

REFERENCE TITLE: **income tax; addition; net worth**

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SB 1107

Introduced by
Senator Mendez: Representative Salman

AN ACT

AMENDING SECTION 43-1021, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1021, Arizona Revised Statutes, is amended to
3 read:

4 43-1021. Addition to Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts
6 shall be added to Arizona gross income:

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

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

14 3. The amount of interest income received on obligations of any
15 state, territory or possession of the United States, or any political
16 subdivision thereof, located outside the state of Arizona, reduced, for
17 taxable years beginning from and after December 31, 1996, by the amount of
18 any interest on indebtedness and other related expenses that were incurred
19 or continued to purchase or carry those obligations and that are not
20 otherwise deducted or subtracted in arriving at Arizona gross income.

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

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

28 6. Any amount of agricultural water conservation expenses that were
29 deducted pursuant to the internal revenue code for which a credit is
30 claimed under section 43-1084.

31 7. 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 either section 43-1081 or 43-1081.01 exceeds the
34 amount of depreciation or amortization computed pursuant to the internal
35 revenue code on the Arizona adjusted basis of the property.

36 8. 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 43-1074.02, 43-1081 or 43-1081.01 and that is sold
39 or otherwise disposed of during the taxable year exceeds the adjusted
40 basis of the property computed under section 43-1074.02, 43-1081 or
41 43-1081.01, as applicable.

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

45 10. The amount by which a net operating loss carryover or capital
46 loss carryover allowable pursuant to section 1341(b)(5) of the internal

1 revenue code exceeds the net operating loss carryover or capital loss
2 carryover allowable pursuant to section 43-1029, subsection F.

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

6 12. The amount of a nonqualified withdrawal, as defined in section
7 15-1871, from a college savings plan established pursuant to section 529
8 of the internal revenue code that is made to a distributee to the extent
9 the amount is not included in computing federal adjusted gross income,
10 except that the amount added under this paragraph shall not exceed the
11 difference between the amount subtracted under section 43-1022 in prior
12 taxable years and the amount added under this section in any prior taxable
13 years.

14 13. If a subtraction is or has been taken by the taxpayer under
15 section 43-1024, 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 taxable income for the current taxable
22 year.

23 14. 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 15. For taxable years beginning from and after December 31, 2021,
33 the amount deducted by the partnership or S corporation pursuant to the
34 internal revenue code for the amount paid to this state under section
35 43-1014 and for taxes that the department determines are substantially
36 similar to the tax imposed under section 43-1014. This amount shall be
37 reflected in the partner's or shareholder's Arizona gross income and the
38 partnership's or S corporation's Arizona taxable income.

39 16. IF A TAXPAYER'S NET WORTH AS OF DECEMBER 31 OF THE TAXABLE YEAR
40 IS MORE THAN \$50,000, AN AMOUNT EQUAL TO ONE PERCENT OF THE TAXPAYER'S NET
41 WORTH AS OF DECEMBER 31 OF THE TAXABLE YEAR. FOR THE PURPOSES OF THIS
42 PARAGRAPH, NET WORTH DOES NOT INCLUDE THE VALUE OF REAL PROPERTY THAT THE
43 TAXPAYER OWNS AND OCCUPIES AS THE TAXPAYER'S PRIMARY RESIDENCE.

44 Sec. 2. Effective date

45 This act is effective from and after December 31, 2021.