

REFERENCE TITLE: **income tax; subtraction; law enforcement**

State of Arizona
House of Representatives
Fifty-sixth Legislature
First Regular Session
2023

HCR 2031

Introduced by
Representatives Jones: Gillette, Harris, Marshall, McGarr, Parker B,
Smith, Senator Wadsack

A CONCURRENT RESOLUTION

ENACTING AND ORDERING THE SUBMISSION TO THE PEOPLE OF A MEASURE RELATING
TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it resolved by the House of Representatives of the State of Arizona,
2 the Senate concurring:
3 1. Under the power of the referendum, as vested in the Legislature,
4 the following measure, relating to individual income tax, is enacted to
5 become valid as a law if approved by the voters and on proclamation of the
6 Governor:

7 AN ACT

8 AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; RELATING
9 TO INDIVIDUAL INCOME TAX.

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

11 Section 1. Section 43-1022, Arizona Revised Statutes,
12 is amended to read:

13 43-1022. Subtractions from Arizona gross income

14 In computing Arizona adjusted gross income, the
15 following amounts shall be subtracted from Arizona gross
16 income:

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

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

21 (a) The United States government service retirement and
22 disability fund, the United States foreign service retirement
23 and disability system and any other retirement system or plan
24 established by federal law, except retired or retainer pay of
25 the uniformed services of the United States OR BENEFITS,
26 ANNUITIES AND PENSIONS PAID UNDER ANY RETIREMENT SYSTEM OR
27 PLAN ESTABLISHED UNDER FEDERAL LAW FOR FEDERAL LAW ENFORCEMENT
28 OFFICERS that ~~qualifies~~ QUALIFY for a subtraction under
29 paragraph 26 of this section.

30 (b) The Arizona state retirement system, ~~the~~
31 ~~corrections officer retirement plan, the public safety~~
32 ~~personnel retirement system~~, the elected officials' retirement
33 plan, an optional retirement program established by the
34 Arizona board of regents under section 15-1628, an optional
35 retirement program established by a community college district
36 board under section 15-1451 or a retirement plan established
37 for employees of a county, city or town in this state, EXCEPT
38 FOR BENEFITS, ANNUITIES AND PENSIONS PAID UNDER THE
39 CORRECTIONS OFFICER RETIREMENT PLAN AND THE PUBLIC SAFETY
40 PERSONNEL RETIREMENT SYSTEM THAT QUALIFY FOR A SUBTRACTION
41 UNDER PARAGRAPH 26 OF THIS SECTION.

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

1 4. Interest income received on obligations of the
2 United States, minus any interest on indebtedness, or other
3 related expenses, and deducted in arriving at Arizona gross
4 income, that were incurred or continued to purchase or carry
5 such obligations.

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

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

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

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

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

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

36 11. To the extent not already excluded from Arizona
37 gross income under the internal revenue code, compensation
38 received for active service as **ANY OF THE FOLLOWING:**

39 (a) A member of the reserves, the national guard or the
40 armed forces of the United States, including compensation for
41 service in a combat zone as determined under section 112 of
42 the internal revenue code.

43 (b) **A PEACE OFFICER IN THIS STATE OR FEDERAL LAW**
44 **ENFORCEMENT OFFICER.**

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

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

15 14. The amount by which a net operating loss carryover
16 or capital loss carryover allowable pursuant to section
17 43-1029, subsection F exceeds the net operating loss carryover
18 or capital loss carryover allowable pursuant to section
19 1341(b)(5) of the internal revenue code.

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

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

29 17. For property placed in service:

30 (a) In taxable years beginning before December 31,
31 2012, an amount equal to the depreciation allowable pursuant
32 to section 167(a) of the internal revenue code for the taxable
33 year computed as if the election described in section 168(k)
34 of the internal revenue code had been made for each applicable
35 class of property in the year the property was placed in
36 service.

37 (b) In taxable years beginning from and after December
38 31, 2012 through December 31, 2013, an amount determined in
39 the year the asset was placed in service based on the
40 calculation in subdivision (a) of this paragraph. In the
41 first taxable year beginning from and after December 31, 2013,
42 the taxpayer may elect to subtract the amount necessary to
43 make the depreciation claimed to date for the purposes of this
44 title the same as it would have been if subdivision (c) of
45 this paragraph had applied for the entire time the asset was

1 in service. Subdivision (c) of this paragraph applies for the
2 remainder of the asset's life. If the taxpayer does not make
3 the election under this subdivision, subdivision (a) of this
4 paragraph applies for the remainder of the asset's life.

5 (c) In taxable years beginning from and after December
6 31, 2013 through December 31, 2015, an amount equal to the
7 depreciation allowable pursuant to section 167(a) of the
8 internal revenue code for the taxable year as computed as if
9 the additional allowance for depreciation had been ten percent
10 of the amount allowed pursuant to section 168(k) of the
11 internal revenue code.

12 (d) In taxable years beginning from and after December
13 31, 2015 through December 31, 2016, an amount equal to the
14 depreciation allowable pursuant to section 167(a) of the
15 internal revenue code for the taxable year as computed as if
16 the additional allowance for depreciation had been fifty-five
17 percent of the amount allowed pursuant to section 168(k) of
18 the internal revenue code.

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

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

32 19. The amount contributed during the taxable year to
33 college savings plans established pursuant to section 529 of
34 the internal revenue code on behalf of the designated
35 beneficiary to the extent that the contributions were not
36 deducted in computing federal adjusted gross income. The
37 amount subtracted may not exceed:

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

40 (b) \$4,000 per beneficiary for a married couple filing
41 a joint return. In the case of a husband and wife who file
42 separate returns, the subtraction may be taken by either
43 taxpayer or may be divided between them, but the total
44 subtractions allowed both husband and wife may not exceed
45 \$4,000 per beneficiary.

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

14 21. For taxable years beginning from and after December
15 31, 2013, the amount of any net capital gain included in
16 federal adjusted gross income for the taxable year derived
17 from investment in a qualified small business as determined by
18 the Arizona commerce authority pursuant to section 41-1518.

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

23 (a) For taxable years beginning from and after December
24 31, 2012 through December 31, 2013, ten percent of the net
25 long-term capital gain included in federal adjusted gross
26 income.

27 (b) For taxable years beginning from and after December
28 31, 2013 through December 31, 2014, twenty percent of the net
29 long-term capital gain included in federal adjusted gross
30 income.

31 (c) For taxable years beginning from and after December
32 31, 2014, twenty-five percent of the net long-term capital
33 gain included in federal adjusted gross income. For the
34 purposes of this paragraph, a transferee that receives an
35 asset by gift or at the death of a transferor is considered to
36 have acquired the asset when the asset was acquired by the
37 transferor. If the date an asset is acquired cannot be
38 verified, a subtraction under this paragraph is not allowed.

39 23. If an individual is not claiming itemized
40 deductions pursuant to section 43-1042, the amount of premium
41 costs for long-term care insurance, as defined in section
42 20-1691.

43 24. The amount of eligible access expenditures paid or
44 incurred during the taxable year to comply with the
45 requirements of the Americans with disabilities act of 1990

1 (P.L. 101-336) or title 41, chapter 9, article 8 as provided
2 by section 43-1024.

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

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

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

13 26. THE AMOUNT OF benefits, annuities and pensions
14 received FROM ONE OR MORE OF THE FOLLOWING:

15 (a) As retired or retainer pay of the uniformed
16 services of the United States AND ANY RETIREMENT SYSTEM OR
17 PLAN ESTABLISHED UNDER FEDERAL LAW FOR FEDERAL LAW ENFORCEMENT
18 OFFICERS.

19 (b) THE CORRECTIONS OFFICER RETIREMENT PLAN AND THE
20 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM. ~~in amounts as~~
21 ~~follows:~~

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

24 ~~(b) For taxable years beginning from and after December~~
25 ~~31, 2018 through December 31, 2020, an amount totaling not~~
26 ~~more than \$3,500.~~

27 ~~(c) For taxable years beginning from and after December~~
28 ~~31, 2020, the full amount received.~~

29 27. For taxable years beginning from and after December
30 31, 2020, the amount contributed during the taxable year to an
31 achieving a better life experience account established
32 pursuant to section 529A of the internal revenue code on
33 behalf of the designated beneficiary to the extent that the
34 contributions were not deducted in computing federal adjusted
35 gross income. The amount subtracted may not exceed:

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

38 (b) \$4,000 per beneficiary for a married couple filing
39 a joint return. In the case of a husband and wife who file
40 separate returns, the subtraction may be taken by either
41 taxpayer or may be divided between them, but the total
42 subtractions allowed both husband and wife may not exceed
43 \$4,000 per beneficiary.

1 28. For taxable years beginning from and after December
2 31, 2020, Arizona small business gross income but only if an
3 individual taxpayer has elected to separately report and pay
4 tax on the taxpayer's Arizona small business adjusted gross
5 income on the Arizona small business income tax return.

6 29. To the extent not already excluded from Arizona
7 gross income under the internal revenue code, the value of
8 virtual currency and non-fungible tokens the taxpayer received
9 pursuant to an airdrop at the time of the airdrop. This
10 paragraph may not be interpreted as providing a subtraction
11 for any appreciation in value that occurs from holding the
12 virtual currency after the initial receipt of the airdrop.
13 For the purposes of this paragraph:

14 (a) "Airdrop" means the receipt of virtual currency
15 through a means of distribution of virtual currency to the
16 distributed ledger addresses of multiple taxpayers.

17 (b) "Non-fungible token" has the same meaning
18 prescribed in section 43-1028.

19 (c) "Virtual currency" has the same meaning prescribed
20 in section 43-1028.

21 30. The amount allowed as a subtraction by section
22 43-1028 for gas fees not already included in the taxpayer's
23 virtual currency or non-fungible token basis.

24 2. The Secretary of State shall submit this proposition to the
25 voters at the next general election as provided by article IV, part 1,
26 section 1, Constitution of Arizona.