

PROPOSED

SENATE AMENDMENTS TO H.B. 2156

(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

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; preapproval;
5 postapproval; fee; rulemaking; audit; report; definitions

6 A. THE AUTHORITY SHALL:

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

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

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

15 1. DO EITHER OF THE FOLLOWING:

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

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

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

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

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

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

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

11 1. THE NAME, ADDRESS, TELEPHONE NUMBER AND WEBSITE ADDRESS OF THE
12 MOTION PICTURE PRODUCTION COMPANY.

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

15 3. THE PROJECTED FIRST PREPRODUCTION DATE AND LAST PRODUCTION DATE
16 IN THIS STATE.

17 4. THE PRODUCTION OFFICE ADDRESS AND OFFICE TELEPHONE NUMBER IN THIS
18 STATE.

19 5. THE ESTIMATED TOTAL BUDGET OF THE PRODUCTION.

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

21 7. THE ESTIMATED TOTAL PERCENTAGE OF THE PRODUCTION THAT WILL TAKE
22 PLACE IN THIS STATE.

23 8. THE ESTIMATED NUMBER AND DURATION OF FULL-TIME PRODUCTION LABOR
24 EMPLOYMENT POSITIONS IN THIS STATE.

25 9. THE ESTIMATED NUMBER OF EMPLOYEES WHO ARE RESIDENTS OF THIS STATE
26 IN THE CAST AND CREW.

27 10. THE ESTIMATED MEDIAN WAGE OF PRODUCTION LABOR EMPLOYMENT
28 POSITIONS IN THIS STATE.

29 11. A SCRIPT OR SYNOPSIS, THE NAME OF THE PROPOSED DIRECTOR AND A
30 PRELIMINARY LIST OF THE CAST AND PRODUCER.

31 12. AN AFFIDAVIT THAT ATTESTS THAT THE MOTION PICTURE PRODUCTION
32 COMPANY WILL MEET ALL OF THE REQUIREMENTS TO QUALIFY FOR THE TAX CREDITS,

1 INCLUDING THAT THE MOTION PICTURE PRODUCTION COMPANY WILL USE A QUALIFIED
2 PRODUCTION FACILITY IN THIS STATE TO PRODUCE THE MOTION PICTURE PRODUCTION
3 OR OTHERWISE SATISFY THE REQUIREMENTS PRESCRIBED IN SUBSECTION B, PARAGRAPH
4 1 OF THIS SECTION.

5 D. THE AUTHORITY SHALL ESTABLISH PROCESSES TO:

6 1. REVIEW A COMPLETED INITIAL APPLICATION SUBMITTED PURSUANT TO THIS
7 SECTION WITHIN A TIME PERIOD PRESCRIBED BY THE AUTHORITY BY RULE TO
8 DETERMINE WHETHER THE MOTION PICTURE PRODUCTION COMPANY SATISFIES ALL OF
9 THE CRITERIA PROVIDED IN SUBSECTION B OF THIS SECTION.

10 2. CERTIFY AND PREAPPROVE A MOTION PICTURE PRODUCTION COMPANY FOR
11 THE MOTION PICTURE PRODUCTION TAX CREDITS UNDER SECTION 43-1082 OR
12 43-1165. PREAPPROVAL PRIORITY SHALL BE BASED ON THE DATE THAT THE MOTION
13 PICTURE PRODUCTION COMPANY FILES A COMPLETE INITIAL APPLICATION FOR
14 CERTIFICATION WITH THE AUTHORITY.

15 E. THE PREAPPROVED AMOUNT APPLIES AGAINST THE APPLICABLE DOLLAR
16 LIMIT PRESCRIBED BY SUBSECTION I OF THIS SECTION FOR THE CALENDAR YEAR IN
17 WHICH THE APPLICATION WAS SUBMITTED REGARDLESS OF WHETHER THE PREAPPROVAL
18 PERIOD EXTENDS INTO THE FOLLOWING YEAR OR YEARS.

19 F. THE AUTHORITY SHALL DENY AN APPLICATION IF THE AUTHORITY
20 DETERMINES THAT:

21 1. THE MOTION PICTURE PRODUCTION COMPANY DOES NOT MEET ALL OF THE
22 ESTABLISHED CRITERIA PROVIDED IN SUBSECTION B OF THIS SECTION.

23 2. THE PRODUCTION WOULD CONSTITUTE AN OBSCENE MOTION PICTURE FILM OR
24 OBSCENE PICTORIAL PUBLICATION UNDER TITLE 12, CHAPTER 7, ARTICLE 1.1.

25 3. THE PRODUCTION VIOLATES THE OBSCENITY LAWS UNDER TITLE 13,
26 CHAPTER 35.

27 4. THE PRODUCTION WOULD CONSTITUTE SEXUAL EXPLOITATION OF A MINOR OR
28 COMMERCIAL SEXUAL EXPLOITATION OF A MINOR UNDER TITLE 13, CHAPTER 35.1.

29 G. ON A DETERMINATION BY THE AUTHORITY THAT A MOTION PICTURE
30 PRODUCTION COMPANY QUALIFIES FOR THE MOTION PICTURE PRODUCTION TAX CREDITS
31 UNDER SECTION 43-1082 OR 43-1165, THE AUTHORITY SHALL ISSUE THE MOTION
32 PICTURE PRODUCTION COMPANY A PREAPPROVAL LETTER AND TRANSMIT A COPY OF THE

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

8 H. ON COMPLETION OF THE MOTION PICTURE PRODUCTION, A MOTION PICTURE
9 PRODUCTION COMPANY THAT IS PREAPPROVED FOR THE MOTION PICTURE PRODUCTION
10 TAX CREDITS UNDER SECTION 43-1082 OR 43-1165 SHALL APPLY TO THE AUTHORITY,
11 ON A FORM PRESCRIBED BY THE AUTHORITY, FOR APPROVAL OF MOTION PICTURE
12 PRODUCTION TAX CREDITS AND PROVIDE AN AUDITED STATEMENT COMPLETED BY A
13 CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE THAT CERTIFIES THE TOTAL AMOUNT
14 OF ELIGIBLE PRODUCTION COSTS ASSOCIATED WITH THE PRODUCTION. THE AUTHORITY
15 SHALL PROVIDE POSTAPPROVAL TO A MOTION PICTURE PRODUCTION COMPANY THAT THE
16 MOTION PICTURE PRODUCTION COMPANY HAS MET THE ELIGIBILITY REQUIREMENTS OF
17 THIS SECTION AND NOTIFY THE DEPARTMENT OF REVENUE THAT THE MOTION PICTURE
18 PRODUCTION COMPANY MAY CLAIM THE TAX CREDITS UNDER SECTION 43-1082 OR
19 43-1165.

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

- 25 1. IN CALENDAR YEAR 2023, \$75,000,000.
- 26 2. IN CALENDAR YEAR 2024, \$100,000,000.
- 27 3. IN CALENDAR YEAR 2025, AND EACH CALENDAR YEAR THEREAFTER,
28 \$125,000,000.

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

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

4 L. THE AUTHORITY SHALL SUBMIT A REPORT ON OR BEFORE DECEMBER 31 EACH
5 YEAR TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
6 HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY OF THIS REPORT TO THE
7 SECRETARY OF STATE. THE AUTHORITY SHALL ALSO MAKE THE REPORT AVAILABLE TO
8 THE GENERAL PUBLIC ON REQUEST. THE REPORT SHALL INCLUDE:

9 1. INFORMATION RELATING TO THE PROGRAM'S ACTIVITIES, RECEIPTS AND
10 EXPENDITURES.

11 2. INFORMATION COMPARING THE ANNUAL AMOUNT OF MONIES CREDITED TO
12 CERTIFIED MOTION PICTURE PRODUCTION COMPANIES TO THE ESTIMATED AMOUNT OF
13 MONIES SPENT ON IN-STATE PRODUCTION COSTS BY MOTION PICTURE PRODUCTION
14 COMPANIES.

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

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

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

23 (b) THE DIRECT, INDIRECT AND INDUCED INPUTS THAT RELY ON COMMONLY
24 USED INPUT-OUTPUT ECONOMIC MODELING FOR GENERATING ECONOMIC MULTIPLIERS AND
25 THAT MEASURE THE DIRECT AND INDIRECT IMPACT OF THE MOTION PICTURE
26 PRODUCTION INDUSTRY AND IDENTIFIABLE INDUCED ECONOMIC ACTIVITY IN THIS
27 STATE, INCLUDING BENEFITS RELATED TO CONSTRUCTION ACTIVITY AND THE
28 ASSOCIATED STATE TRANSACTION PRIVILEGE TAX.

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

1 M. BEGINNING ON THE FIFTH YEAR AFTER THE AUTHORITY ISSUES THE FIRST
2 PREAPPROVAL LETTER AND AT LEAST EVERY FIFTH YEAR THEREAFTER, THE AUTHORITY
3 SHALL PERFORM AN AUDIT OF THE PROGRAM. ON OR BEFORE JUNE 30 OF THE
4 RESPECTIVE YEAR, THE AUTHORITY SHALL ISSUE A PUBLIC REPORT OF THE AUDIT AND
5 SUBMIT THE REPORT OF THE AUDIT TO THE PRESIDENT OF THE SENATE AND THE
6 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY TO THE
7 SECRETARY OF STATE. THE AUDITOR GENERAL SHALL REVIEW EACH AUDIT PERFORMED
8 PURSUANT TO THIS SUBSECTION AND REPORT THE AUDITOR GENERAL'S FINDINGS TO
9 THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
10 AND SHALL PROVIDE A COPY TO THE SECRETARY OF STATE. THE AUDIT PERFORMED ON
11 THE TENTH YEAR AFTER THE FIRST AUDIT BY THE AUTHORITY SHALL INCLUDE A
12 RECOMMENDATION FOR WHETHER THE PROGRAM IS ECONOMICALLY VIABLE AND
13 EFFECTIVE.

14 N. EACH AUDIT REPORT REQUIRED BY SUBSECTION M OF THIS SECTION MUST
15 INCLUDE:

16 1. THE CUMULATIVE TOTAL NUMBER OF PRODUCTION LABOR EMPLOYMENT
17 POSITIONS AND LABOR COSTS RELATED TO THOSE POSITIONS THAT QUALIFIED FOR THE
18 TAX CREDITS ALLOWED UNDER SECTION 43-1082, SUBSECTION A, PARAGRAPH 2 OR
19 SECTION 43-1165, SUBSECTION A, PARAGRAPH 2 FOR EACH YEAR THE CREDIT IS
20 TAKEN.

21 2. A COMPARISON OF THE MEDIAN WAGE OF PRODUCTION LABOR EMPLOYMENT
22 POSITIONS IN EACH COUNTY AND THE MEDIAN WAGE IN THE COUNTY IN WHICH A
23 PRODUCTION LABOR EMPLOYMENT POSITION IS LOCATED.

24 3. THE CUMULATIVE TOTAL OF WORKER-DAYS CALCULATED BY MULTIPLYING THE
25 TOTAL NUMBER OF PRODUCTION LABOR EMPLOYMENT POSITIONS BY THE NUMBER OF DAYS
26 WORKED FOR EACH POSITION DURING THE EMPLOYMENT.

27 O. FOR THE PURPOSES OF THIS SECTION:

28 1. "MOTION PICTURE PRODUCTION" MEANS A SINGLE MEDIUM OR MULTIMEDIA
29 PROGRAM, INCLUDING A FEATURE FILM, EPISODIC SERIES OR COMMERCIAL
30 ADVERTISEMENT MESSAGE, THAT:

31 (a) IS CREATED BY PRODUCTION ACTIVITIES CONDUCTED IN THIS STATE.

32 (b) CAN BE VIEWED OR REPRODUCED.

1 (c) IS INTENDED FOR COMMERCIAL DISTRIBUTION OR LICENSING IN THE
2 DELIVERY MEDIUM USED.

3 2. "MOTION PICTURE PRODUCTION COMPANY" MEANS ANY PERSON THAT IS
4 PRIMARILY ENGAGED IN THE BUSINESS OF PRODUCING MOTION PICTURES AND THAT HAS
5 A PHYSICAL BUSINESS OFFICE IN THIS STATE.

6 3. "PRACTICAL LOCATION" MEANS A LOCATION AT WHICH A MOTION PICTURE
7 PRODUCTION IS FILMED THAT IS NOT AND THAT DOES NOT USE AN INDUSTRY STANDARD
8 SOUND STAGE OR PRODUCTION FACILITY TO PRODUCE AND FILM THE MOTION PICTURE
9 PRODUCTION.

10 4. "PRODUCTION COSTS":

11 (a) MEANS COSTS FOR THE FOLLOWING THAT ARE INCURRED AND TAXABLE IN
12 THIS STATE:

13 (i) ALL COMPENSATION PAID TO TALENT, WRITERS, DIRECTORS AND
14 MANAGEMENT.

15 (ii) ALL COMPENSATION PAID FOR PRODUCTION LABOR.

16 (iii) SET CONSTRUCTION AND OPERATION COSTS PAID PURSUANT TO
17 CONSTRUCTION CONTRACTS WITH CONTRACTORS THAT ARE LICENSED UNDER TITLE 32,
18 CHAPTER 10.

19 (iv) WARDROBE, PROPS, ACCESSORIES AND RELATED SERVICES.

20 (v) PHOTOGRAPHY, SOUND SYNCHRONIZATION, LIGHTING AND RELATED COSTS.

21 (vi) EDITING AND RELATED SERVICES.

22 (vii) RENTAL OF QUALIFIED PRODUCTION FACILITIES.

23 (viii) RENTAL OF EQUIPMENT.

24 (ix) CATERED FOOD, DRINK AND CONDIMENT PURCHASED FROM A QUALIFIED
25 PRODUCTION FACILITY.

26 (x) OTHER DIRECT IN-STATE COSTS OF PRODUCING THE MOTION PICTURE
27 PRODUCTION PURSUANT TO RULES ADOPTED BY THE AUTHORITY.

28 (b) DOES NOT INCLUDE PAYMENTS FOR PENALTIES AND FINES OR FEES OR
29 DEPOSITS ESTABLISHED BY THE AUTHORITY OR THE DEPARTMENT OF REVENUE TO
30 ADMINISTER THE PROGRAM.

31 5. "PRODUCTION LABOR" MEANS ALL LABORERS WORKING ON A PRODUCTION
32 THAT ARE NOT TALENT, WRITERS, DIRECTORS, PRODUCERS OR MANAGEMENT.

1 6. "PROGRAM" MEANS THE ARIZONA MOTION PICTURE PRODUCTION PROGRAM
2 IMPLEMENTED PURSUANT TO THIS SECTION.

3 7. "QUALIFIED PRODUCTION FACILITY" MEANS A STRUCTURE THAT IS BUILT
4 FOR FILM INDUSTRY PURPOSES, IS LOCATED IN THIS STATE, IS AT LEAST TEN
5 THOUSAND SQUARE FEET AND MEETS GENERALLY ACCEPTED INDUSTRY STANDARDS,
6 INCLUDING STANDARDS FOR SOUNDPROOFING, LIGHTING, AIR CONDITIONING AND
7 MOTION PICTURE PRODUCTION QUALITY TECHNOLOGY FOR PRODUCING, FILMING OR
8 OTHERWISE CREATING A MOTION PICTURE PRODUCTION.

9 Sec. 2. Delayed repeal

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

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

14 42-1122. Setoff for debts to state agencies, political subdivisions and
15 courts; revolving fund; penalties; definitions

16 A. The department shall establish a liability setoff program by
17 which refunds under ~~sections~~ SECTION 42-1118 and ~~43-1072~~ TITLE 43, CHAPTERS
18 10 AND 11 may be used to satisfy debts that the taxpayer owes to this
19 state, a political subdivision or a court. The program shall comply with
20 the standards and requirements prescribed by this section.

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

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

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

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

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

13 2. Request final agency, political subdivision or court confirmation
14 in writing or electronically as determined by the department within ten
15 days after the match and of the continuation of the debt. If the agency,
16 political subdivision or court fails to provide confirmation within
17 forty-five days after the request, the department shall release the refund
18 to the taxpayer.

19 D. An agency, political subdivision or court may submit updated
20 information, additions, deletions and other changes on a quarterly or more
21 frequent basis, at the convenience of the agency, political subdivision or
22 court.

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

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

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

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

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

12 H. If, within thirty days after the physical or electronic mailing
13 of the notice, the taxpayer requests a review by the agency or political
14 subdivision or provides the agency or political subdivision with proof that
15 an appeal has been taken to the appropriate court, the agency or political
16 subdivision shall immediately notify the department and the setoff
17 procedure shall be stayed pending resolution of the review or appeal.

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

22 J. Subsections E, G, H and I of this section do not apply to a debt
23 imposed by a court except that the taxpayer shall receive notice of the
24 intent to set off the debt against the refund due and the right to appeal
25 to the court that imposed the debt within thirty days after the physical or
26 electronic mailing of the notice. The basis for the request for review
27 shall not include the validity of the claim and shall state with
28 specificity why the taxpayer claims the obligation does not exist or why
29 the obligation is incorrect.

30 K. If the setoff accounts for only a portion of the refund due, the
31 remainder of the refund shall be sent to the taxpayer. A court shall not
32 use this section to satisfy a judgment or payment of a fine or civil

1 penalty until the judgment has become final or until the time to appeal the
2 imposition of a fine or civil penalty has expired.

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

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

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

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

28 1. If the agency, political subdivision or court reimburses the
29 taxpayer sixteen through one hundred eighty days after the agency,
30 political subdivision or court receives notification that the refund was
31 erroneously intercepted and the refund was received by the agency,

1 political subdivision or court, the penalty is equal to ten percent of the
2 amount of the refund that was intercepted.

3 2. If the agency, political subdivision or court reimburses the
4 taxpayer one hundred eighty-one through three hundred sixty-five days after
5 the agency, political subdivision or court receives notification that the
6 refund was erroneously intercepted and the refund was received by the
7 agency, political subdivision or court, the penalty is equal to fifteen
8 percent of the amount of the refund that was intercepted.

9 3. If the agency, political subdivision or court fails to reimburse
10 the taxpayer within three hundred sixty-five days after the agency,
11 political subdivision or court receives notification that the refund was
12 erroneously intercepted and the refund was received by the agency,
13 political subdivision or court, the penalty is equal to twenty percent of
14 the amount of the refund that was intercepted.

15 P. The time periods set forth in subsection 0 of this section shall
16 be stayed during a review of an agency decision pursuant to section 25-522.

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

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

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

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

26 S. If a tax refund is based on a joint income tax return and the
27 department of economic security receives a written claim from the
28 nonobligated spouse within forty-five days after the notice of a setoff for
29 overdue child support, the setoff only applies to that portion of the
30 refund due to the obligor. The nonobligated spouse shall provide to the
31 department of economic security copies of both the obligated and
32 nonobligated spouse's federal W-2 forms and evidence of estimated tax

1 payments supporting the proportionate share of each spouse's payment of
2 tax. The department of economic security shall retain the amount of the
3 setoff refund due to the obligated spouse determined by a proration based
4 on the tax payments of each spouse by estimated tax payment or tax withheld
5 from wages.

6 T. For the purposes of this section:

7 1. "Agency" means:

8 (a) A department, agency, board, commission or institution of this
9 state.

10 (b) A corporation that is under contract with this state and that
11 provides a service that would otherwise be provided by a department,
12 agency, board, commission or institution of this state, ~~if~~ if the contract
13 specifically authorizes participation in the liability setoff program and
14 the attorney general's office has reviewed the contract and approves such
15 authorization. The participation in the liability setoff program shall be
16 limited to debt related to the services the corporation provides for or on
17 behalf of this state.

18 2. "Court" means all courts of record, justice courts and municipal
19 courts.

20 3. "Debt":

21 (a) Means an amount over \$50 that is owed to an agency, political
22 subdivision or court by a taxpayer and may include a judgment in favor of
23 this state or a political subdivision of this state, interest, penalties,
24 charges, costs, fees, fines, civil penalties, surcharges, assessments,
25 administrative charges or any other amount.

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

29 4. "Overdue support" means a delinquency in court ordered payments
30 for spousal maintenance or support of a child or for spousal maintenance to
31 the parent with whom the child is living if child support is also being

1 enforced pursuant to an assignment or application filed under 42 United
2 States Code section 654(6) or other applicable law.

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

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

7 42-2003. Authorized disclosure of confidential information

8 A. Confidential information relating to:

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

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

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

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

29 5. An estate may be disclosed to the personal representative of the
30 estate and to any heir, next of kin or beneficiary under the will of the
31 decedent if the department finds that the heir, next of kin or beneficiary

1 has a material interest that will be affected by the confidential
2 information.

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

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

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

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

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

19 B. Confidential information may be disclosed to:

20 1. Any employee of the department whose official duties involve tax
21 administration.

22 2. The office of the attorney general solely for its use in
23 preparation for, or in an investigation that may result in, any proceeding
24 involving tax administration before the department or any other agency or
25 board of this state, or before any grand jury or any state or federal
26 court.

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

1 4. Other state tax officials whose official duties require the
2 disclosure for proper tax administration purposes if the information is
3 sought in connection with an investigation or any other proceeding
4 conducted by the official. Any disclosure is limited to information of a
5 taxpayer who is being investigated or who is a party to a proceeding
6 conducted by the official.

7 5. The following agencies, officials and organizations, if they
8 grant substantially similar privileges to the department for the type of
9 information being sought, pursuant to statute and a written agreement
10 between the department and the foreign country, agency, state, Indian tribe
11 or organization:

12 (a) The United States internal revenue service, alcohol and tobacco
13 tax and trade bureau of the United States treasury, United States bureau of
14 alcohol, tobacco, firearms and explosives of the United States department
15 of justice, United States drug enforcement agency and federal bureau of
16 investigation.

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

18 (c) An organization of states, federation of tax administrators or
19 multistate tax commission that operates an information exchange for tax
20 administration purposes.

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

24 (e) An agency, official or organization of an Indian tribal
25 government with responsibilities comparable to the responsibilities of the
26 agencies, officials or organizations identified in subdivision (a), (b) or
27 (c) of this paragraph.

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

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

1 (a) The processing, storage, transmission, destruction and
2 reproduction of the information.

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

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

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

10 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

30 (d) Certifying computer data centers for tax relief under section
31 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 the
21 following:

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

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

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

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

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

7 (d) Return information directly relates to a transactional
8 relationship between a person who is a party to the proceeding and the
9 taxpayer and directly affects the resolution of an issue in the proceeding.

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

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

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

23 F. A department employee, in connection with the official duties
24 relating to any audit, collection activity or civil or criminal
25 investigation, may disclose return information to the extent that
26 disclosure is necessary to obtain information that is not otherwise
27 reasonably available. These official duties include the correct
28 determination of and liability for tax, the amount to be collected or the
29 enforcement of other state tax revenue laws.

30 G. Confidential information relating to transaction privilege tax,
31 use tax, severance tax, jet fuel excise and use tax and any other tax
32 collected by the department on behalf of any jurisdiction may be disclosed

1 to any county, city or town tax official if the information relates to a
2 taxpayer who is or may be taxable by a county, city or town or who may be
3 subject to audit by the department pursuant to section 42-6002. Any
4 taxpayer information that is released by the department to the county, city
5 or town:

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

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

14 (i) The transaction privilege tax license number.

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

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

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

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

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

25 (b) Redisclosure is limited to nonelected officials in other units
26 within the county, city or town. The information may not be redisclosed to
27 an elected official or the elected official's staff.

28 (c) All redisclosures of confidential information made pursuant to
29 this paragraph are subject to paragraph 2 of this subsection.

30 2. May not be disclosed to the public in any manner that does not
31 comply with confidentiality standards established by the department. The
32 county, city or town shall agree in writing with the department that any

1 release of confidential information that violates the confidentiality
2 standards adopted by the department will result in the immediate suspension
3 of any rights of the county, city or town to receive taxpayer information
4 under this subsection.

5 H. The department may disclose statistical information gathered from
6 confidential information if it does not disclose confidential information
7 attributable to any one taxpayer. The department may disclose statistical
8 information gathered from confidential information, even if it discloses
9 confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

30 M. Except as provided in section 42-2002, subsection D, a court may
31 order the department to disclose confidential information pertaining to a
32 party to an action. An order shall be made only on a showing of good cause

1 and that the party seeking the information has made demand on the taxpayer
2 for the information.

3 N. This section does not prohibit the disclosure by the department
4 of any information or documents submitted to the department by a bingo
5 licensee. Before disclosing the information, the department shall obtain
6 the name and address of the person requesting the information.

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

10 P. Except as provided in section 42-2002, subsection D, the
11 department of revenue shall release confidential information as requested
12 by the department of economic security pursuant to section 42-1122 or
13 46-291. Information disclosed under this subsection is limited to the same
14 type of information that the United States internal revenue service is
15 authorized to disclose under section 6103(1)(6) of the internal revenue
16 code.

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

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

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

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

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

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

4 T. For proceedings before the department, the office of
5 administrative hearings, the state board of tax appeals or any state or
6 federal court involving penalties that were assessed against a return
7 preparer, an electronic return preparer or a payroll service company
8 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential
9 information may be disclosed only before the judge or administrative law
10 judge adjudicating the proceeding, the parties to the proceeding and the
11 parties' representatives in the proceeding prior to its introduction into
12 evidence in the proceeding. The confidential information may be introduced
13 as evidence in the proceeding only if the taxpayer's name, the names of any
14 dependents listed on the return, all social security numbers, the
15 taxpayer's address, the taxpayer's signature and any attachments containing
16 any of the foregoing information are redacted and if either:

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

19 2. Such a return or the return information relates or may relate to
20 a transactional relationship between a person who is a party to the
21 proceeding and the taxpayer that directly affects the resolution of an
22 issue in the proceeding.

23 3. The method of payment of the taxpayer's withholding tax liability
24 or the method of filing the taxpayer's withholding tax return is an issue
25 for the period.

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

28 1. Federal, state or local agencies located in this state for the
29 purposes of enforcement of the statutes or agreements specified in
30 subsection S of this section or for the purposes of enforcement of
31 corresponding laws of other states.

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

4 3. A court, arbitrator, data clearinghouse or similar entity for the
5 purpose of assessing compliance with or making calculations required by the
6 master settlement agreement or agreements regarding disputes under the
7 master settlement agreement, and with counsel for the parties or expert
8 witnesses in any such proceeding, if the information otherwise remains
9 confidential.

10 V. The department may provide the name and address of qualifying
11 hospitals and qualifying health care organizations, as defined in section
12 42-5001, to a business that is classified and reporting transaction
13 privilege tax under the utilities classification.

14 W. The department may disclose to an official of any city, town or
15 county in a current agreement or considering a prospective agreement with
16 the department as described in section 42-5032.02, subsection G any
17 information relating to amounts that are subject to distribution and that
18 are required by section 42-5032.02. Information disclosed by the
19 department under this subsection:

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

22 2. May not be disclosed to the public in any manner that does not
23 comply with confidentiality standards established by the department. The
24 city, town or county must agree with the department in writing that any
25 release of confidential information that violates the confidentiality
26 standards will result in the immediate suspension of any rights of the
27 city, town or county to receive information under this subsection.

28 X. Notwithstanding any other provision of this section, the
29 department may not disclose information provided by an online lodging
30 marketplace, as defined in section 42-5076, without the written consent of
31 the online lodging marketplace, and the information may be disclosed only
32 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,

1 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such
2 information:

3 1. Is not subject to disclosure pursuant to title 39, relating to
4 public records.

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

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

9 43-222. Income tax credit review schedule

10 The joint legislative income tax credit review committee shall review
11 the following income tax credits:

12 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
13 43-1089.04, 43-1167.01 and 43-1175.

14 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
15 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,
16 43-1164.03 and 43-1183.

17 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
18 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1165,
19 43-1169 and 43-1181.

20 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
21 43-1168, 43-1170 and 43-1178.

22 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
23 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05 and 43-1184.

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

26 43-1021. Addition to Arizona gross income

27 In computing Arizona adjusted gross income, the following amounts
28 shall be added to Arizona gross income:

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

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

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

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

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

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

22 7. The amount by which the depreciation or amortization computed
23 under the internal revenue code with respect to property for which a credit
24 was taken under either section 43-1081 or 43-1081.01 exceeds the amount of
25 depreciation or amortization computed pursuant to the internal revenue code
26 on the Arizona adjusted basis of the property.

27 8. The amount by which the adjusted basis computed under the
28 internal revenue code with respect to property for which a credit was
29 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold or
30 otherwise disposed of during the taxable year exceeds the adjusted basis of
31 the property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
32 applicable.

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

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

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

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

18 13. If a subtraction is or has been taken by the taxpayer under
19 section 43-1024, in the current or a prior taxable year for the full amount
20 of eligible access expenditures paid or incurred to comply with the
21 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
22 or title 41, chapter 9, article 8, any amount of eligible access
23 expenditures that is recognized under the internal revenue code, including
24 any amount that is amortized according to federal amortization schedules,
25 and that is included in computing taxable income for the current taxable
26 year.

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

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

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

5 15. For taxable years beginning from and after December 31, 2021,
6 the amount deducted by the partnership or S corporation pursuant to the
7 internal revenue code for the amount paid to this state under section
8 43-1014 and for taxes that the department determines are substantially
9 similar to the tax imposed under section 43-1014. This amount shall be
10 reflected in the partner's or shareholder's Arizona gross income and the
11 partnership's or S corporation's Arizona taxable income.

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

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

17 43-1082. Credit for motion picture production costs;
18 qualifications; data maintenance; rules; definitions

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

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

27 (a) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS UP TO
28 \$10,000,000, FIFTEEN PERCENT.

29 (b) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
30 \$10,000,000 BUT LESS THAN \$35,000,000, SEVENTEEN AND ONE-HALF PERCENT.

31 (c) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
32 \$35,000,000, TWENTY PERCENT.

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

5 3. IF THE MOTION PICTURE PRODUCTION COMPANY EITHER:

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

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

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

21 B. TAX CREDITS UNDER THIS SECTION MAY NOT EXCEED THE AMOUNT PROVIDED
22 IN THE POSTAPPROVAL ISSUED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO
23 SECTION 41-1517, SUBSECTION H. THE TAXPAYER MUST INCLUDE A COPY OF THE
24 POSTAPPROVAL WITH THE TAXPAYER'S INCOME TAX RETURN FOR THE TAXABLE YEAR IN
25 WHICH THE ARIZONA COMMERCE AUTHORITY ISSUED THE POSTAPPROVAL.

26 C. THE DEPARTMENT MAY NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO A
27 TAXPAYER WHO HAS A DELINQUENT TAX BALANCE OWED TO THE DEPARTMENT UNDER THIS
28 TITLE.

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

31 1. DO EITHER OF THE FOLLOWING:

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

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

8 2. MAINTAIN THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION LABOR
9 POSITIONS IN THIS STATE.

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

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

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

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

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

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

4 H. THE DEPARTMENT SHALL ADOPT FEES AND RULES AND PUBLISH AND
5 PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION AND
6 PROVIDE ADMINISTRATIVE SUPPORT SERVICES.

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

10 J. FOR THE PURPOSES OF THIS SECTION:

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

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

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

17 4. "PRACTICAL LOCATION" HAS THE SAME MEANING PRESCRIBED IN SECTION
18 41-1517.

19 5. "PRODUCTION COSTS" HAS THE SAME MEANING PRESCRIBED IN SECTION
20 41-1517.

21 6. "PRODUCTION LABOR" HAS THE SAME MEANING PRESCRIBED IN SECTION
22 41-1517.

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

25 Sec. 8. Delayed repeal

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

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

30 43-1121. Additions to Arizona gross income: corporations

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

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

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

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

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

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

21 6. Taxes that are based on income paid to states, local governments
22 or foreign governments and that were deducted in computing federal taxable
23 income.

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

29 8. Commissions, rentals and other amounts paid or accrued to a
30 domestic international sales corporation controlled by the payor
31 corporation if the domestic international sales corporation is not required
32 to report its taxable income to this state because its income is not

1 derived from or attributable to sources within this state. If the domestic
2 international sales corporation is subject to article 4 of this chapter,
3 the department shall prescribe by rule the method of determining the
4 portion of the commissions, rentals and other amounts that are paid or
5 accrued to the controlled domestic international sales corporation and that
6 shall be deducted by the payor. For the purposes of this paragraph,
7 "control" means direct or indirect ownership or control of fifty percent or
8 more of the voting stock of the domestic international sales corporation by
9 the payor corporation.

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

12 10. The amount of exploration expenses determined pursuant to
13 section 617 of the internal revenue code to the extent that they exceed
14 \$75,000 and to the extent that the election is made to defer those expenses
15 not in excess of \$75,000.

16 11. Amortization of costs incurred to install pollution control
17 devices and deducted pursuant to the internal revenue code or the amount of
18 deduction for depreciation taken pursuant to the internal revenue code on
19 pollution control devices for which an election is made pursuant to section
20 43-1129.

21 12. The amount of depreciation or amortization of costs of child
22 care facilities deducted pursuant to section 167 or 188 of the internal
23 revenue code for which an election is made to amortize pursuant to section
24 43-1130.

25 13. The loss of an insurance company that is exempt under section
26 43-1201 to the extent that it is included in computing Arizona gross income
27 on a consolidated return pursuant to section 43-947.

28 14. The amount by which the depreciation or amortization computed
29 under the internal revenue code with respect to property for which a credit
30 was taken under section 43-1169 exceeds the amount of depreciation or
31 amortization computed pursuant to the internal revenue code on the Arizona
32 adjusted basis of the property.

1 15. The amount by which the adjusted basis computed under the
2 internal revenue code with respect to property for which a credit was
3 claimed under section 43-1169 and that is sold or otherwise disposed of
4 during the taxable year exceeds the adjusted basis of the property computed
5 under section 43-1169.

6 16. The amount by which the depreciation or amortization computed
7 under the internal revenue code with respect to property for which a credit
8 was taken under section 43-1170 exceeds the amount of depreciation or
9 amortization computed pursuant to the internal revenue code on the Arizona
10 adjusted basis of the property.

11 17. The amount by which the adjusted basis computed under the
12 internal revenue code with respect to property for which a credit was
13 claimed under section 43-1170 and that is sold or otherwise disposed of
14 during the taxable year exceeds the adjusted basis of the property computed
15 under section 43-1170.

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

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

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

26 21. Any amount of expenses that were deducted pursuant to the
27 internal revenue code and for which a credit is claimed under section
28 43-1178.

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

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

4 (a) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS UP TO
5 \$10,000,000, FIFTEEN PERCENT.

6 (b) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
7 \$10,000,000 BUT LESS THAN \$35,000,000, SEVENTEEN AND ONE-HALF PERCENT.

8 (c) FOR A MOTION PICTURE PRODUCTION COMPANY THAT SPENDS MORE THAN
9 \$35,000,000, TWENTY PERCENT.

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

14 3. IF THE MOTION PICTURE PRODUCTION COMPANY EITHER:

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

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

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

30 B. TAX CREDITS UNDER THIS SECTION MAY NOT EXCEED THE AMOUNT PROVIDED
31 IN THE POSTAPPROVAL ISSUED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO
32 SECTION 41-1517, SUBSECTION H. THE TAXPAYER MUST INCLUDE A COPY OF THE

1 POSTAPPROVAL WITH THE TAXPAYER'S INCOME TAX RETURN FOR THE TAXABLE YEAR IN
2 WHICH THE ARIZONA COMMERCE AUTHORITY ISSUED THE POSTAPPROVAL.

3 C. THE DEPARTMENT MAY NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO A
4 TAXPAYER THAT HAS A DELINQUENT TAX BALANCE OWED TO THE DEPARTMENT UNDER
5 THIS TITLE.

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

8 1. DO EITHER OF THE FOLLOWING:

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

11 (b) IF THE MOTION PICTURE PRODUCTION IS FILMED PRIMARILY AT A
12 PRACTICAL LOCATION, PRODUCE AND FILM THE MOTION PICTURE PRODUCTION
13 PRIMARILY IN THIS STATE AND PERFORM ALL PREPRODUCTION, POSTPRODUCTION AND
14 EDITING AT AN INDUSTRY STANDARD FACILITY, IF SUCH A FACILITY FOR THOSE
15 FUNCTIONS IS AVAILABLE.

16 2. MAINTAIN THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION LABOR
17 POSITIONS IN THIS STATE.

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

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

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

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

31 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE INCOME
32 TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE

1 INCOME TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED
2 AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER IN THE SAME
3 MANNER AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS
4 SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION 42-1122. IF THE DEPARTMENT
5 DETERMINES THAT A REFUND IS INCORRECT OR INVALID, THE EXCESS REFUND MAY BE
6 TREATED AS A TAX DEFICIENCY PURSUANT TO SECTION 42-1108.

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

10 H. THE DEPARTMENT SHALL ADOPT FEES AND RULES AND PUBLISH AND
11 PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO ADMINISTER THIS SECTION AND
12 PROVIDE ADMINISTRATIVE SUPPORT SERVICES.

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

16 J. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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24 41-1517.

25 5. "PRODUCTION COSTS" HAS THE SAME MEANING PRESCRIBED IN SECTION
26 41-1517.

27 6. "PRODUCTION LABOR" HAS THE SAME MEANING PRESCRIBED IN SECTION
28 41-1517.

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

31 Sec. 11. Delayed repeal

1 Section 43-1165, Arizona Revised Statutes, as added by this act, is
2 repealed from and after December 31, 2043.

3 Sec. 12. Exemption from rulemaking

4 Notwithstanding any other law, for the purposes of this act, the
5 Arizona commerce authority and the department of revenue are exempt from
6 the rulemaking requirements of title 41, chapter 6, Arizona Revised
7 Statutes, for one year after the effective date of this act.

8 Sec. 13. Purpose; intent

9 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
10 enacts sections 43-1082 and 43-1165, Arizona Revised Statutes, as added by
11 this act, to create a competitive motion picture production industry
12 presence and market in this state that will develop a substantial motion
13 picture production industry workforce and encourage major capital
14 investment in qualified production facilities in this state, and
15 accordingly, the intent of the legislature is to provide a program that
16 creates long-term economic benefits to this state, including the
17 development of high-paying employment opportunities for residents of this
18 state."

19 Amend title to conform

DAVID GOWAN

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