

House Engrossed Senate Bill

~~electronic ballot adjudication; prohibition~~
(now: central bank digital currency; prohibition)

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SENATE BILL 1144

AN ACT

AMENDING TITLE 1, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 9; AMENDING SECTIONS 6-843, 6-851, 9-1443, 11-1943, 43-1021, 43-1022, 43-1121, 43-1122 AND 47-1201, ARIZONA REVISED STATUTES; RELATING TO CURRENCY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 1, Arizona Revised Statutes, is amended by adding
3 chapter 9, to read:

4 CHAPTER 9
5 LEGAL TENDER

6 ARTICLE 1. GENERAL PROVISIONS

7 1-901. Legal tender; definition

8 A. LEGAL TENDER IN THIS STATE CONSISTS OF ANY MEDIUM OF EXCHANGE,
9 INCLUDING SPECIE, THAT IS AUTHORIZED BY THE UNITED STATES CONSTITUTION OR
10 CONGRESS FOR THE PAYMENT OF DEBTS, PUBLIC CHARGES, TAXES AND DUES, EXCEPT
11 FOR CENTRAL BANK DIGITAL CURRENCY.

12 B. FOR THE PURPOSES OF THIS SECTION, "SPECIE" MEANS COINS HAVING
13 PRECIOUS METAL CONTENT.

14 1-902. Central bank digital currency; prohibition;
15 applicability

16 A. CENTRAL BANK DIGITAL CURRENCY MAY NOT BE THE SUBJECT OR MEDIUM
17 OF PAYMENT OF ANY CONTRACT, SECURITY OR OTHER SIMILAR INSTRUMENT IN THIS
18 STATE.

19 B. NOTWITHSTANDING TITLE 47, THIS SECTION APPLIES TO ALL CONTRACTS,
20 SECURITIES AND OTHER SIMILAR INSTRUMENTS, INCLUDING CONTRACTS RELATING TO
21 COMMERCIAL TRANSACTIONS.

22 Sec. 2. Section 6-843, Arizona Revised Statutes, is amended to
23 read:

24 6-843. Disbursements; applicability

25 A. Except as provided by subsection B OF THIS SECTION, an escrow
26 agent may only disburse money out of an escrow account if deposits are
27 previously made that are at least equal to the disbursements and the
28 deposits relate directly to the transaction for which the money is being
29 disbursed. The deposits shall be in at least one of the following forms:

30 1. Wire transfers so that the monies are received by the escrow
31 agent or the agent's depository.

32 2. Except as provided in paragraphs 1, 4 and 5 OF THIS SUBSECTION,
33 checks, drafts, negotiable orders of withdrawal, money orders or any other
34 item that has become available for withdrawal in accordance with the
35 federal expedited funds availability act (P.L. 100-86; 101 Stat. 635; 12
36 United States Code section 4001).

37 3. Credit transfers through the automated ~~clearing house~~
38 CLEARINGHOUSE that are deemed available by the depository institution
39 receiving the credits. The credits must conform to the operating rules
40 set forth by a national automated ~~clearing house~~ CLEARINGHOUSE
41 association.

42 4. Cashier's checks, certified checks or teller's checks that have
43 been deposited in the escrow agent's depository account.

1 5. Checks made by an affiliate of a state or federally regulated
2 depository institution where the check is drawn on the affiliated
3 depository institution so that the monies are deposited in the escrow
4 agent's depository account.

5 B. An escrow agent may disburse up to ~~five hundred dollars~~ \$500 per
6 transaction or any funds that are available as cash without complying with
7 subsection A OF THIS SECTION.

8 C. TRANSFERS MADE PURSUANT TO THIS SECTION MAY NOT BE SETTLED OR
9 BACKED BY CENTRAL BANK DIGITAL CURRENCY.

10 ~~C.~~ D. Subsection A OF THIS SECTION does not apply to account
11 servicing.

12 Sec. 3. Section 6-851, Arizona Revised Statutes, is amended to
13 read:

14 6-851. Definitions

15 A. In this chapter, unless the context otherwise requires:

16 1. "Trust business" means the holding out by a person to the public
17 at large by advertising, solicitation or other means that the person is
18 available to act as a fiduciary in this state and accepting and
19 undertaking to perform the duties as such a fiduciary in the regular
20 course of business.

21 2. "Trust company" means a corporation holding a certificate issued
22 under this article.

23 B. In this article, unless the context otherwise requires:

24 1. "Agent" means a person who receives compensation to regularly
25 perform services specifically related to the conduct of the trust
26 business.

27 2. "Asset" means any property or property right held by a licensee
28 for the benefit of another.

29 3. "Capital" means the total of outstanding common stock, preferred
30 stock and surplus and undivided profits.

31 4. "Certificate" means a certificate of authority issued under this
32 chapter to engage in trust business.

33 5. "Contingency plan" means a document stating a trust company's
34 means of conducting business and preserving records in the event of any
35 power outage, flood or other physical emergency.

36 6. "Discretionary assets" means those assets in which the trust
37 company has the unilateral authority to determine investment strategies
38 and execute investment transactions without seeking the concurrence,
39 approval or authority from the customer or any other external party.

40 7. "Fiduciary" means a personal representative, administrator,
41 guardian, conservator, trustee, agent or other person who acts in a
42 fiduciary capacity and who is not exempt by section 6-852.

1 8. "Impaired" or "insolvent" means the trust company does not
2 possess assets that are at least equal to liabilities, required reserves
3 and total issued and outstanding capital.

4 9. "Legal tender" ~~means a medium of exchange, including specie,~~
5 ~~that is authorized by the United States Constitution or Congress for the~~
6 ~~payment of debts, public charges, taxes and dues~~ HAS THE SAME MEANING
7 PRESCRIBED IN SECTION 1-901.

8 10. "Liquid capital" means legal tender, capital in the form of
9 certificates of deposit issued by banks, savings banks or savings and loan
10 associations doing business in this state and insured by the federal
11 deposit insurance corporation or any successor institution, including
12 deposits to a single depository where excess deposit insurance is provided
13 through a reciprocal deposit arrangement by participating banks, or direct
14 obligations of the United States government with maturity of not more than
15 five years.

16 11. "Nondiscretionary assets" means those assets for which the
17 trust company must obtain from the customer, broker or investment advisor
18 specific direction and instructions regarding both investment strategies
19 and investment executions.

20 12. "Specie" means coins having precious metal content.

21 13. "Surplus" means the total amount paid by shareholders in excess
22 of the par or stated value of the shares of capital stock of a trust
23 business in consideration for the shares.

24 Sec. 4. Section 9-1443, Arizona Revised Statutes, is amended to
25 read:

26 9-1443. License fee; requirements, conditions and
27 limitations; pass through to subscribers

28 A. For the privilege of a video service provider to occupy or use,
29 in whole or in part, any highway within the boundaries of a local
30 government to provide video service through a video service network, the
31 local government may require a video service provider to pay a license fee
32 to the local government based on the gross revenue that the video service
33 provider receives from its subscribers located within the boundaries of
34 the local government. The license fee both:

35 1. Is subject to the limit prescribed in section 9-1442, subsection
36 B and to offset, including amounts collected from subscribers, as
37 prescribed by section 9-1442, subsections A and I and subsection D of this
38 section.

39 2. Shall be due ~~no~~ NOT more often than quarterly.

40 B. If the local government requires a license fee pursuant to
41 subsection A of this section, the local government shall adopt a local law
42 that imposes the license fee equally and uniformly on all of the following
43 that are operating within the boundaries of the local government:

44 1. Video service providers.

45 2. Holdover cable operators.

1 C. A video service provider shall pay the entire amount of the
2 license fee directly to the local government in a check, draft or note or
3 automated clearinghouse transaction that is payable in legal tender as
4 defined in section ~~43-1021~~ 1-901.

5 D. A video service provider may do all of the following:

6 1. Pass the license fee through to and collect the license fee from
7 its subscribers within the boundaries of the local government, including
8 for an incumbent cable operator any change in license fees that results
9 from a change in the applicable definition of gross revenue.

10 2. Designate the amount of the license fee collected from each
11 subscriber as a separate line item on the subscriber's bill.

12 Sec. 5. Section 11-1943, Arizona Revised Statutes, is amended to
13 read:

14 11-1943. License fee; requirements; conditions and
15 limitations; pass through to subscribers

16 A. For the privilege of a video service provider to occupy or use,
17 in whole or in part, any highway within the boundaries of a county to
18 provide video service through a video service network, the county may
19 require a video service provider to pay a license fee to the county based
20 on the gross revenue that the video service provider receives from its
21 subscribers located within the boundaries of the county. The license fee
22 both:

23 1. Is subject to the limit prescribed by section 11-1942,
24 subsection B and to offset, including amounts collected from subscribers,
25 as prescribed by section 11-1942, subsections A and I and subsection D of
26 this section.

27 2. Shall be due ~~to~~ NOT more often than quarterly.

28 B. If the county requires a license fee pursuant to subsection A of
29 this section, the county shall adopt a local law that imposes the license
30 fee equally and uniformly on all of the following that are operating
31 within the boundaries of the county:

32 1. Video service providers.

33 2. Holdover cable operators.

34 C. A video service provider shall pay the entire amount of the
35 license fee directly to the county in a check, draft or note or automated
36 clearinghouse transaction that is payable in legal tender as defined in
37 section ~~43-1021~~ 1-901.

38 D. A video service provider may do all of the following:

39 1. Pass the license fee through to and collect the license fee from
40 its subscribers within the boundaries of the county, including for an
41 incumbent cable operator any change in license fees that results from a
42 change in the applicable definition of gross revenue.

43 2. Designate the amount of the license fee collected from each
44 subscriber as a separate line item on the subscriber's bill.

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

3 43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

30 7. The amount by which the depreciation or amortization computed
31 under the internal revenue code with respect to property for which a
32 credit was taken under section 43-1081.01 or that is pollution control
33 equipment for which a credit was taken before taxable year 2022 exceeds
34 the amount of depreciation or amortization computed pursuant to the
35 internal revenue code on the Arizona adjusted basis of the property.

36 8. The amount by which the adjusted basis computed under the
37 internal revenue code with respect to property for which a credit was
38 claimed under section 43-1074.02 or 43-1081.01 or that is pollution
39 control equipment for which a credit was taken before taxable year 2022
40 and that is sold or otherwise disposed of during the taxable year exceeds
41 the adjusted basis of the property computed under section 43-1074.02 or
42 43-1081.01 or for pollution control equipment, the section in which the
43 credit was taken, as 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
13 of the internal revenue code that is made to a distributee to the extent
14 the amount is not included in computing federal adjusted gross income,
15 except that the amount added under this paragraph shall not exceed the
16 difference between the amount subtracted under section 43-1022 in prior
17 taxable years and the amount added under this section in any prior taxable
18 years.

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

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

33 ~~(a) "legal tender" means a medium of exchange, including specie,~~
34 ~~that is authorized by the United States Constitution or Congress to pay~~
35 ~~debts, public charges, taxes and dues~~ HAS THE SAME MEANING PRESCRIBED IN
36 SECTION 1-901.

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

38 15. For taxable years beginning from and after December 31, 2021,
39 the amount deducted by the partnership or S corporation pursuant to the
40 internal revenue code for the amount paid to this state under section
41 43-1014 and for taxes that the department determines are substantially
42 similar to the tax imposed under section 43-1014. This amount shall be
43 reflected in the partner's or shareholder's Arizona gross income and the
44 partnership's or S corporation's Arizona taxable income.

1 16. The amount of any motion picture production costs that was
2 deducted pursuant to the internal revenue code for which a tax credit is
3 claimed under section 43-1082.

4 Sec. 7. Section 43-1022, Arizona Revised Statutes, is amended to
5 read:

6 43-1022. Subtractions from Arizona gross income

7 In computing Arizona adjusted gross income, the following amounts
8 shall be subtracted from Arizona gross income:

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

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

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

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

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

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

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

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

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

39 8. The portion of any wages or salaries paid or incurred by the
40 taxpayer for the taxable year that is equal to the amount of the federal
41 work opportunity credit, the empowerment zone employment credit, the
42 credit for employer paid social security taxes on employee cash tips and
43 the Indian employment credit that the taxpayer received under sections
44 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

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

15 12. The amount of unreimbursed medical and hospital costs, adoption
16 counseling, legal and agency fees and other nonrecurring costs of adoption
17 not to exceed \$3,000. In the case of a husband and wife who file separate
18 returns, the subtraction may be taken by either taxpayer or may be divided
19 between them, but the total subtractions allowed both husband and wife may
20 not exceed \$3,000. The subtraction under this paragraph may be taken for
21 the costs that are described in this paragraph and that are incurred in
22 prior years, but the subtraction may be taken only in the year during
23 which the final adoption order is granted.

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

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

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

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

39 17. For property placed in service:

40 (a) In taxable years beginning before December 31, 2012, an amount
41 equal to the depreciation allowable pursuant to section 167(a) of the
42 internal revenue code for the taxable year computed as if the election
43 described in section 168(k) of the internal revenue code had been made for
44 each applicable class of property in the year the property was placed in
45 service.

1 (b) In taxable years beginning from and after December 31, 2012
2 through December 31, 2013, an amount determined in the year the asset was
3 placed in service based on the calculation in subdivision (a) of this
4 paragraph. In the first taxable year beginning from and after
5 December 31, 2013, the taxpayer may elect to subtract the amount necessary
6 to make the depreciation claimed to date for the purposes of this title
7 the same as it would have been if subdivision (c) of this paragraph had
8 applied for the entire time the asset was in service. Subdivision (c) of
9 this paragraph applies for the remainder of the asset's life. If the
10 taxpayer does not make the election under this subdivision, subdivision
11 (a) of this paragraph applies for the remainder of the asset's life.

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

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

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

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

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

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

42 (b) \$4,000 per beneficiary for a married couple filing a joint
43 return. In the case of a husband and wife who file separate returns, the
44 subtraction may be taken by either taxpayer or may be divided between

1 them, but the total subtractions allowed both husband and wife may not
2 exceed \$4,000 per beneficiary.

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

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

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

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

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

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

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

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

42 25. For taxable years beginning from and after December 31, 2017,
43 the amount of any net capital gain included in Arizona gross income for
44 the taxable year that is derived from the exchange of one kind of legal

1 tender for another kind of legal tender. For the purposes of this
2 paragraph, ~~—~~

3 ~~(a) "legal tender" means a medium of exchange, including specie,~~
4 ~~that is authorized by the United States Constitution or Congress to pay~~
5 ~~debts, public charges, taxes and dues~~ HAS THE SAME MEANING PRESCRIBED IN
6 SECTION 1-901.

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

8 26. Benefits, annuities and pensions received as retired or
9 retiree pay of the uniformed services of the United States in amounts as
10 follows:

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

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

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

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

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

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

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

35 29. To the extent not already excluded from Arizona gross income
36 under the internal revenue code, the value of virtual currency and
37 non-fungible tokens the taxpayer received pursuant to an airdrop at the
38 time of the airdrop. This paragraph may not be interpreted as providing a
39 subtraction for any appreciation in value that occurs from holding the
40 virtual currency after the initial receipt of the airdrop. For the
41 purposes of this paragraph:

42 (a) "Airdrop" means the receipt of virtual currency through a means
43 of distribution of virtual currency to the distributed ledger addresses of
44 multiple taxpayers.

1 (b) "Non-fungible token" has the same meaning prescribed in section
2 43-1028.

3 (c) "Virtual currency" has the same meaning prescribed in section
4 43-1028.

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

8 Sec. 8. Section 43-1121, Arizona Revised Statutes, is amended to
9 read:

10 43-1121. Additions to Arizona gross income: corporations

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

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

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

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

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

30 5. The amount of dividend income received from corporations and
31 allowed as a deduction pursuant to sections 243, 245, 245A and
32 250(a)(1)(B) of the internal revenue code.

33 6. Taxes that are based on income paid to states, local governments
34 or foreign governments and that were deducted in computing federal taxable
35 income.

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

41 8. Commissions, rentals and other amounts paid or accrued to a
42 domestic international sales corporation controlled by the payor
43 corporation if the domestic international sales corporation is not
44 required to report its taxable income to this state because its income is
45 not derived from or attributable to sources within this state. If the

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

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

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

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

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

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

27 14. The amount by which the depreciation or amortization computed
28 under the internal revenue code with respect to property for which a
29 credit was taken under section 43-1170 exceeds the amount of depreciation
30 or amortization computed pursuant to the internal revenue code on the
31 Arizona adjusted basis of the property.

32 15. The amount by which the adjusted basis computed under the
33 internal revenue code with respect to property for which a credit was
34 claimed under section 43-1170 and that is sold or otherwise disposed of
35 during the taxable year exceeds the adjusted basis of the property
36 computed under section 43-1170.

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

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

43 18. Any wage expenses deducted pursuant to the internal revenue
44 code for which a credit is claimed under section 43-1175 and representing

1 net increases in qualified employment positions for employment of
2 temporary assistance for needy families recipients.

3 19. Any amount of expenses that were deducted pursuant to the
4 internal revenue code and for which a credit is claimed under section
5 43-1178.

6 20. Any amount deducted pursuant to section 170 of the internal
7 revenue code representing contributions to a school tuition organization
8 for which a credit is claimed under section 43-1183 or 43-1184.

9 21. If a subtraction is or has been taken by the taxpayer under
10 section 43-1124, in the current or a prior taxable year for the full
11 amount of eligible access expenditures paid or incurred to comply with the
12 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
13 or title 41, chapter 9, article 8, any amount of eligible access
14 expenditures that is recognized under the internal revenue code, including
15 any amount that is amortized according to federal amortization schedules,
16 and that is included in computing Arizona taxable income for the current
17 taxable year.

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

23 ~~(a) "legal tender" means a medium of exchange, including specie,~~
24 ~~that is authorized by the United States Constitution or Congress to pay~~
25 ~~debts, public charges, taxes and dues~~ HAS THE SAME MEANING PRESCRIBED IN
26 SECTION 1-901.

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

28 23. The amount of any deduction that is claimed in computing
29 Arizona gross income and that represents a donation of a school site for
30 which a credit is claimed under section 43-1181.

31 24. The amount of any motion picture production costs that was
32 deducted pursuant to the internal revenue code for which a tax credit is
33 claimed under section 43-1165.

34 Sec. 9. Section 43-1122, Arizona Revised Statutes, is amended to
35 read:

36 43-1122. Subtractions from Arizona gross income: corporations

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

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

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

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

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

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

15 6. With respect to a financial institution as defined in section
16 6-101, expenses and interest relating to tax-exempt income disallowed
17 pursuant to section 265 of the internal revenue code.

18 7. Dividends received from another corporation owned or controlled
19 directly or indirectly by a recipient corporation. For the purposes of
20 this paragraph, "control" means direct or indirect ownership or control of
21 fifty percent or more of the voting stock of the payor corporation by the
22 recipient corporation. Dividends shall have the meaning provided in
23 section 316 of the internal revenue code. This subtraction shall apply
24 without regard to section 43-961, paragraph 2 and article 4 of this
25 chapter.

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

27 9. The amount of dividend income from foreign corporations. For
28 the purposes of this paragraph, gross up income as described in section 78
29 of the internal revenue code, global intangible low-taxed income as
30 defined in section 951A of the internal revenue code and subpart F income
31 as defined in section 952 of the internal revenue code shall be considered
32 foreign dividends.

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

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

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

38 13. The amount of deferred exploration expenses allowed by section
39 43-1127.

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

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

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

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

8 18. The income of an insurance company that is exempt under section
9 43-1201 to the extent that it is included in computing Arizona gross
10 income on a consolidated return pursuant to section 43-947.

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

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

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

23 22. For taxable years beginning from and after December 31, 2017,
24 the amount of any net capital gain included in Arizona gross income for
25 the taxable year that is derived from the exchange of one kind of legal
26 tender for another kind of legal tender. For the purposes of this
27 paragraph, ~~:-~~

28 ~~(a) "legal tender" means a medium of exchange, including specie,~~
29 ~~that is authorized by the United States Constitution or Congress to pay~~
30 ~~debts, public charges, taxes and dues~~ HAS THE SAME MEANING PRESCRIBED IN
31 SECTION 1-901.

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

33 23. With respect to a public service corporation operating a water
34 system or sewage disposal facility, the amount of monies or property
35 received as a contribution in aid of construction. For the purposes of
36 this paragraph:

37 (a) "Contribution in aid of construction" means any amount of
38 monies or other property contributed to a public service corporation that
39 provides water or sewage disposal services to the extent that the purpose
40 of the contribution is to provide for expanding, improving or replacing
41 the public service corporation's water system or sewage disposal
42 facilities, including any amount of monies or other property contributed
43 to a public service corporation for a water system or sewage disposal
44 facility subject to a contingent obligation to repay the amount, in whole
45 or in part, to the contributor.

1 (b) "Public service corporation" means a public service corporation
2 as defined in article XV, section 2, Constitution of Arizona, that is
3 regulated by the corporation commission.

4 Sec. 10. Section 47-1201, Arizona Revised Statutes, is amended to
5 read:

6 47-1201. General definitions

7 A. Unless the context otherwise requires, words or phrases defined
8 in this section, or in the additional definitions contained in other
9 chapters of this title that apply to particular chapters or parts thereof,
10 have the meanings stated.

11 B. Subject to definitions contained in other chapters of this title
12 that apply to particular chapters or parts thereof:

13 1. "Action", in the sense of a judicial proceeding, includes
14 recoupment, counterclaim, set-off, suit in equity and any other proceeding
15 in which rights are determined.

16 2. "Aggrieved party" means a party entitled to pursue a remedy.

17 3. "Agreement", as distinguished from "contract", means the bargain
18 of the parties in fact, as found in their language or inferred from other
19 circumstances, including course of performance, course of dealing or usage
20 of trade as provided in section 47-1303.

21 4. "Bank" means a person engaged in the business of banking and
22 includes a savings bank, savings and loan association, credit union and
23 trust company.

24 5. "Bearer" means a person in control of a negotiable electronic
25 document of title or a person in possession of a negotiable instrument,
26 negotiable tangible document of title or certificated security that is
27 payable to bearer or indorsed in blank.

28 6. "Bill of lading" means a document of title evidencing the
29 receipt of goods for shipment issued by a person engaged in the business
30 of directly or indirectly transporting or forwarding goods. The term does
31 not include a warehouse receipt.

32 7. "Branch" includes a separately incorporated foreign branch of a
33 bank.

34 8. "Burden of establishing" a fact means the burden of persuading
35 the trier of fact that the existence of the fact is more probable than its
36 nonexistence.

37 9. "Buyer in ordinary course of business" means a person that buys
38 goods in good faith, without knowledge that the sale violates the rights
39 of another person in the goods, and in the ordinary course from a person,
40 other than a pawnbroker, in the business of selling goods of that kind. A
41 person buys goods in the ordinary course if the sale to the person
42 comports with the usual or customary practices in the kind of business in
43 which the seller is engaged or with the seller's own usual or customary
44 practices. A person that sells oil, gas or other minerals at the wellhead
45 or minehead is a person in the business of selling goods of that kind. A

1 buyer in ordinary course of business may buy for cash, by exchange of
2 other property or on secured or unsecured credit, and may acquire goods or
3 documents of title under a preexisting contract for sale. Only a buyer
4 that takes possession of the goods or has a right to recover the goods
5 from the seller under chapter 2 of this title may be a buyer in ordinary
6 course of business. Buyer in ordinary course of business does not include
7 a person that acquires goods in a transfer in bulk or as security for or
8 in total or partial satisfaction of a money debt.

9 10. "Conspicuous", with reference to a term, means so written,
10 displayed or presented that a reasonable person against which it is to
11 operate ought to have noticed it. Whether a term is conspicuous or not is
12 a decision for the court. Conspicuous terms include the following:

13 (a) A heading in capitals equal to or greater in size than the
14 surrounding text, or in contrasting type, font or color to the surrounding
15 text of the same or lesser size; and

16 (b) Language in the body of a record or display in larger type than
17 the surrounding text, or in contrasting type, font or color to the
18 surrounding text of the same size, or set off from surrounding text of the
19 same size by symbols or other marks that call attention to the language.

20 11. "Consumer" means an individual who enters into a transaction
21 primarily for personal, family or household purposes.

22 12. "Contract", as distinguished from "agreement", means the total
23 legal obligation that results from the parties' agreement as determined by
24 this title as supplemented by any other applicable laws.

25 13. "Creditor" includes a general creditor, a secured creditor, a
26 lien creditor and any representative of creditors, including an assignee
27 for the benefit of creditors, a trustee in bankruptcy, a receiver in
28 equity and an executor or administrator of an insolvent debtor's or
29 assignor's estate.

30 14. "Defendant" includes a person in the position of defendant in a
31 counterclaim, cross-claim or third-party claim.

32 15. "Delivery", with respect to an electronic document of title,
33 means voluntary transfer of control, and with respect to an instrument, a
34 tangible document of title or chattel paper means voluntary transfer of
35 possession.

36 16. "Document of title" means a record:

37 (a) That in the regular course of business or financing is treated
38 as adequately evidencing that the person in possession or control of the
39 record is entitled to receive, control, hold and dispose of the record and
40 the goods the record covers; and

41 (b) That purports to be issued by or addressed to a bailee and to
42 cover goods in the bailee's possession that are either identified or are
43 fungible portions of an identified mass. The term includes a bill of
44 lading, transport document, dock warrant, dock receipt, warehouse receipt
45 and order for delivery of goods. An electronic document of title means a

1 document of title evidenced by a record consisting of information stored
2 in an electronic medium. A tangible document of title means a document of
3 title evidenced by a record consisting of information that is inscribed on
4 a tangible medium.

5 17. "Fault" means a default, breach or wrongful act or omission.

6 18. "Fungible goods" means:

7 (a) Goods of which any unit, by nature or usage of trade, is the
8 equivalent of any other like unit; or

9 (b) Goods that by agreement are treated as equivalent.

10 19. "Genuine" means free of forgery or counterfeiting.

11 20. "Good faith" means honesty in fact in the conduct or
12 transaction concerned.

13 21. "Holder" means:

14 (a) The person in possession of a negotiable instrument that is
15 payable either to bearer or to an identified person that is the person in
16 possession;

17 (b) The person in possession of a negotiable tangible document of
18 title if the goods are deliverable either to bearer or to the order of the
19 person in possession; or

20 (c) The person in control of a negotiable electronic document of
21 title.

22 22. "Insolvency proceeding" includes an assignment for the benefit
23 of creditors or other proceeding intended to liquidate or rehabilitate the
24 estate of the person involved.

25 23. "Insolvent" means:

26 (a) Having generally ceased to pay debts in the ordinary course of
27 business other than as a result of bona fide dispute;

28 (b) Being unable to pay debts as they become due; or

29 (c) Being insolvent within the meaning of federal bankruptcy law.

30 24. "Money" means a medium of exchange currently authorized or
31 adopted by a domestic or foreign government. The term includes a monetary
32 unit of account established by an intergovernmental organization or by
33 agreement between two or more countries. **THE TERM DOES NOT INCLUDE CENTRAL
34 BANK DIGITAL CURRENCY.**

35 25. "Organization" means a person other than an individual.

36 26. "Party", as distinguished from "third party", means a person
37 that has engaged in a transaction or made an agreement subject to this
38 title.

39 27. "Person" means an individual, corporation, business trust,
40 estate, trust, partnership, limited liability company, association, joint
41 venture, government, governmental subdivision, agency or instrumentality,
42 public corporation or any other legal or commercial entity.

43 28. "Present value" means the amount as of a date certain of one or
44 more sums payable in the future, discounted to the date certain by use of
45 either an interest rate specified by the parties if that rate is not

1 manifestly unreasonable at the time the transaction is entered into or, if
2 an interest rate is not so specified, a commercially reasonable rate that
3 takes into account the facts and circumstances at the time the transaction
4 is entered into.

5 29. "Purchase" means taking by sale, lease, discount, negotiation,
6 mortgage, pledge, lien, security interest, issue or reissue, gift or any
7 other voluntary transaction creating an interest in property.

8 30. "Purchaser" means a person that takes by purchase.

9 31. "Record" means information that is inscribed on a tangible
10 medium or that is stored in an electronic or other medium and is
11 retrievable in perceivable form.

12 32. "Remedy" means any remedial right to which an aggrieved party
13 is entitled with or without resort to a tribunal.

14 33. "Representative" means a person empowered to act for another,
15 including an agent, an officer of a corporation or association and a
16 trustee, executor or administrator of an estate.

17 34. "Right" includes remedy.

18 35. "Security interest" means an interest in personal property or
19 fixtures that secures payment or performance of an obligation. Security
20 interest includes any interest of a consignor and a buyer of accounts,
21 chattel paper, a payment intangible or a promissory note in a transaction
22 that is subject to chapter 9 of this title. Security interest does not
23 include the special property interest of a buyer of goods on
24 identification of those goods to a contract for sale under Section 47-
25 2401, but a buyer may also acquire a security interest by complying with
26 chapter 9 of this title. Except as otherwise provided in Section 47-2505,
27 the right of a seller or lessor of goods under chapter 2 or 2A of this
28 title to retain or acquire possession of the goods is not a security
29 interest, but a seller or lessor may also acquire a security interest by
30 complying with chapter 9 of this title. The retention or reservation of
31 title by a seller of goods notwithstanding shipment or delivery to the
32 buyer under section 47-2401 is limited in effect to a reservation of a
33 security interest. Whether a transaction in the form of a lease creates a
34 security interest is determined pursuant to section 47-1203.

35 36. "Send" in connection with a writing, record or notice means:

36 (a) To deposit in the mail or deliver for transmission by any other
37 usual means of communication with postage or cost of transmission provided
38 for and properly addressed and, in the case of an instrument, to an
39 address specified thereon or otherwise agreed, or if there is none to any
40 address reasonable under the circumstances; or

41 (b) In any other way to cause to be received any record or notice
42 within the time it would have arrived if properly sent.

43 37. "Signed" includes using any symbol executed or adopted with
44 present intention to adopt or accept a writing.

1 38. "State" means a state of the United States, the District of
2 Columbia, Puerto Rico, the United States Virgin Islands or any territory
3 or insular possession subject to the jurisdiction of the United States.

4 39. "Surety" includes a guarantor or other secondary obligor.

5 40. "Term" means a portion of an agreement that relates to a
6 particular matter.

7 41. "Unauthorized signature" means a signature made without actual,
8 implied or apparent authority. The term includes a forgery.

9 42. "Warehouse receipt" means a document of title issued by a
10 person engaged in the business of storing goods for hire.

11 43. "Writing" includes printing, typewriting or any other
12 intentional reduction to tangible form. "Written" has a corresponding
13 meaning.