

Senate Engrossed

businesses; fees; income tax reduction

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

# SENATE BILL 1559

AN ACT

AMENDING SECTIONS 10-122 AND 41-126, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-710.02; AMENDING SECTIONS 42-5005, 43-1022 AND 43-1122, ARIZONA REVISED STATUTES; RELATING TO BUSINESS INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 10-122, Arizona Revised Statutes, is amended to  
3 read:

4 10-122. Filing, service and copying fees; expedited report  
5 filing and access; same day and next day services;  
6 posted wait times; advance monies; exception;  
7 definition

8 A. The commission shall collect and deposit, pursuant to sections  
9 35-146 and 35-147, the following nonrefundable fees when the documents  
10 described in this subsection are delivered to the commission:

11	<u>Document</u>	<u>Fee</u>
12	1. Articles of incorporation	\$50
13	2. Application for use of indistinguishable name	10
14	3. Application for reserved name	10
15	4. Notice of transfer of reserved name	10
16	5. Application for registered name	10
17	6. Application for renewal of registered name	10
18	7. Agent's statement of resignation	10
19	8. Amendment of articles of incorporation	25
20	9. Restatement of articles of incorporation with	
21	amendment of articles	25
22	10. Statement of merger, interest exchange,	
23	conversion, domestication or division if the	
24	entity responsible for filing the statement	
25	is a corporation	100
26	11. Articles of dissolution	25
27	12. Articles of revocation of dissolution	25
28	13. Application for reinstatement following	
29	administrative dissolution, in addition	
30	to other fees and penalties due	100
31	14. Application for authority	150
32	15. Application for withdrawal	25
33	16. Annual report	45
34	17. Articles of correction	25
35	18. Application for certificate of good standing	10
36	19. Any other document required or permitted	
37	to be filed by chapters 1 through 17	
38	of this title	25

39 B. The commission shall collect a nonrefundable fee of ~~twenty-five~~  
40 ~~dollars~~ \$25 each time process is served on it under chapters 1 through 17  
41 of this title. The party to a proceeding causing service of process is  
42 entitled to recover this fee as costs if the party prevails in the  
43 proceeding.

44 C. The commission shall charge and collect a reasonable fee for  
45 copying documents on request, provided the fee does not exceed the cost of

1 providing the service as determined by the commission. The commission  
2 shall also charge a reasonable fee for certifying the copy of a filed  
3 document, provided the fee does not exceed the cost of providing the  
4 service as determined by the commission.

5 D. A penalty of ~~one hundred dollars~~ \$100 IS payable in addition to  
6 other fees accrues and is payable if a foreign corporation fails to file  
7 an amendment, restated articles that include an amendment, or articles of  
8 merger within sixty days after the time of filing in the jurisdiction in  
9 which the corporation is domiciled. The penalty collected pursuant to  
10 this subsection shall be deposited, pursuant to sections 35-146 and  
11 35-147, in the state general fund.

12 E. One-third of the fees for the annual report of domestic and  
13 foreign corporations paid pursuant to subsection A, paragraph 16 of this  
14 section shall be deposited in the Arizona arts trust fund established by  
15 section 41-983.01 and two-thirds of these fees shall be deposited,  
16 pursuant to sections 35-146 and 35-147, in the public access fund  
17 established by section 10-122.01.

18 F. The commission shall provide for and establish an expedited  
19 service for the filing of all documents and services provided pursuant to  
20 this title as follows:

21 1. The expedited filing shall be a priority service to be completed  
22 as soon as possible after the documents are delivered to the commission.

23 2. In addition to any other fees required by this section or any  
24 other law, the commission shall charge a nonrefundable fee for expedited  
25 services, including those requested by fax. The fee shall be determined  
26 by a supermajority vote of the commissioners.

27 3. The commission may provide for and establish same day and next  
28 day services for the filing of any documents and services provided  
29 pursuant to this title as follows:

30 (a) The commission shall suspend same day or next day service if  
31 the commission determines that it does not have the necessary resources to  
32 perform the service within the established time period.

33 (b) In addition to any other fees required by this section or any  
34 other law, the commissioners may charge a nonrefundable fee for the same  
35 day or next day service or both. The fee shall be determined by a  
36 supermajority vote of the commissioners.

37 4. The commission shall publicly post the current wait times for  
38 processing regular, expedited and same day and next day services.

39 G. The commission may charge persons who access the commission's  
40 data processing system that is maintained pursuant to section 10-122.01  
41 from remote locations and persons requesting special computer generated  
42 printouts, reports and tapes a reasonable fee that does not exceed the  
43 cost of the time, equipment and personnel necessary to provide this  
44 service or product as determined by the commission.

1 H. Except as provided in section 10-122.01, subsection B, paragraph  
2 3, in addition to any fee charged pursuant to this section, the commission  
3 may charge and collect the following nonrefundable fees to help defray the  
4 cost of the improved data processing system that is maintained pursuant to  
5 section 10-122.01:

6 1. Filing articles of incorporation of a domestic corporation, ~~ten~~  
7 ~~dollars~~ \$10.

8 2. Filing an application of a foreign corporation for authority to  
9 transact business in this state, ~~twenty-five dollars~~ \$25.

10 I. All monies received pursuant to subsections F, G and H of this  
11 section shall be deposited, pursuant to sections 35-146 and 35-147, in the  
12 public access fund established by section 10-122.01.

13 J. Fees charged pursuant to this section are exempt from section  
14 39-121.03, subsection A, paragraph 3.

15 K. The commission may allow any person to advance monies to the  
16 commission to pay fees required pursuant to this section for future  
17 filings and services. All monies received pursuant to this subsection  
18 shall be deposited, pursuant to sections 35-146 and 35-147, in the money  
19 on deposit account in the public access fund established by section  
20 10-122.01.

21 L. In addition to any other fees prescribed by law, the commission  
22 may establish a fee for the filing of an annual benefit report delivered  
23 to the commission pursuant to section 10-2442. The fee shall be  
24 determined by a majority vote of the commissioners.

25 M. A PERSON WHO IS ESTABLISHING A NEW BUSINESS AS DEFINED IN  
26 SECTION 41-710.02 IS EXEMPT FROM THE FILING FEES REQUIRED BY THIS SECTION.

27 ~~M.~~ N. For the purposes of this section, "supermajority" means an  
28 affirmative vote of at least four commissioners.

29 Sec. 2. Section 41-126, Arizona Revised Statutes, is amended to  
30 read:

31 41-126. Fees; expedited services; exemption

32 A. The secretary of state shall receive the following fees:

33 1. Making a copy of any document on file in ~~his~~ THE SECRETARY OF  
34 STATE'S office, ~~no~~ NOT more than ~~ten cents~~ \$0.10 for each page or partial  
35 page.

36 2. Filing and recording each application to become a notary public  
37 and transmitting a commission for a notary public, ~~no~~ NOT more than  
38 ~~twenty-five dollars~~ \$25.

39 3. Filing an application for registration or renewal of the  
40 registration of a trademark or recording an assignment of a trademark,  
41 ~~fifteen dollars~~ \$15.

42 4. Filing an application for registration or renewal of the  
43 registration of a trade name or recording an assignment of a trade name,  
44 ~~no~~ NOT more than ~~ten dollars~~ \$10.

- 1           5. Issuing a certificate of registration of a trademark or a trade  
2 name, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 3           6. Filing, as required by the uniform commercial code:
- 4           (a) A financing statement, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 5           (b) An amendment to a financing statement, ~~no~~ NOT more than ~~three~~  
6 ~~dollars~~ \$3.
- 7           (c) An assignment, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 8           (d) A continuation statement, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 9           (e) A statement of release, ~~no~~ NOT more than ~~two dollars~~ \$2.
- 10          (f) A termination statement, ~~no~~ NOT more than ~~two dollars~~ \$2.
- 11          7. Issuing a certificate as provided in section 44-3146 naming a  
12 particular debtor, ~~no~~ NOT more than ~~six dollars~~ \$6.
- 13          8. Making a copy of a filed financing statement, ~~no~~ NOT more than  
14 ~~fifty cents~~ \$.50 per page.
- 15          9. Certifying a copy of a writing specified in paragraphs 6, 7 and  
16 8 of this subsection, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 17          10. Filing, recording or certifying any other document not  
18 specified in this section, ~~no~~ NOT more than ~~three dollars~~ \$3.
- 19          11. Filing the oath and bond of notary public, ~~eighteen~~  
20 ~~dollars~~ \$18.
- 21          12. Issuing a certificate as to official capacity of a notary  
22 public and affixing a seal to the certificate, ~~eighteen dollars~~ \$18.
- 23          B. The secretary of state shall provide for and establish an  
24 expedited service for the processing of requests, applications, filings  
25 and searches as follows:
- 26           1. The expedited processing shall be a priority effected in a fast  
27 and efficient manner.
- 28           2. A fee shall be charged for expedited services. This fee shall  
29 not exceed ~~twenty-five dollars~~ \$25 per service and ~~shall be~~ IS in addition  
30 to any other fees provided by law, including those set forth in subsection  
31 A of this section.
- 32          C. The secretary of state shall adopt rules necessary to carry out  
33 subsection B of this section.
- 34          D. A NEW BUSINESS AS DEFINED IN SECTION 41-710.02 OR A PERSON WHO  
35 IS ESTABLISHING A NEW BUSINESS AS DEFINED IN SECTION 41-710.02 IS EXEMPT  
36 FROM THE FEES REQUIRED BY THIS SECTION.
- 37          Sec. 3. Title 41, chapter 4, article 1, Arizona Revised Statutes,  
38 is amended by adding section 41-710.02, to read:
- 39          41-710.02. New businesses; state contracts; fee waivers;  
40 report; definition
- 41          A. BEGINNING JANUARY 1, 2024, THE DEPARTMENT SHALL DO THE  
42 FOLLOWING:
- 43           1. BE ENCOURAGED TO AWARD FIVE PERCENT OF THE TOTAL NUMBER OF STATE  
44 CONTRACTS ENTERED INTO EACH YEAR TO NEW BUSINESSES. FOR THE PURPOSES OF  
45 THIS PARAGRAPH, THE DEPARTMENT SHALL EVALUATE LOWERING BARRIERS FOR NEW

1 BUSINESSES TO COMPETE FOR STATE CONTRACTS THROUGH METHODS SUCH AS REDUCING  
2 THE TIME FOR APPROVING A CONTRACT, REDUCING THE TIME FOR PAYMENT OF  
3 SERVICES RENDERED IN A CONTRACT, MARKETING AND OUTREACH TO NEW BUSINESSES,  
4 PRIORITIZING INNOVATION AS A SELECTION FACTOR, MEASURING PAST PERFORMANCE  
5 BASED ON NON-STATE CUSTOMERS AND TRAINING AND EDUCATING NEW  
6 BUSINESSES. THIS PARAGRAPH DOES NOT REQUIRE THE DEPARTMENT TO AWARD FIVE  
7 PERCENT OF THE TOTAL NUMBER OF STATE CONTRACTS ENTERED INTO EACH YEAR TO  
8 NEW BUSINESSES.

9 2. SUBMIT A REPORT ON OR BEFORE DECEMBER 31 OF EACH YEAR TO THE  
10 GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF  
11 REPRESENTATIVES ON THE FOLLOWING INFORMATION:

12 (a) THE TOTAL NUMBER OF STATE CONTRACTS AWARDED IN THE PRIOR YEAR  
13 AND THE NUMBER OF CONTRACTS AWARDED TO NEW BUSINESSES.

14 (b) THE TOTAL DOLLAR AMOUNT OF ALL CONTRACTS AWARDED IN THE PRIOR  
15 YEAR AND THE DOLLAR AMOUNT OF ALL CONTRACTS AWARDED TO NEW BUSINESSES.

16 (c) ANY ACTIONS TAKEN TO REDUCE BARRIERS FOR NEW BUSINESSES TO  
17 COMPETE FOR STATE CONTRACTS.

18 (d) ANY RECOMMENDATIONS TO IMPROVE ACCESS TO STATE CONTRACTS FOR  
19 NEW BUSINESSES.

20 3. PROVIDE A COPY OF THE REPORT REQUIRED BY PARAGRAPH 2 OF THIS  
21 SUBSECTION TO THE SECRETARY OF STATE AND POST THE INFORMATION ON THE  
22 DEPARTMENT'S PUBLIC WEBSITE.

23 B. FOR THE PURPOSES OF THIS SECTION, "NEW BUSINESS":

24 1. MEANS A BUSINESS ENTITY THAT HAS BEEN IN OPERATION FOR LESS THAN  
25 FIVE YEARS AND WHOSE PRINCIPAL PLACE OF BUSINESS IS LOCATED IN THIS STATE.

26 2. DOES NOT INCLUDE ANY BUSINESS ENTITY THAT DISSOLVES OR OTHERWISE  
27 TERMINATES BUSINESS OPERATIONS AND THAT REINCORPORATES OR OTHERWISE  
28 REINITIATES BUSINESS OPERATIONS IN THIS STATE ON OR AFTER THE EFFECTIVE  
29 DATE OF THIS SECTION.

30 Sec. 4. Section 42-5005, Arizona Revised Statutes, is amended to  
31 read:

32 42-5005. Transaction privilege tax and municipal privilege  
33 tax licenses; fees; renewal; revocation;  
34 violation; classification

35 A. Every person who receives gross proceeds of sales or gross  
36 income on which a transaction privilege tax is imposed by this article and  
37 who desires to engage or continue in business shall apply to the  
38 department for an annual transaction privilege tax license accompanied by  
39 a fee of \$12. A person shall not engage or continue in business until the  
40 person has obtained a transaction privilege tax license. A NEW BUSINESS  
41 AS DEFINED IN SECTION 41-710.02 OR A PERSON WHO IS ESTABLISHING A NEW  
42 BUSINESS AS DEFINED IN SECTION 41-710.02 IS EXEMPT FROM THE FEE REQUIRED  
43 BY THIS SUBSECTION.

44 B. A person desiring to engage or continue in business within a  
45 city or town that imposes a municipal privilege tax shall apply to the

1 department of revenue for an annual municipal privilege tax license  
2 accompanied by a fee of up to \$50, as established by ordinance of the city  
3 or town. The person shall submit the fee with each new license  
4 application. The person may not engage or continue in business until the  
5 person has obtained a municipal privilege tax license. The department  
6 must collect, hold, pay and manage the fees in trust for the city or town  
7 and may not use the monies for any other purposes. The fee imposed by  
8 this subsection does not apply to a marketplace facilitator or remote  
9 seller that is only required to obtain a transaction privilege tax license  
10 pursuant to section 42-5043.

11 C. A transaction privilege tax license is valid only for the  
12 calendar year in which it is issued, but it may be renewed for the  
13 following calendar year. There is no fee for the renewal of the  
14 transaction privilege tax license. The transaction privilege tax license  
15 must be renewed at the same time and in the manner as the municipal  
16 privilege tax license renewal.

17 D. A municipal privilege tax license is valid only for the calendar  
18 year in which it is issued, but it may be renewed for the following  
19 calendar year by the payment of a license renewal fee of up to \$50. The  
20 renewal fee is due and payable on January 1 and is considered delinquent  
21 if not received on or before the last business day of January. The  
22 department must collect, hold, pay and manage the fees in trust for the  
23 city or town and may not use the monies for any other purposes. The  
24 renewal fee imposed by this subsection does not apply to a marketplace  
25 facilitator or remote seller that is only required to obtain a transaction  
26 privilege tax license pursuant to section 42-5043.

27 E. A licensee that remains in business after the municipal  
28 privilege tax license has expired is subject to the payment of the license  
29 renewal fee and the civil penalty prescribed in section 42-1125,  
30 subsection R.

31 F. If the applicant is not in arrears in payment of any tax imposed  
32 by this article, the department shall issue a license authorizing the  
33 applicant to engage and continue in business on the condition that the  
34 applicant complies with this article. The license number shall be  
35 continuous.

36 G. The transaction privilege tax license and the municipal  
37 privilege tax license are not transferable on a complete change of  
38 ownership or change of location of the business. For the purposes of this  
39 subsection:

40 1. "Location" means the business address appearing in the  
41 application for the license and on the transaction privilege tax or  
42 municipal privilege tax license.

43 2. "Ownership" means any right, title or interest in the business.

1           3. "Transferable" means the ability to convey or change the right  
2 or privilege to engage or continue in business by virtue of the issuance  
3 of the transaction privilege tax or municipal privilege tax license.

4           H. When the ownership or location of a business on which a  
5 transaction privilege tax or municipal privilege tax is imposed has been  
6 changed within the meaning of subsection G of this section, the licensee  
7 shall surrender the license to the department. The license shall be  
8 reissued to the new owners or for the new location on application by the  
9 taxpayer and payment of the \$12 fee for a transaction privilege tax  
10 license and a fee of up to \$50 per jurisdiction for a municipal privilege  
11 tax license. The department must collect, hold, pay and manage the fees  
12 in trust for the city or town and may not use the monies for any other  
13 purposes.

14           I. A person who is engaged in or conducting a business in two or  
15 more locations or under two or more business names shall procure a  
16 transaction privilege tax license for each location or business name  
17 regardless of whether all locations or business names are reported on a  
18 consolidated return under a single transaction privilege tax license  
19 number. This requirement shall not be construed as conflicting with  
20 section 42-5020.

21           J. A person who is engaged in or conducting a business in two or  
22 more locations or under two or more business names shall procure a  
23 municipal privilege tax license for each location or business name  
24 regardless of whether all locations or business names are reported on a  
25 consolidated return.

26           K. A person who is engaged in or conducting business at two or more  
27 locations or under two or more business names and who files a consolidated  
28 return under a single transaction privilege tax license number as provided  
29 by section 42-5020 is required to pay only a single municipal privilege  
30 tax license renewal fee for each local jurisdiction pursuant to subsection  
31 D of this section. A person who is engaged in or conducting business at  
32 two or more locations or under two or more business names and who does not  
33 file a consolidated return under a single license number is required to  
34 pay a license renewal fee for each location or license in a local  
35 jurisdiction.

36           L. For the purposes of this chapter and chapter 6 of this title:

37           1. Through December 31, 2018, an online lodging marketplace, as  
38 defined in section 42-5076, may register with the department for a license  
39 for the payment of taxes levied by this state and one or more counties,  
40 cities, towns or special taxing districts, at the election of the online  
41 lodging marketplace, for taxes due from an online lodging operator on any  
42 online lodging transaction facilitated by the online lodging marketplace,  
43 subject to sections 42-5076 and 42-6009.

44           2. Beginning from and after December 31, 2018, an online lodging  
45 marketplace, as defined in section 42-5076, shall register with the



1 department for a license for the payment of taxes levied by this state and  
2 one or more counties, cities, towns or special taxing districts for taxes  
3 due from an online lodging operator on any online lodging transaction  
4 facilitated by the online lodging marketplace, subject to sections 42-5076  
5 and 42-6009.

6 M. For the purposes of this chapter and chapter 6 of this title, a  
7 person who is licensed pursuant to title 32, chapter 20 and who files an  
8 electronic consolidated tax return for individual real properties under  
9 management on behalf of the property owners may be licensed with the  
10 department for the payment of taxes levied by this state and by any  
11 county, city or town with respect to those properties. There is no fee  
12 for a license issued pursuant to this subsection.

13 N. For the purposes of this chapter, a peer-to-peer car sharing  
14 program shall register with the department for a license for the payment  
15 of taxes levied by this state and one or more counties, cities, towns or  
16 special districts for taxes due from a shared vehicle owner on any shared  
17 vehicle transaction facilitated by the peer-to-peer car sharing program,  
18 subject to the limitations in section 28-9616. A peer-to-peer car sharing  
19 program shall remit the surcharges established pursuant to sections 5-839  
20 and 48-4234 only if the peer-to-peer car sharing program allows shared  
21 vehicle transactions that involve a vehicle for which the shared vehicle  
22 owner has not certified to the department pursuant to section 28-9616,  
23 subsection C that it is an individual-owned shared vehicle. For the  
24 purposes of this subsection, "individual-owned shared vehicle",  
25 "peer-to-peer car sharing program", "shared vehicle owner" and "shared  
26 vehicle transaction" have the same meanings prescribed in section 28-9601.

27 O. If a person violates this article or any rule adopted under this  
28 article, the department upon hearing may revoke any transaction privilege  
29 tax or municipal privilege tax license issued to the person. The  
30 department shall provide ten days' written notice of the hearing, stating  
31 the time and place and requiring the person to appear and show cause why  
32 the license or licenses should not be revoked. The department shall  
33 provide written notice to the person of the revocation of the license.  
34 The notices may be served personally or by mail pursuant to section  
35 42-5037. After revocation, the department shall not issue a new license  
36 to the person unless the person presents evidence satisfactory to the  
37 department that the person will comply with this article and with the  
38 rules adopted under this article. The department may prescribe the terms  
39 under which a revoked license may be reissued.

40 P. The department may revoke any transaction privilege tax or  
41 municipal privilege tax license issued to any person who fails for  
42 thirteen consecutive months to make and file a return required by this  
43 article on or before the due date or the due date as extended by the  
44 department unless the failure is due to a reasonable cause and not due to  
45 wilful neglect.

1 Q. A person who violates any provision of this section is guilty of  
2 a class 3 misdemeanor.

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

5 43-1022. Subtractions from Arizona gross income

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

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

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

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

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

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

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

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

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

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

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

44 9. The amount of exploration expenses that is determined pursuant  
45 to section 617 of the internal revenue code, that has been deferred in a

1 taxable year ending before January 1, 1990 and for which a subtraction has  
2 not previously been made. The subtraction shall be made on a ratable  
3 basis as the units of produced ores or minerals discovered or explored as  
4 a result of this exploration are sold.

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

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

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

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

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

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

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

37 17. For property placed in service:

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

44 (b) In taxable years beginning from and after December 31, 2012  
45 through December 31, 2013, an amount determined in the year the asset was

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40           25. For taxable years beginning from and after December 31, 2017,  
41 the amount of any net capital gain included in Arizona gross income for  
42 the taxable year that is derived from the exchange of one kind of legal  
43 tender for another kind of legal tender. For the purposes of this  
44 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 26. Benefits, annuities and pensions received as retired or  
6 retainer pay of the uniformed services of the United States in amounts as  
7 follows:

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

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

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

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

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

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

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

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

39 (a) "Airdrop" means the receipt of virtual currency through a means  
40 of distribution of virtual currency to the distributed ledger addresses of  
41 multiple taxpayers.

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

44 (c) "Virtual currency" has the same meaning prescribed in section  
45 43-1028.

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

4           31. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2023,  
5 FOR AN INDIVIDUAL WHO IS THE OWNER OF A NEW BUSINESS AS DEFINED IN SECTION  
6 41-710.02, INCLUDING A PARTNER IN A PARTNERSHIP, A MEMBER OF A LIMITED  
7 LIABILITY COMPANY OR A SHAREHOLDER OF AN S CORPORATION AS DEFINED IN  
8 SECTION 1361 OF THE INTERNAL REVENUE CODE, AND WHO RECEIVED INCOME FROM  
9 THE NEW BUSINESS, THE AMOUNT DETERMINED AS FOLLOWS:

10           (a) FOR THE NEW BUSINESS' FIRST YEAR OF OPERATION, AN AMOUNT EQUAL  
11 TO ONE HUNDRED PERCENT OF THE INCOME RECEIVED FROM THE NEW BUSINESS.

12           (b) FOR THE NEW BUSINESS' SECOND YEAR OF OPERATION, AN AMOUNT EQUAL  
13 TO FIFTY PERCENT OF THE INCOME RECEIVED FROM THE NEW BUSINESS.

14           (c) FOR THE NEW BUSINESS' THIRD YEAR OF OPERATION, AN AMOUNT EQUAL  
15 TO TWENTY-FIVE PERCENT OF THE INCOME RECEIVED FROM THE NEW BUSINESS.

16           Sec. 6. Section 43-1122, Arizona Revised Statutes, is amended to  
17 read:

18           43-1122. Subtractions from Arizona gross income; corporations

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

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

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

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

29           4. The portion of any wages or salaries paid or incurred by the  
30 taxpayer for the taxable year that is equal to the amount of the federal  
31 work opportunity credit, the empowerment zone employment credit, the  
32 credit for employer paid social security taxes on employee cash tips and  
33 the Indian employment credit that the taxpayer received under sections  
34 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

41           6. With respect to a financial institution as defined in section  
42 6-101, expenses and interest relating to tax-exempt income disallowed  
43 pursuant to section 265 of the internal revenue code.

44           7. Dividends received from another corporation owned or controlled  
45 directly or indirectly by a recipient corporation. For the purposes of

1 this paragraph, "control" means direct or indirect ownership or control of  
2 fifty percent or more of the voting stock of the payor corporation by the  
3 recipient corporation. Dividends shall have the meaning provided in  
4 section 316 of the internal revenue code. This subtraction shall apply  
5 without regard to section 43-961, paragraph 2 and article 4 of this  
6 chapter.

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

8 9. The amount of dividend income from foreign corporations. For  
9 the purposes of this paragraph, gross up income as described in section 78  
10 of the internal revenue code, global intangible low-taxed income as  
11 defined in section 951A of the internal revenue code and subpart F income  
12 as defined in section 952 of the internal revenue code shall be considered  
13 foreign dividends.

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

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

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

19 13. The amount of deferred exploration expenses allowed by section  
20 43-1127.

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

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

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

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

34 18. The income of an insurance company that is exempt under section  
35 43-1201 to the extent that it is included in computing Arizona gross  
36 income on a consolidated return pursuant to section 43-947.

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

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



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

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

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

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

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

18           (a) "Contribution in aid of construction" means any amount of  
19 monies or other property contributed to a public service corporation that  
20 provides water or sewage disposal services to the extent that the purpose  
21 of the contribution is to provide for expanding, improving or replacing  
22 the public service corporation's water system or sewage disposal  
23 facilities, including any amount of monies or other property contributed  
24 to a public service corporation for a water system or sewage disposal  
25 facility subject to a contingent obligation to repay the amount, in whole  
26 or in part, to the contributor.

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

30           24. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2023,  
31 FOR A CORPORATION THAT IS ALSO A NEW BUSINESS AS DEFINED IN SECTION  
32 41-710.02, THE AMOUNT DETERMINED AS FOLLOWS:

33           (a) FOR THE CORPORATION'S FIRST YEAR OF OPERATION, AN AMOUNT EQUAL  
34 TO ONE HUNDRED PERCENT OF THE CORPORATION'S ARIZONA GROSS INCOME.

35           (b) FOR THE CORPORATION'S SECOND YEAR OF OPERATION, AN AMOUNT EQUAL  
36 TO FIFTY PERCENT OF THE CORPORATION'S ARIZONA GROSS INCOME.

37           (c) FOR THE CORPORATION'S THIRD YEAR OF OPERATION, AN AMOUNT EQUAL  
38 TO TWENTY-FIVE PERCENT OF THE CORPORATION'S ARIZONA GROSS INCOME.