

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2204

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

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

4 43-1001. Definitions

5 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

23 7. "Net income" means taxable income.

24 8. "Person" means an individual.

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

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

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

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

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

10 43-1022. Subtractions from Arizona gross income

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

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

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

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

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

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

31 4. Interest income received on obligations of the United States,
32 minus any interest on indebtedness, or other related expenses, and deducted

1 in arriving at Arizona gross income, that were incurred or continued to
2 purchase or carry such obligations.

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

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

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

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

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

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

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

31 12. The amount of unreimbursed medical and hospital costs, adoption
32 counseling, legal and agency fees and other nonrecurring costs of adoption

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

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

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

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

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

22 17. For property placed in service:

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

29 (b) In taxable years beginning from and after December 31, 2012
30 through December 31, 2013, an amount determined in the year the asset was
31 placed in service based on the calculation in subdivision (a) of this
32 paragraph. In the first taxable year beginning from and after December 31,

1 2013, the taxpayer may elect to subtract the amount necessary to make the
2 depreciation claimed to date for the purposes of this title the same as it
3 would have been if subdivision (c) of this paragraph had applied for the
4 entire time the asset was in service. Subdivision (c) of this paragraph
5 applies for the remainder of the asset's life. If the taxpayer does not
6 make the election under this subdivision, subdivision (a) of this paragraph
7 applies for the remainder of the asset's life.

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

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

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

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

31 19. The amount contributed during the taxable year to college
32 savings plans established pursuant to section 529 of the internal revenue

1 code on behalf of the designated beneficiary to the extent that the
2 contributions were not deducted in computing federal adjusted gross income.
3 The amount subtracted may not exceed:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 Amend title to conform

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C: KCB