect to property for which a credit was
18 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
19 or otherwise disposed of during the taxable year exceeds the adjusted
20 basis of the property computed under section 43-1074.02, 43-1081 or
21 43-1081.01, as applicable.
- 22 9. The deduction referred to in section 1341(a)(4) of the internal
23 revenue code for restoration of a substantial amount held under a claim of
24 right.
- 25 10. The amount by which a net operating loss carryover or capital
26 loss carryover allowable pursuant to section 1341(b)(5) of the internal
27 revenue code exceeds the net operating loss carryover or capital loss
28 carryover allowable pursuant to section 43-1029, subsection F.
- 29 11. The amount of any depreciation allowance allowed pursuant to
30 section 167(a) of the internal revenue code to the extent not previously
31 added.
- 32 12. The amount of a nonqualified withdrawal, as defined in section
33 15-1871, from a college savings plan established pursuant to section 529
34 of the internal revenue code that is made to a distributee to the extent
35 the amount is not included in computing federal adjusted gross income,
36 except that the amount added under this paragraph shall not exceed the
37 difference between the amount subtracted under section 43-1022 in prior
38 taxable years and the amount added under this section in any prior taxable
39 years.
- 40 13. If a subtraction is or has been taken by the taxpayer under
41 section 43-1024, in the current or a prior taxable year for the full
42 amount of eligible access expenditures paid or incurred to comply with the
43 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
44 or title 41, chapter 9, article 8, any amount of eligible access
45 expenditures that is recognized under the internal revenue code, including

1 any amount that is amortized according to federal amortization schedules,
2 and that is included in computing taxable income for the current taxable
3 year.

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

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

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

13 15. For taxable years beginning from and after December 31, 2021,
14 the amount deducted by the partnership or S corporation pursuant to the
15 internal revenue code for the amount paid to this state under section
16 43-1014 and for taxes that the department determines are substantially
17 similar to the tax imposed under section 43-1014. This amount shall be
18 reflected in the partner's or shareholder's Arizona gross income and the
19 partnership's or S corporation's Arizona taxable income.

20 16. THE AMOUNT OF ANY MOTION PICTURE PRODUCTION COSTS THAT WAS
21 DEDUCTED PURSUANT TO THE INTERNAL REVENUE CODE FOR WHICH A TAX CREDIT IS
22 CLAIMED UNDER SECTION 43-1082.

23 Sec. 7. Title 43, chapter 10, article 5, Arizona Revised Statutes,
24 is amended by adding section 43-1082, to read:

25 43-1082. Credit for motion picture production costs;
26 qualifications; data maintenance; rules;
27 definitions

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022, A
29 TAX CREDIT IS ALLOWED AGAINST PRODUCTION COSTS PAID BY A MOTION PICTURE
30 PRODUCTION COMPANY IN THIS STATE THAT ARE SUBJECT TO TAXATION BY THIS
31 STATE AND THAT ARE DIRECTLY ATTRIBUTABLE TO A MOTION PICTURE PRODUCTION.
32 THE AMOUNT OF THE CREDIT SHALL BE DETERMINED AS FOLLOWS:

33 1. AN AMOUNT EQUAL TO A PERCENTAGE OF THE TOTAL AMOUNT OF THE
34 QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
35 PURSUANT TO SECTION 41-1517 AS FOLLOWS:

36 (a) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS UP TO
37 \$10,000,000, FIFTEEN PERCENT.

38 (b) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
39 \$10,000,000 BUT LESS THAN \$35,000,000, SEVENTEEN AND ONE-HALF PERCENT.

40 (c) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
41 \$35,000,000, TWENTY PERCENT.

42 2. AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE MOTION PICTURE
43 PRODUCTION COMPANY'S PRODUCTION LABOR COSTS RELATED TO POSITIONS HELD BY
44 RESIDENTS OF THIS STATE AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
45 PURSUANT TO SECTION 41-1517.

1 3. IF THE MOTION PICTURE PRODUCTION COMPANY EITHER:
2 (a) USES A QUALIFIED PRODUCTION FACILITY IN THIS STATE TO PRODUCE
3 THE MOTION PICTURE PRODUCTION, AN ADDITIONAL TWO AND ONE-HALF PERCENT OF
4 THE TOTAL AMOUNT OF QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA
5 COMMERCE AUTHORITY PURSUANT TO SECTION 41-1517.
6 (b) FILMS PRIMARILY AT A PRACTICAL LOCATION, PRODUCES AND FILMS THE
7 MOTION PICTURE PRODUCTION PRIMARILY IN THIS STATE AND PERFORMS ALL
8 PREPRODUCTION, POSTPRODUCTION AND EDITING AT A QUALIFIED PRODUCTION
9 FACILITY IN THIS STATE, AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE
10 TOTAL QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE
11 AUTHORITY PURSUANT TO SECTION 41-1517.
12 4. AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE TOTAL AMOUNT OF
13 QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
14 PURSUANT TO SECTION 41-1517 IF THE MOTION PICTURE PRODUCTION IS PRODUCED
15 AND FILMED IN ASSOCIATION WITH A LONG-TERM TENANT OF A QUALIFIED
16 PRODUCTION FACILITY.
17 B. TAX CREDITS UNDER THIS SECTION MAY NOT EXCEED THE AMOUNT
18 PROVIDED IN THE POSTAPPROVAL ISSUED BY THE ARIZONA COMMERCE AUTHORITY
19 PURSUANT TO SECTION 41-1517, SUBSECTION H. THE TAXPAYER MUST INCLUDE A
20 COPY OF THE POSTAPPROVAL WITH THE TAXPAYER'S INCOME TAX RETURN FOR THE
21 TAXABLE YEAR IN WHICH THE ARIZONA COMMERCE AUTHORITY ISSUED THE
22 POSTAPPROVAL.
23 C. THE DEPARTMENT MAY NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO
24 A TAXPAYER WHO HAS A DELINQUENT TAX BALANCE OWED TO THE DEPARTMENT UNDER
25 THIS TITLE.
26 D. TO QUALIFY FOR A TAX CREDIT UNDER THIS SECTION, THE MOTION
27 PICTURE PRODUCTION COMPANY MUST:
28 1. DO EITHER OF THE FOLLOWING:
29 (a) USE A QUALIFIED PRODUCTION FACILITY IN THIS STATE TO PRODUCE
30 THE MOTION PICTURE PRODUCTION.
31 (b) IF THE MOTION PICTURE PRODUCTION IS FILMED PRIMARILY AT A
32 PRACTICAL LOCATION, PRODUCE AND FILM THE MOTION PICTURE PRODUCTION
33 PRIMARILY IN THIS STATE AND PERFORM ALL PREPRODUCTION, POSTPRODUCTION AND
34 EDITING AT AN INDUSTRY STANDARD FACILITY, IF SUCH A FACILITY FOR THOSE
35 FUNCTIONS IS AVAILABLE.
36 2. MAINTAIN THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION
37 LABOR POSITIONS IN THIS STATE.
38 3. INCLUDE IN THE CREDITS FOR EACH MOTION PICTURE PRODUCTION AN
39 ACKNOWLEDGMENT THAT THE PRODUCTION WAS FILMED IN ARIZONA.
40 4. RECEIVE PREAPPROVAL AND POSTAPPROVAL FROM THE ARIZONA COMMERCE
41 AUTHORITY PURSUANT TO SECTION 41-1517.
42 5. CLAIM THE TAX CREDIT BY USING THE FORM PRESCRIBED BY THE
43 DEPARTMENT AND INCLUDE THE FORM WITH THE MOTION PICTURE PRODUCTION
44 COMPANY'S INCOME TAX RETURN FOR THE TAXABLE YEAR IN WHICH THE ARIZONA
45 COMMERCE AUTHORITY ISSUED THE POSTAPPROVAL.

1 E. CO-OWNERS OF A MOTION PICTURE PRODUCTION COMPANY, INCLUDING
2 PARTNERS IN A PARTNERSHIP, MEMBERS OF A LIMITED LIABILITY COMPANY AND
3 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE
4 INTERNAL REVENUE CODE, MAY EACH CLAIM THE PRO RATA SHARE OF THE TAX CREDIT
5 ALLOWED UNDER THIS SECTION BASED ON OWNERSHIP INTERESTS. THE TOTAL OF THE
6 TAX CREDITS ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD
7 HAVE BEEN ALLOWED A SOLE OWNER.

8 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE
9 INCOME TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO
10 STATE INCOME TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM
11 NOT USED AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER
12 IN THE SAME MANNER AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE
13 PURSUANT TO THIS SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION
14 42-1122. IF THE DEPARTMENT DETERMINES THAT A REFUND IS INCORRECT OR
15 INVALID, THE EXCESS REFUND MAY BE TREATED AS A TAX DEFICIENCY PURSUANT TO
16 SECTION 42-1108.

17 G. THE DEPARTMENT SHALL MAINTAIN ANNUAL DATA ON THE TOTAL AMOUNT OF
18 MONIES CREDITED PURSUANT TO THIS SECTION AND SHALL PROVIDE THE DATA TO THE
19 ARIZONA COMMERCE AUTHORITY ON REQUEST.

20 H. THE DEPARTMENT SHALL ADOPT FEES AND RULES AND PUBLISH AND
21 PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION AND
22 PROVIDE ADMINISTRATIVE SUPPORT SERVICES.

23 I. THE TAX CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY
24 ALLOWANCE FOR STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED
25 BY THE INTERNAL REVENUE CODE.

26 J. FOR THE PURPOSES OF THIS SECTION:

27 1. "LONG-TERM TENANT" MEANS A PERSON THAT ENTERS INTO A LEASE OF AT
28 LEAST FIVE YEARS FOR THE USE OF A QUALIFIED PRODUCTION FACILITY.

29 2. "MOTION PICTURE PRODUCTION" HAS THE SAME MEANING PRESCRIBED IN
30 SECTION 41-1517.

31 3. "MOTION PICTURE PRODUCTION COMPANY" HAS THE SAME MEANING
32 PRESCRIBED IN SECTION 41-1517.

33 4. "PRACTICAL LOCATION" HAS THE SAME MEANING PRESCRIBED IN SECTION
34 41-1517.

35 5. "PRODUCTION COSTS" HAS THE SAME MEANING PRESCRIBED IN SECTION
36 41-1517.

37 6. "PRODUCTION LABOR" HAS THE SAME MEANING PRESCRIBED IN SECTION
38 41-1517.

39 7. "QUALIFIED PRODUCTION FACILITY" HAS THE SAME MEANING PRESCRIBED
40 IN SECTION 41-1517.

41 Sec. 8. Delayed repeal

42 Section 43-1082, Arizona Revised Statutes, as added by this act, is
43 repealed from and after December 31, 2043.

1 Sec. 9. Section 43-1121, Arizona Revised Statutes, is amended to
2 read:

3 43-1121. Additions to Arizona gross income; corporations

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

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

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

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

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

23 5. The amount of dividend income received from corporations and
24 allowed as a deduction pursuant to sections 243, 245, 245A and
25 250(a)(1)(B) of the internal revenue code.

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

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

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

1 or more of the voting stock of the domestic international sales
2 corporation by the payor corporation.

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

5 10. The amount of exploration expenses determined pursuant to
6 section 617 of the internal revenue code to the extent that they exceed
7 \$75,000 and to the extent that the election is made to defer those
8 expenses not in excess of \$75,000.

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

14 12. The amount of depreciation or amortization of costs of child
15 care facilities deducted pursuant to section 167 or 188 of the internal
16 revenue code for which an election is made to amortize pursuant to section
17 43-1130.

18 13. The loss of an insurance company that is exempt under section
19 43-1201 to the extent that it is included in computing Arizona gross
20 income on a consolidated return pursuant to section 43-947.

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

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

31 16. The amount by which the depreciation or amortization computed
32 under the internal revenue code with respect to property for which a
33 credit was taken under section 43-1170 exceeds the amount of depreciation
34 or amortization computed pursuant to the internal revenue code on the
35 Arizona adjusted basis of the property.

36 17. The amount by which the adjusted basis computed under the
37 internal revenue code with respect to property for which a credit was
38 claimed under section 43-1170 and that is sold or otherwise disposed of
39 during the taxable year exceeds the adjusted basis of the property
40 computed under section 43-1170.

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

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

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

8 21. Any amount of expenses that were deducted pursuant to the
9 internal revenue code and for which a credit is claimed under section
10 43-1178.

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

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

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

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

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

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

35 26. THE AMOUNT OF ANY MOTION PICTURE PRODUCTION COSTS THAT WAS
36 DEDUCTED PURSUANT TO THE INTERNAL REVENUE CODE FOR WHICH A TAX CREDIT IS
37 CLAIMED UNDER SECTION 43-1165.

38 Sec. 10. Title 43, chapter 11, article 6, Arizona Revised Statutes,
39 is amended by adding section 43-1165, to read:

40 43-1165. Credit for motion picture production costs;
41 qualifications; data maintenance; rules;
42 definitions

43 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022, A
44 TAX CREDIT IS ALLOWED AGAINST PRODUCTION COSTS PAID BY A MOTION PICTURE
45 PRODUCTION COMPANY IN THIS STATE THAT ARE SUBJECT TO TAXATION BY THIS

1 STATE AND THAT ARE DIRECTLY ATTRIBUTABLE TO A MOTION PICTURE PRODUCTION.
2 THE AMOUNT OF THE CREDIT SHALL BE DETERMINED AS FOLLOWS:

3 1. AN AMOUNT EQUAL TO A PERCENTAGE OF THE TOTAL AMOUNT OF THE
4 QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
5 PURSUANT TO SECTION 41-1517 AS FOLLOWS:

6 (a) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS UP TO
7 \$10,000,000, FIFTEEN PERCENT.

8 (b) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
9 \$10,000,000 BUT LESS THAN \$35,000,000, SEVENTEEN AND ONE-HALF PERCENT.

10 (c) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
11 \$35,000,000, TWENTY PERCENT.

12 2. AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE MOTION PICTURE
13 PRODUCTION COMPANY'S PRODUCTION LABOR COSTS RELATED TO POSITIONS HELD BY
14 RESIDENTS OF THIS STATE AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
15 PURSUANT TO SECTION 41-1517.

16 3. IF THE MOTION PICTURE PRODUCTION COMPANY EITHER:

17 (a) USES A QUALIFIED PRODUCTION FACILITY IN THIS STATE TO PRODUCE
18 THE MOTION PICTURE PRODUCTION, AN ADDITIONAL TWO AND ONE-HALF PERCENT OF
19 THE TOTAL AMOUNT OF QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA
20 COMMERCE AUTHORITY PURSUANT TO SECTION 41-1517.

21 (b) FILMS PRIMARILY AT A PRACTICAL LOCATION, PRODUCES AND FILMS THE
22 MOTION PICTURE PRODUCTION PRIMARILY IN THIS STATE AND PERFORMS ALL
23 PREPRODUCTION, POSTPRODUCTION AND EDITING AT A QUALIFIED PRODUCTION
24 FACILITY IN THIS STATE, AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE
25 TOTAL QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE
26 AUTHORITY PURSUANT TO SECTION 41-1517.

27 4. AN ADDITIONAL TWO AND ONE-HALF PERCENT OF THE TOTAL AMOUNT OF
28 QUALIFIED PRODUCTION COSTS AS APPROVED BY THE ARIZONA COMMERCE AUTHORITY
29 PURSUANT TO SECTION 41-1517 IF THE MOTION PICTURE PRODUCTION IS PRODUCED
30 AND FILMED IN ASSOCIATION WITH A LONG-TERM TENANT OF A QUALIFIED
31 PRODUCTION FACILITY.

32 B. TAX CREDITS UNDER THIS SECTION MAY NOT EXCEED THE AMOUNT
33 PROVIDED IN THE POSTAPPROVAL ISSUED BY THE ARIZONA COMMERCE AUTHORITY
34 PURSUANT TO SECTION 41-1517, SUBSECTION H. THE TAXPAYER MUST INCLUDE A
35 COPY OF THE POSTAPPROVAL WITH THE TAXPAYER'S INCOME TAX RETURN FOR THE
36 TAXABLE YEAR IN WHICH THE ARIZONA COMMERCE AUTHORITY ISSUED THE
37 POSTAPPROVAL.

38 C. THE DEPARTMENT MAY NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO
39 A TAXPAYER THAT HAS A DELINQUENT TAX BALANCE OWED TO THE DEPARTMENT UNDER
40 THIS TITLE.

41 D. TO QUALIFY FOR A TAX CREDIT UNDER THIS SECTION, THE MOTION
42 PICTURE PRODUCTION COMPANY MUST:

43 1. DO EITHER OF THE FOLLOWING:

44 (a) USE A QUALIFIED PRODUCTION FACILITY IN THIS STATE TO PRODUCE
45 THE MOTION PICTURE PRODUCTION.

1 (b) IF THE MOTION PICTURE PRODUCTION IS FILMED PRIMARILY AT A
2 PRACTICAL LOCATION, PRODUCE AND FILM THE MOTION PICTURE PRODUCTION
3 PRIMARILY IN THIS STATE AND PERFORM ALL PREPRODUCTION, POSTPRODUCTION AND
4 EDITING AT AN INDUSTRY STANDARD FACILITY, IF SUCH A FACILITY FOR THOSE
5 FUNCTIONS IS AVAILABLE.

6 2. MAINTAIN THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION
7 LABOR POSITIONS IN THIS STATE.

8 3. INCLUDE IN THE CREDITS FOR EACH MOTION PICTURE PRODUCTION AN
9 ACKNOWLEDGMENT THAT THE PRODUCTION WAS FILMED IN ARIZONA.

10 4. RECEIVE PREAPPROVAL AND POSTAPPROVAL FROM THE ARIZONA COMMERCE
11 AUTHORITY PURSUANT TO SECTION 41-1517.

12 5. CLAIM THE TAX CREDIT BY USING THE FORM PRESCRIBED BY THE
13 DEPARTMENT AND INCLUDE THE FORM WITH THE MOTION PICTURE PRODUCTION
14 COMPANY'S INCOME TAX RETURN FOR THE TAXABLE YEAR IN WHICH THE ARIZONA
15 COMMERCE AUTHORITY ISSUED THE POSTAPPROVAL.

16 E. CO-OWNERS OF A MOTION PICTURE PRODUCTION COMPANY, INCLUDING
17 CORPORATE PARTNERS IN A PARTNERSHIP, MAY EACH CLAIM THE PRO RATA SHARE OF
18 THE TAX CREDIT ALLOWED UNDER THIS SECTION BASED ON OWNERSHIP INTEREST. THE
19 TOTAL OF THE TAX CREDITS ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT
20 THAT WOULD HAVE BEEN ALLOWED A SOLE OWNER.

21 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE
22 INCOME TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO
23 STATE INCOME TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM
24 NOT USED AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER
25 IN THE SAME MANNER AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE
26 PURSUANT TO THIS SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION 42-1122.
27 IF THE DEPARTMENT DETERMINES THAT A REFUND IS INCORRECT OR INVALID, THE
28 EXCESS REFUND MAY BE TREATED AS A TAX DEFICIENCY PURSUANT TO SECTION
29 42-1108.

30 G. THE DEPARTMENT SHALL MAINTAIN ANNUAL DATA ON THE TOTAL AMOUNT OF
31 MONIES CREDITED PURSUANT TO THIS SECTION AND SHALL PROVIDE THE DATA TO THE
32 ARIZONA COMMERCE AUTHORITY ON REQUEST.

33 H. THE DEPARTMENT SHALL ADOPT FEES AND RULES AND PUBLISH AND
34 PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION AND
35 PROVIDE ADMINISTRATIVE SUPPORT SERVICES.

36 I. THE TAX CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY
37 ALLOWANCE FOR STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED
38 BY THE INTERNAL REVENUE CODE.

39 J. FOR THE PURPOSES OF THIS SECTION:

40 1. "LONG-TERM TENANT" MEANS A PERSON THAT ENTERS INTO A LEASE OF AT
41 LEAST FIVE YEARS FOR THE USE OF A QUALIFIED PRODUCTION FACILITY.

42 2. "MOTION PICTURE PRODUCTION" HAS THE SAME MEANING PRESCRIBED IN
43 SECTION 41-1517.

44 3. "MOTION PICTURE PRODUCTION COMPANY" HAS THE SAME MEANING
45 PRESCRIBED IN SECTION 41-1517.

1 4. "PRACTICAL LOCATION" HAS THE SAME MEANING PRESCRIBED IN SECTION
2 41-1517.
3 5. "PRODUCTION COSTS" HAS THE SAME MEANING PRESCRIBED IN SECTION
4 41-1517.
5 6. "PRODUCTION LABOR" HAS THE SAME MEANING PRESCRIBED IN SECTION
6 41-1517.
7 7. "QUALIFIED PRODUCTION FACILITY" HAS THE SAME MEANING PRESCRIBED
8 IN SECTION 41-1517.
9 Sec. 11. Delayed repeal
10 Section 43-1165, Arizona Revised Statutes, as added by this act, is
11 repealed from and after December 31, 2043.
12 Sec. 12. Exemption from rulemaking
13 Notwithstanding any other law, for the purposes of this act, the
14 Arizona commerce authority and the department of revenue are exempt from
15 the rulemaking requirements of title 41, chapter 6, Arizona Revised
16 Statutes, for one year after the effective date of this act.
17 Sec. 13. Purpose; intent
18 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
19 enacts sections 43-1082 and 43-1165, Arizona Revised Statutes, as added by
20 this act, to create a competitive motion picture production industry
21 presence and market in this state that will develop a substantial motion
22 picture production industry workforce and encourage major capital
23 investment in qualified production facilities in this state, and
24 accordingly, the intent of the legislature is to provide a program that
25 creates long-term economic benefits to this state, including the
26 development of high-paying employment opportunities for residents of this
27 state.