

Senate Engrossed
income tax; subtraction; FDIC premiums

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

SENATE BILL 1461

AN ACT

AMENDING SECTION 43-1122, ARIZONA REVISED STATUTES; RELATING TO CORPORATE
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 43-1122, Arizona Revised Statutes, is amended to
3 read:

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

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

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

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

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

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

22 5. With respect to property that is sold or otherwise disposed of
23 during the taxable year by a taxpayer that complied with section 43-1121,
24 paragraph 4 with respect to that property, the amount of depreciation that
25 has been allowed pursuant to section 167(a) of the internal revenue code
26 to the extent that the amount has not already reduced Arizona taxable
27 income in the current taxable year or prior taxable years.

28 6. With respect to a financial institution as defined in section
29 6-101, expenses and interest relating to tax-exempt income disallowed
30 pursuant to section 265 of the internal revenue code.

31 7. Dividends received from another corporation owned or controlled
32 directly or indirectly by a recipient corporation. For the purposes of
33 this paragraph, "control" means direct or indirect ownership or control of
34 fifty percent or more of the voting stock of the payor corporation by the
35 recipient corporation. Dividends shall have the meaning provided in
36 section 316 of the internal revenue code. This subtraction shall apply
37 without regard to section 43-961, paragraph 2 and article 4 of this
38 chapter.

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

40 9. The amount of dividend income from foreign corporations. For
41 the purposes of this paragraph, gross up income as described in section 78
42 of the internal revenue code, global intangible low-taxed income as
43 defined in section 951A of the internal revenue code and subpart F income
44 as defined in section 952 of the internal revenue code shall be considered
45 foreign dividends.

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

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

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

6 13. The amount of deferred exploration expenses allowed by section
7 43-1127.

8 14. The amount of exploration expenses related to the exploration
9 of oil, gas or geothermal resources, computed in the same manner and on
10 the same basis as a deduction for mine exploration pursuant to section 617
11 of the internal revenue code. This computation is subject to the
12 adjustments contained in section 43-1121, paragraph 10 and paragraphs 12
13 and 13 of this section relating to exploration expenses.

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

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

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

21 18. The income of an insurance company that is exempt under section
22 43-1201 to the extent that it is included in computing Arizona gross
23 income on a consolidated return pursuant to section 43-947.

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

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

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

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

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

44 (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
6 monies or other property contributed to a public service corporation that
7 provides water or sewage disposal services to the extent that the purpose
8 of the contribution is to provide for expanding, improving or replacing
9 the public service corporation's water system or sewage disposal
10 facilities, including any amount of monies or other property contributed
11 to a public service corporation for a water system or sewage disposal
12 facility subject to a contingent obligation to repay the amount, in whole
13 or in part, to the 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,
18 2019, THE AMOUNT OF ANY FEDERAL DEPOSIT INSURANCE CORPORATION PREMIUMS
19 PAID OR INCURRED BY THE TAXPAYER THAT IS DISALLOWED AS A DEDUCTION FOR
20 FEDERAL INCOME TAX PURPOSES UNDER SECTION 162(r) OF THE INTERNAL REVENUE
21 CODE FOR THE TAXABLE YEAR.

22 Sec. 2. Retroactivity

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