

COMMITTEE ON GOVERNMENT
SENATE AMENDMENTS TO H.B. 2471
(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 5-572, Arizona Revised Statutes, is amended to
3 read:

4 5-572. Use of monies in state lottery fund; report

5 A. If there are any bonds or bond related obligations payable from
6 the state lottery revenue bond debt service fund, the state lottery revenue
7 bond debt service fund shall be secured by a first lien on the monies in
8 the state lottery fund after the payment of operating costs of the lottery,
9 as prescribed in section 5-555, subsection A, paragraph 1, until the state
10 lottery bond debt service fund contains sufficient monies to meet all the
11 requirements for the current period as required by the bond documents.
12 Debt service for revenue bonds issued pursuant to this chapter shall be
13 paid first from monies that would have otherwise been deposited pursuant to
14 this section in the state general fund. After the requirements for the
15 current period have been satisfied as required by the bond documents, the
16 monies in the state lottery fund shall be expended for the expenses of the
17 commission incurred in carrying out its powers and duties and in the
18 operation of the lottery.

19 B. Of the monies remaining in the state lottery fund each fiscal
20 year after appropriations and deposits authorized in subsection A of this
21 section, ~~ten million dollars~~ \$10,000,000 shall be deposited in the Arizona
22 game and fish commission heritage fund established by section 17-297.

1 C. Of the monies remaining in the state lottery fund each fiscal
2 year after appropriations and deposits authorized in subsections A and B of
3 this section, ~~five million dollars~~ \$5,000,000 shall be allocated to the
4 department of child safety for the healthy families program established by
5 section 8-481, ~~four million dollars~~ \$4,000,000 shall be allocated to the
6 Arizona board of regents for the Arizona area health education system
7 established by section 15-1643, ~~three million dollars~~ \$3,000,000 shall be
8 allocated to the department of health services to fund the teenage
9 pregnancy prevention programs established in Laws 1995, chapter 190,
10 sections 2 and 3, ~~two million dollars~~ \$2,000,000 shall be allocated to the
11 department of health services for the health start program established by
12 section 36-697, ~~two million dollars~~ \$2,000,000 shall be deposited in the
13 disease control research fund established by section 36-274 and ~~one million~~
14 ~~dollars~~ \$1,000,000 shall be allocated to the department of health services
15 for the federal women, infants and children food program. The allocations
16 in this subsection shall be adjusted annually according to changes in the
17 GDP price deflator as defined in section 41-563, and the allocations are
18 exempt from the provisions of section 35-190 relating to lapsing of
19 appropriations. If there are not sufficient monies available pursuant to
20 this subsection, the allocation of monies for each program shall be reduced
21 on a pro rata basis.

22 D. If the state lottery director determines that monies available to
23 the state general fund may not equal ~~eighty-four million one hundred fifty~~
24 ~~thousand dollars~~ \$84,150,000 in a fiscal year, the director shall not
25 authorize deposits to the Arizona game and fish commission heritage fund
26 pursuant to subsection B of this section until the deposits to the state
27 general fund equal ~~eighty-four million one hundred fifty thousand dollars~~
28 \$84,150,000 in a fiscal year.

29 E. Of the monies remaining in the state lottery fund each fiscal
30 year after appropriations and deposits authorized in subsections A through
31 D of this section, ~~one million dollars~~ \$1,000,000 or the remaining balance

1 in the fund, whichever is less, is appropriated to the department of
2 economic security for grants to nonprofit organizations, including ~~faith~~
3 ~~based~~ FAITH-BASED organizations, for homeless emergency and transitional
4 shelters and related support services. The department of economic security
5 shall submit a report on the amounts, recipients, purposes and results of
6 each grant to the governor, the speaker of the house of representatives and
7 the president of the senate on or before December 31 of each year for the
8 prior fiscal year and shall provide a copy of this report to the secretary
9 of state.

10 F. ~~Of the monies remaining in the state lottery fund each fiscal~~
11 ~~year after appropriations and deposits authorized in subsections A through~~
12 ~~E of this section, and~~ After a total of at least ~~ninety-nine million six~~
13 ~~hundred forty thousand dollars~~ \$99,640,000 has been deposited in the state
14 general fund, ~~three million five hundred thousand dollars shall be~~
15 ~~deposited in the Arizona competes fund established by section 41-1545.01.~~
16 the balance in the state lottery fund remaining ~~after deposits into the~~
17 ~~Arizona competes fund~~ shall be deposited in the university capital
18 improvement lease-to-own and bond fund established by section 15-1682.03,
19 up to a maximum of eighty percent of the total annual payments of
20 lease-to-own and bond agreements entered into by the Arizona board of
21 regents.

22 G. All monies remaining in the state lottery fund after the
23 appropriations and deposits authorized in this section shall be deposited
24 in the state general fund.

25 H. Except for monies expended for debt service of revenue bonds as
26 provided in subsection A of this section, monies expended under subsection
27 A of this section are subject to legislative appropriation.

28 I. The commission shall transfer monies prescribed in this section
29 on a quarterly basis.

1 Sec. 2. Section 28-472, Arizona Revised Statutes, is amended to
2 read:

3 28-472. Fleet operation services; records; rules; vehicle
4 replacement rate; participating agencies;
5 coordinator; public service announcements; annual
6 report

7 A. The director shall operate the state motor vehicle fleet for the
8 purpose of providing fleet operation services to agencies. The director
9 shall make fleet operation services available to an agency on the request
10 of the chosen representative for that agency.

11 B. The director is responsible for administering the state motor
12 vehicle fleet, including:

13 1. Procuring motor vehicles for the state motor vehicle fleet.

14 2. Notwithstanding title 41, chapter 23, article 8, administering
15 the surplus and sale of motor vehicles in the state motor vehicle fleet.

16 C. The director shall provide for detailed cost, operation,
17 maintenance, mileage and custody records for each state-owned motor
18 vehicle.

19 D. The director may adopt rules necessary to administer this
20 article.

21 E. The department shall recover all costs for fleet operation
22 services that are provided to an agency. Each agency shall pay from
23 available monies the cost of fleet operation services received from the
24 department at a rate determined by the director, including a separate
25 vehicle replacement rate for motor vehicle replacements. The director
26 shall deposit, pursuant to sections 35-146 and 35-147, monies received for
27 fleet operation services in the state fleet operations fund established by
28 section 28-475. The director shall deposit, pursuant to sections 35-146
29 and 35-147, monies received to pay the vehicle replacement rate in the
30 state vehicle replacement fund established by section 28-476.

1 F. The following agencies are excluded from participation in the
2 state motor vehicle fleet:

- 3 1. The department of public safety.
- 4 2. The department of economic security.
- 5 3. The state department of corrections.
- 6 4. Universities and community colleges.
- 7 5. The Arizona state schools for the deaf and the blind.
- 8 6. The cotton research and protection council.
- 9 7. EXCEPT AS PROVIDED IN SECTION 41-1504, the Arizona commerce
10 authority.
- 11 8. The department of child safety.
- 12 9. The department of transportation.

13 G. The director shall appoint a state motor vehicle fleet
14 coordinator.

15 H. An agency may not purchase, lease or rent a motor vehicle unless
16 the agency is excluded from participation in the state motor vehicle fleet
17 by subsection F of this section. The director may withhold registration
18 for any motor vehicle that is purchased, leased or rented in violation of
19 this subsection.

20 I. Notwithstanding subsection H of this section, an agency that
21 administers a separate account pursuant to section 28-476, subsection C
22 shall control the purchase, lease or rental of motor vehicles. Vehicles
23 purchased, leased or rented under this subsection shall be used by the
24 agency only for the agency's purposes.

25 J. An agency listed in subsection F of this section may elect to
26 participate in the state motor vehicle fleet by executing an interagency
27 service agreement between the agency and the department.

28 K. A governmental budget unit of this state that is not an agency
29 may elect to participate in the state motor vehicle fleet by entering into
30 an interagency service agreement with the department.

1 L. An agency, including an agency listed in subsection F of this
2 section, may accept compensation for placing public service announcements
3 on state-owned motor vehicles, and monies received shall be deposited,
4 pursuant to sections 35-146 and 35-147, in the state general fund. The
5 agency director shall determine the appropriateness of the announcements,
6 may exempt any motor vehicles that are not suitable for advertising and may
7 contract with private parties to design and place the announcements.

8 M. On or before October 1 of each year, the department shall submit
9 to the joint legislative budget committee and the governor's office of
10 strategic planning and budgeting a report that accounts for all monies
11 deposited in the state fleet operations fund established by section 28-475
12 and the state vehicle replacement fund established by section 28-476,
13 including any monies allocated to separate agency accounts. The report
14 shall also include the number of motor vehicles that were replaced in the
15 prior fiscal year, the number of motor vehicles at each agency, the
16 replacement life cycle for each motor vehicle and the number of motor
17 vehicles the department identifies as not requiring replacement.

18 Sec. 3. Section 41-1511, Arizona Revised Statutes, is transferred
19 and renumbered for placement in title 41, chapter 4, article 1, Arizona
20 Revised Statutes, as section 41-710.03 and, as so renumbered, is amended to
21 read:

22 41-710.03. State broadband office; director; powers and duties

23 A. The state broadband office is established in the ~~authority~~
24 **DEPARTMENT**.

25 B. The state broadband office consists of the state broadband
26 director, who serves at the pleasure of the ~~chief executive officer~~
27 **DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION**. The ~~chief executive officer~~
28 **DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION** may hire staff for the state
29 broadband office to do the following:

30 1. Coordinate the implementation of local, state and federal
31 broadband programs.

1 2. Coordinate and execute federal broadband grant applications with
2 public and private stakeholders.

3 3. Provide guidance and support to stakeholders in navigating local,
4 state and federal regulatory and permitting processes for broadband
5 infrastructure projects.

6 4. Provide guidance and support to local and state public and
7 private partners on federal, state and local broadband policies and
8 practices.

9 5. Solicit feedback from stakeholders to develop long-term local,
10 state and federal broadband policy priorities that may influence local,
11 state and federal broadband policies and programs.

12 6. Work with local partners, state and federal agencies and
13 telecommunication providers to develop plans to improve internet
14 connectivity and resiliency in this state.

15 C. The state broadband office shall publish and maintain a state
16 broadband plan that further elaborates on the strategies and tactics to
17 achieve this state's broadband goals.

18 D. The state broadband office may develop rules and guidelines to
19 implement this section.

20 Sec. 4. Title 41, chapter 6, article 4.1, Arizona Revised Statutes,
21 is amended by adding section 41-1049, to read:

22 41-1049. Proposed rulemaking; regulatory costs; legislative
23 ratification; applicability

24 A. NOTWITHSTANDING ANY OTHER LAW, AN AGENCY SHALL SUBMIT A PROPOSED
25 RULE THAT IS ESTIMATED TO INCREASE REGULATORY COSTS IN THIS STATE BY MORE
26 THAN \$100,000 WITHIN FIVE YEARS AFTER IMPLEMENTATION TO THE OFFICE OF
27 ECONOMIC OPPORTUNITY FOR REVIEW. IF THE OFFICE OF ECONOMIC OPPORTUNITY
28 CONFIRMS THAT THE PROPOSED RULE IS ESTIMATED TO INCREASE REGULATORY COSTS
29 IN THIS STATE BY MORE THAN \$500,000 WITHIN FIVE YEARS AFTER IMPLEMENTATION,
30 THE PROPOSED RULE MAY NOT BECOME EFFECTIVE UNTIL THE LEGISLATURE ENACTS
31 LEGISLATION RATIFYING THE PROPOSED RULE.

1 B. THE OFFICE OF ECONOMIC OPPORTUNITY SHALL SUBMIT THE PROPOSED RULE
2 TO THE ADMINISTRATIVE RULES OVERSIGHT COMMITTEE NOT LATER THAN THIRTY DAYS
3 BEFORE THE NEXT REGULAR LEGISLATIVE SESSION. THE COMMITTEE MUST SUBMIT THE
4 PROPOSED RULE TO THE LEGISLATURE AS SOON AS PRACTICABLE.

5 C. ANY MEMBER OF THE LEGISLATURE MAY INTRODUCE LEGISLATION TO RATIFY
6 THE PROPOSED RULE. THE PROPOSED RULE IS EXEMPT FROM SECTION 41-1024,
7 SUBSECTION B.

8 D. THE AGENCY MAY NOT FILE A FINAL RULE WITH THE SECRETARY OF STATE
9 BEFORE OBTAINING LEGISLATIVE APPROVAL OF THE RULE THROUGH LEGISLATION
10 RATIFYING THE PROPOSED RULE. IF THE LEGISLATURE DOES NOT ENACT LEGISLATION
11 TO RATIFY THE PROPOSED RULE DURING THE CURRENT LEGISLATIVE SESSION, THE
12 AGENCY SHALL TERMINATE THE PROPOSED RULEMAKING BY PUBLISHING A NOTICE OF
13 TERMINATION IN THE REGISTER.

14 E. IF A PERSON IS REGULATED BY AN AGENCY THAT IS PROPOSING A RULE,
15 THAT PERSON MAY REQUEST THE OFFICE OF ECONOMIC OPPORTUNITY TO REVIEW THE
16 RULE. A LEGISLATOR MAY ALSO REQUEST THE OFFICE OF ECONOMIC OPPORTUNITY TO
17 REVIEW A PROPOSED RULE.

18 F. THIS SECTION DOES NOT APPLY TO EMERGENCY RULES ADOPTED PURSUANT
19 TO SECTION 41-1026.

20 G. BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION, A RULE
21 PRESCRIBED BY SUBSECTION A OF THIS SECTION IS VOID AND UNENFORCEABLE UNLESS
22 THE RULE IS RATIFIED AS PRESCRIBED BY THIS SECTION.

23 H. THIS SECTION DOES NOT APPLY TO THE CORPORATION COMMISSION.

24 Sec. 5. Heading change

25 The chapter heading of title 41, chapter 10, Arizona Revised
26 Statutes, is changed from "ARIZONA COMMERCE AUTHORITY" to "COMMERCE".

27 Sec. 6. Repeal

28 Section 41-1501, Arizona Revised Statutes, is repealed.

29 Sec. 7. Title 41, chapter 10, article 1, Arizona Revised Statutes,
30 is amended by adding a new section 41-1501, to read:

31 41-1501. Definitions

1 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

2 1. "BOARD" MEANS THE BOARD OF DIRECTORS OF THE OFFICE.

3 2. "DIRECTOR" MEANS THE DIRECTOR OF THE OFFICE.

4 3. "OFFICE" MEANS THE OFFICE OF ECONOMIC OPPORTUNITY.

5 Sec. 8. Section 41-1502, Arizona Revised Statutes, is amended to
6 read:

7 41-1502. Office of economic opportunity; board of directors;
8 advisory council; conduct of office; audit; annual
9 report; definitions

10 A. UNDER THIS CHAPTER, The mission of the ~~authority~~ OFFICE is to
11 provide private sector leadership in growing and diversifying the economy
12 of this state, creating high quality employment in this state through
13 expansion, attraction and retention of businesses and marketing this state
14 for the purpose of expansion, attraction and retention of businesses.

15 B. The ~~authority~~ OFFICE is governed by a board of directors
16 consisting of:

17 ~~1. The governor, who serves as chairperson.~~

18 ~~2. The chief executive officer.~~

19 ~~3. Seventeen private sector business leaders who are chief executive~~
20 ~~officers of private, for-profit enterprises. None of these members may be~~
21 ~~an elected official of any government entity. These members must be~~
22 ~~appointed from geographically diverse areas of this state and not all from~~
23 ~~the same county. These members shall serve staggered three-year terms of~~
24 ~~office beginning and ending on the third Monday in January. These members~~
25 ~~shall be appointed as follows:~~

26 ~~(a) Nine members who are appointed by the governor.~~

27 ~~(b) Four members who are appointed by the president of the senate.~~

28 ~~(c) Four members who are appointed by the speaker of the house of~~
29 ~~representatives.~~

30 ~~4. The following as ex officio members without the power to vote:~~

31 ~~(a) The president of the senate.~~

1 ~~(b) The speaker of the house of representatives.~~

2 ~~(c) The president of the Arizona board of regents.~~

3 ~~(d) The president of each state university under the jurisdiction of~~
4 ~~the Arizona board of regents.~~

5 ~~(e) One president of a community college who is appointed by a~~
6 ~~statewide organization of community college presidents.~~

7 ~~(f) The chairperson of the governor's council on small business, or~~
8 ~~its successor.~~

9 ~~(g) The chairperson of the workforce Arizona council established by~~
10 ~~executive order pursuant to section 41-5401.~~

11 ~~(h) One member of the rural business development advisory council~~
12 ~~established by section 41-1505 who is appointed by the governor.~~

13 ~~(i) The president of a statewide organization of incorporated cities~~
14 ~~and towns who is appointed by the governor.~~

15 ~~(j) The president of a statewide organization of county boards of~~
16 ~~supervisors who is appointed by the governor.~~

17 1. NINE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR CONSISTING OF THE
18 FOLLOWING:

19 (a) THREE MEMBERS WHO ARE CHIEF EXECUTIVE OFFICERS OF SMALL
20 BUSINESSES IN THIS STATE WITH FEWER THAN FIFTY EMPLOYEES.

21 (b) TWO MEMBERS WHO ARE FROM A LIST OF THREE MEMBERS SUBMITTED TO
22 THE GOVERNOR JOINTLY BY THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
23 HOUSE OF REPRESENTATIVES.

24 (c) FOUR MEMBERS OF THE PUBLIC.

25 2. EIGHT MEMBERS CONSISTING OF THE FOLLOWING:

26 (a) THREE MEMBERS WHO ARE THE CHIEF EXECUTIVE OFFICERS OF SMALL
27 BUSINESSES IN THIS STATE WITH FEWER THAN TWENTY-FIVE EMPLOYEES AND WHO ARE
28 APPOINTED BY THE PRESIDENT OF THE SENATE.

29 (b) ONE MEMBER WHO IS AN ECONOMIST AND WHO IS APPOINTED BY THE
30 SPEAKER OF THE HOUSE OF REPRESENTATIVES.

1 (c) ONE MEMBER WHO IS AN ATTORNEY WITH EXPERIENCE LITIGATING
2 CONSTITUTIONAL CASES INVOLVING THE GIFT CLAUSE AND WHO IS APPOINTED BY THE
3 SPEAKER OF THE HOUSE OF REPRESENTATIVES.

4 (d) ONE MEMBER WHO IS FROM AN ORGANIZATION THAT REPRESENTS
5 INDEPENDENT BUSINESSES IN THIS STATE AND WHO IS APPOINTED BY THE SPEAKER OF
6 THE HOUSE OF REPRESENTATIVES.

7 (e) ONE MEMBER WHO REPRESENTS THE HOMEBUILDING INDUSTRY IN THIS
8 STATE AND WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

9 (f) ONE MEMBER WHO REPRESENTS A TAX RESEARCH ORGANIZATION IN THIS
10 STATE AND WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE.

11 C. THE BOARD SHALL ESTABLISH AN ADVISORY COUNCIL CONSISTING OF THE
12 FOLLOWING MEMBERS FROM THE BOARD:

13 1. THE MEMBER WHO IS AN ECONOMIST.

14 2. THE MEMBER FROM AN ORGANIZATION REPRESENTING INDEPENDENT
15 BUSINESSES IN THIS STATE.

16 3. THE MEMBER REPRESENTING THE HOMEBUILDING INDUSTRY IN THIS STATE.

17 4. THE MEMBER REPRESENTING A TAX RESEARCH ORGANIZATION IN THIS
18 STATE.

19 5. THE MEMBER WHO IS AN ATTORNEY WITH EXPERIENCE LITIGATING
20 CONSTITUTIONAL CASES INVOLVING THE GIFT CLAUSE TO SERVE AS THE CHAIRPERSON
21 OF THE ADVISORY COUNCIL.

22 D. THE ADVISORY COUNCIL SHALL:

23 1. SURVEY ALL BUSINESSES IN THIS STATE TO ASSESS ALL OF THE
24 FOLLOWING:

25 (a) ANY FACTORS THAT ARE INTEGRAL TO THE LOCATION OF THE BUSINESSES.

26 (b) ANY CONCERNS BUSINESS OWNERS IN THIS STATE HAVE FOR CONTINUED
27 VIABILITY FOR THEIR BUSINESSES.

28 (c) CONSIDERATIONS POLICYMAKERS IN THIS STATE NEED TO ANALYZE TO
29 MAKE THIS STATE MORE ENJOYABLE AND PRACTICABLE FOR BUSINESSES.

30 2. DEVELOP A SCORECARD THAT EVALUATES AND RANKS THE REGULATORY AND
31 TAX BURDENS OF EACH MUNICIPALITY IN THE STATE.

1 3. ON OR BEFORE DECEMBER 31 OF EACH YEAR, SUBMIT A REPORT TO THE
2 GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
3 REPRESENTATIVES AND THE CHAIRPERSON OF THE BOARD SUMMARIZING THE ADVISORY
4 COUNCIL'S FINDINGS AND RECOMMENDATIONS CONCERNING THE ASSESSMENT PURSUANT
5 TO THIS SUBSECTION. THE ADVISORY COUNCIL SHALL PROVIDE A COPY OF THIS
6 REPORT TO THE SECRETARY OF STATE.

7 E. THE BOARD SHALL MEET QUARTERLY AND AT THE CALL OF THE
8 CHAIRPERSON.

9 ~~F.~~ F. For members who are appointed by the governor pursuant to
10 subsection B of this section, before appointment by the governor, a
11 prospective member of the board ~~of directors~~ shall submit a full set of
12 fingerprints to the governor for the purpose of obtaining a state and
13 federal criminal records check pursuant to section 41-1750 and Public Law
14 92-544. The department of public safety may exchange this fingerprint data
15 with the federal bureau of investigation.

16 ~~D. The following shall serve as technical advisors to the board to~~
17 ~~enhance collaboration among state agencies to meet infrastructure needs and~~
18 ~~facilitate growth opportunities throughout this state:~~

19 ~~1. The director of environmental quality.~~

20 ~~2. The state land commissioner.~~

21 ~~3. The director of the department of revenue.~~

22 ~~4. The director of the office of tourism.~~

23 ~~5. The director of the department of transportation.~~

24 ~~6. The director of water resources.~~

25 ~~7. The director of the department of insurance and financial~~
26 ~~institutions.~~

27 ~~8. The director of the Arizona-Mexico commission in the governor's~~
28 ~~office.~~

29 ~~9. The director of the office of economic opportunity.~~

30 ~~F.~~ G. The governor shall appoint a ~~cochairperson~~ CHAIRPERSON of the
31 board of directors from among the ~~voting~~ members. The board may establish

1 an executive committee consisting of the chairperson, ~~the cochairperson,~~
2 ~~the chief executive officer,~~ and additional ~~voting~~ members of the board
3 elected by the board. The chairperson may appoint subcommittees as
4 necessary.

5 ~~F.~~ H. The board may request assistance from representatives of
6 other state agencies to maximize economic development opportunities by
7 leveraging their access to strategic assets and planning processes.

8 ~~G.~~ I. Board members SHALL:

9 1. Serve without compensation but are eligible for reimbursement of
10 expenses pursuant to section 41-1504, subsection ~~E~~ G, paragraph 1.

11 2. ANNUALLY SUBMIT A COMPLETE FINANCIAL DISCLOSURE STATEMENT
12 INDICATING ALL FINANCIAL HOLDINGS OF THE MEMBER TO THE DIRECTOR AND THE
13 CHAIRPERSON OF THE BOARD.

14 ~~H.~~ J. A majority of the ~~voting~~ members, which must include the
15 chairperson ~~and the chief executive officer,~~ constitute a quorum for the
16 purpose of an official meeting for conducting business. An affirmative
17 vote of a majority of the members present at an official meeting is
18 sufficient for any action to be taken.

19 ~~I.~~ K. The board ~~of directors~~ shall keep and maintain a complete and
20 accurate record of all of its proceedings. Public access to the board's
21 records is subject to section 41-1504, subsection ~~L~~ N.

22 ~~J.~~ L. The board ~~of directors~~, executive committee, subcommittees
23 and advisory councils are subject to title 38, chapter 3, article 3.1,
24 relating to public meetings, except as follows:

25 1. In addition to section 38-431.03, the board ~~of directors~~,
26 executive committee and subcommittees may meet in executive session for
27 discussion about potential business development opportunities and
28 strategies, ~~that~~, if made public, could potentially harm the applicant's,
29 the potential applicant's or this state's competitive position.

1 2. Social and travel events related to the expansion, attraction and
2 retention of businesses are not public meetings if no legal action
3 involving a final vote or decision is taken.

4 3. Activities and events held in public for the purpose of
5 announcing the expansion, attraction and retention of projects are not
6 public meetings.

7 ~~M.~~ M. The board of directors and the officers and employees of the
8 ~~authority~~ OFFICE are subject to title 38, chapter 3, article 8, relating to
9 conflicts of interest.

10 ~~N.~~ N. The board of directors shall adopt written policies,
11 procedures and guidelines for standards of conduct, including a gift
12 policy, for members of the board and for officers and employees of the
13 ~~authority~~ OFFICE.

14 ~~O.~~ O. The compensation of all officers and employees is considered
15 a public record pursuant to title 39, chapter 1.

16 ~~P.~~ P. The ~~authority~~ OFFICE shall operate on the state fiscal
17 year. The board of directors shall cause an annual audit to be conducted
18 on or before October 31 of each of the ~~authority's~~ OFFICE'S public funds
19 established by this chapter by an independent certified public
20 accountant. The board shall immediately file a certified copy of the audit
21 with the auditor general. The auditor general may make such further audits
22 and examinations as necessary and may take appropriate action relating to
23 the audit or examination pursuant to chapter 7, article 10.1 of this title.
24 If the auditor general takes no further action within thirty days after the
25 audit is filed, the audit is considered to be sufficient.

26 ~~Q.~~ Q. All state agencies shall cooperate with the ~~authority~~ OFFICE
27 and make available data pertaining to the functions of the ~~authority~~ OFFICE
28 as requested by the ~~authority~~ OFFICE.

29 R. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE OFFICE SHALL SUBMIT A
30 REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
31 HOUSE OF REPRESENTATIVES THAT IDENTIFIES THE NUMBER OF JOBS CREATED IN THIS

1 STATE IN THE PREVIOUS CALENDAR YEAR AND CATEGORIZES EACH JOB AS EITHER A
2 DIRECT JOB THAT WOULD NOT HAVE BEEN CREATED BUT FOR PROGRAMS ADMINISTERED
3 BY THE OFFICE, AN INDIRECT JOB OR AN INDUCED JOB AND SHALL PROVIDE A COPY
4 OF THIS REPORT TO THE SECRETARY OF STATE.

5 S. FOR THE PURPOSES OF THIS SECTION:

6 1. "DIRECT JOB" MEANS EMPLOYMENT THAT IS CREATED TO FULFILL THE
7 DEMAND FOR A PRODUCT OR SERVICE.

8 2. "INDIRECT JOB" MEANS EMPLOYMENT THAT EXISTS TO PRODUCE GOODS AND
9 SERVICES NEEDED BY THE WORKERS WHO HAVE DIRECT JOBS.

10 3. "INDUCED JOB" MEANS EMPLOYMENT THAT IS CREATED BY THE PERSONAL
11 SPENDING OF BOTH DIRECT AND INDIRECT WORKERS IN THIS STATE.

12 Sec. 9. Repeal

13 Section 41-1503, Arizona Revised Statutes, is repealed.

14 Sec. 10. Section 41-1504, Arizona Revised Statutes, is amended to
15 read:

16 41-1504. Powers and duties; e-verify requirement; definitions

17 A. The board ~~of directors~~, on behalf of the ~~authority~~ OFFICE, may:

18 1. Adopt and use a corporate seal.

19 2. Sue and be sued.

20 3. Enter into contracts as necessary to carry out the purposes and
21 requirements of this chapter, including intergovernmental agreements
22 pursuant to title 11, chapter 7, article 3 and interagency service
23 agreements as provided by section 35-148.

24 4. Lease real property and improvements to real property for the
25 purposes of the ~~authority~~ OFFICE. Leases by the ~~authority~~ OFFICE are
26 exempt from chapter 4, article 7 of this title, relating to management of
27 state properties.

28 ~~5. Employ or retain legal counsel and other consultants as necessary~~
29 ~~to carry out the purposes of the authority.~~

30 ~~6.~~ 5. Develop and use written policies, procedures and guidelines
31 for the terms and conditions of employing officers and employees of the

1 ~~authority~~ OFFICE and may include background checks of appropriate
2 personnel.

3 B. The board ~~of directors~~, on behalf of the ~~authority~~ OFFICE, shall:

4 1. Develop comprehensive long-range strategic economic plans for
5 this state THAT ARE INFORMED BY THE ANNUAL REPORT PROVIDED BY THE ADVISORY
6 COUNCIL and submit the plans to the governor.

7 2. Annually update a strategic economic plan for submission to the
8 governor.

9 3. Accept gifts, grants and loans and enter into contracts and other
10 transactions with any federal or state agency, municipality, private
11 organization or other source.

12 C. The ~~authority~~ OFFICE shall:

13 1. Assess and collect fees for processing applications and
14 administering incentives. The board shall adopt the manner of computing
15 the amount of each fee to be assessed. Within thirty days after proposing
16 fees for adoption, the ~~chief executive officer~~ DIRECTOR shall submit a
17 schedule of the fees for review by the joint legislative budget committee.
18 It is the intent of the legislature that a fee shall not exceed one percent
19 of the amount of the incentive.

20 2. Determine and collect registry fees for the administration of the
21 allocation of federal tax exempt industrial development bonds and student
22 loan bonds authorized by the ~~authority~~ OFFICE. Such monies collected by
23 the ~~authority~~ OFFICE shall be deposited, pursuant to sections 35-146 and
24 35-147, in an application fees fund. Monies in the fund shall be used,
25 subject to annual appropriation by the legislature, by the ~~authority~~ OFFICE
26 to administer the allocations provided in this paragraph and are exempt
27 from the provisions of section 35-190 relating to the lapsing of
28 appropriations.

29 3. Determine and collect security deposits for the allocation, for
30 the extension of allocations and for the difference between allocations and
31 principal amounts of federal tax exempt industrial development bonds and

1 student loan bonds authorized by the ~~authority~~ OFFICE. Security deposits
2 forfeited to the ~~authority~~ OFFICE shall be deposited in the state general
3 fund.

4 4. At the direction of the board, establish and supervise the
5 operations of full-time or part-time offices in other states and foreign
6 countries for the purpose of expanding direct investment and export trade
7 opportunities for businesses and industries in this state if, based on
8 objective research, the ~~authority~~ OFFICE determines that the effort would
9 be beneficial to the economy of this state.

10 5. Establish a program by which entrepreneurs become aware of
11 permits, licenses or other authorizations needed to establish, expand or
12 operate in this state.

13 6. Post on its website on an annual basis a report containing at
14 least the following information:

15 (a) The cumulative progress made toward its goals for job creation,
16 capital investment and higher average wages.

17 (b) To the extent not prohibited by law, information on each
18 incentive application approved by the ~~authority~~ OFFICE in the fiscal year,
19 including the amount of the incentive approved or awarded and the
20 applicant's activity that is projected or has been achieved, whichever is
21 applicable, to qualify for the incentive.

22 (c) Rural economic development outreach and impact data.

23 (d) Small business outreach and impact data.

24 ~~7. Develop and implement written policies and procedures relating to~~
25 ~~the administration of grants from the Arizona competes fund established by~~
26 ~~section 41-1545.01, including the following elements:~~

27 ~~(a) Procedures for documenting grantee selection and due diligence.~~

28 ~~(b) Procedures for verification of information submitted by~~
29 ~~grantees.~~

30 ~~(c) Procedures for evaluating requests to amend grant terms and for~~
31 ~~documenting decisions relating to those requests.~~

1 ~~8-~~ 7. Notwithstanding any other law, on request of the office of
2 economic opportunity, disclose to the office of economic opportunity
3 applicant information for incentives administered, in whole or in part, by
4 the ~~authority~~ OFFICE. Any confidentiality requirements provided by law
5 applicable to the information disclosed pursuant to this paragraph apply to
6 the office of economic opportunity.

7 8. CONDUCT A WRITTEN EVALUATION FOR EACH GRANT THE OFFICE PROVIDES
8 THAT DEMONSTRATES COMPLIANCE WITH THIS SECTION. EACH EVALUATION SHALL BE
9 MADE PUBLICLY AVAILABLE ON THE OFFICE'S WEBSITE.

10 D. The ~~authority~~ OFFICE, through the ~~chief executive officer~~
11 DIRECTOR, may:

12 1. Contract and incur obligations reasonably necessary or desirable
13 within the general scope of the ~~authority's~~ OFFICE'S activities and
14 operations to enable the ~~authority~~ OFFICE to adequately perform its duties.

15 2. Use monies, facilities or services to provide matching
16 contributions under federal or other programs that further the objectives
17 and programs of the ~~authority~~ OFFICE.

18 3. Accept gifts, grants, matching monies or direct payments from
19 public or private agencies or private persons and enterprises for the
20 conduct of programs that are consistent with the general purposes and
21 objectives of this chapter.

22 4. Assess business fees for promotional services provided to
23 businesses that export products and services from this state. The fees
24 shall not exceed the actual costs of the services provided.

25 5. Establish and maintain one or more accounts in banks or other
26 depositories, for public or private monies of the ~~authority~~ OFFICE, from
27 which operational activities, including payroll, vendor and grant payments,
28 may be conducted. Individual funds that are established by law under the
29 jurisdiction of the ~~authority~~ OFFICE may be maintained in separate accounts
30 in banks or other depositories, but shall not be commingled with any other
31 monies or funds of the ~~authority~~ OFFICE.

1 E. THE OFFICE MAY NOT PROVIDE ANY GRANTS TO AN ENTITY IN THIS STATE
2 UNLESS THE OFFICE DETERMINES THAT THE GRANT IS SERVING A PUBLIC PURPOSE AND
3 THIS STATE RECEIVES SUFFICIENT CONSIDERATION IN EXCHANGE FOR THE GRANT.

4 F. A TAXPAYER IN THIS STATE HAS STANDING TO CHALLENGE THE OFFICE'S
5 COMPLIANCE WITH SUBSECTION E OF THIS SECTION. THE TAXPAYER MAY RECOVER
6 REASONABLE ATTORNEY FEES AND COSTS IF THE TAXPAYER PREVAILS IN THE ACTION.

7 ~~E.~~ G. The ~~chief executive officer~~ DIRECTOR shall:

8 1. Hire employees and prescribe the terms and conditions of their
9 employment as necessary to carry out the purposes of ~~the authority~~ THIS
10 CHAPTER. ~~The~~ board of directors shall adopt written policies, procedures
11 and guidelines, similar to those adopted by the department of
12 administration, regarding officer and employee compensation, observed
13 holidays, leave and reimbursement of travel expenses and health and
14 accident insurance. The ~~officers and employees of the authority are exempt~~
15 ~~from any laws regulating state employment, including:~~

16 ~~(a) Chapter 4, articles 5 and 6 of this title, relating to state~~
17 ~~service.~~

18 ~~(b) Title 38, chapter 4, article 1 and chapter 5, article 2,~~
19 ~~relating to state personnel compensation, leave and retirement.~~

20 ~~(c) Title 38, chapter 4, article 2, relating to reimbursement of~~
21 ~~state employee expenses.~~

22 ~~(d) Title 38, chapter 4, article 4, relating to health and accident~~
23 ~~insurance.~~

24 2. Maintain three full-time employees to serve as advocates for
25 small and rural businesses on economic development and regulatory matters
26 before cities, towns, counties or state agencies. Two of the full-time
27 employees shall be dedicated to small business growth, support and
28 regulation, one of whom shall serve as a small business ombudsman. One of
29 the full-time employees shall be dedicated to rural economic development.

30 3. On a quarterly basis, provide public record data in a manner
31 prescribed by the department of administration related to the ~~authority's~~

1 OFFICE'S revenues and expenditures for inclusion in the comprehensive
2 database of receipts and expenditures of state monies pursuant to section
3 41-725.

4 ~~F.~~ H. In addition to any other requirement, in order to qualify for
5 any grant, loan, reimbursement, tax incentive or other economic development
6 incentive pursuant to this chapter, an applicant that is an employer must
7 register with and participate in the e-verify program in compliance with
8 section 23-214. The ~~authority~~ OFFICE shall require verification of
9 compliance with this subsection as part of any application process.

10 ~~G.~~ I. Notwithstanding any other law, the ~~authority~~ OFFICE is
11 subject to chapter 3.1, article 1 of this title, relating to risk
12 management.

13 ~~H.~~ J. The ~~authority~~ OFFICE is exempt from title 18, chapter 1,
14 articles 1 and 2, relating to statewide information technology. The
15 ~~authority~~ OFFICE shall adopt policies, procedures and guidelines regarding
16 information technology.

17 ~~I.~~ K. The ~~authority~~ OFFICE is exempt from state general accounting
18 and finance practices and rules adopted pursuant to chapter 4, article 3 of
19 this title, but the board shall adopt written accounting practices, systems
20 and procedures for the economic and efficient operation of the ~~authority~~
21 OFFICE.

22 ~~J.~~ L. The ~~authority~~ OFFICE is exempt from section 41-712, relating
23 to the installation and maintenance of telecommunication systems.

24 ~~K.~~ M. The ~~authority~~ OFFICE may NOT USE STATE MONIES TO lease or
25 purchase motor vehicles for use by employees to conduct business
26 activities. The ~~authority~~ OFFICE ~~is exempt from~~ MAY PARTICIPATE IN THE
27 STATE MOTOR VEHICLE FLEET PURSUANT TO section 28-472, ~~relating to the state~~
28 ~~motor vehicle fleet, and.~~ FOR ANY MOTOR VEHICLES PURCHASED OR LEASED, THE
29 OFFICE IS EXEMPT FROM title 38, chapter 3, article 10, relating to vehicle
30 usage and markings.

1 ~~N.~~ N. Any tangible or intangible record submitted to or compiled by
2 the board or the ~~authority~~ OFFICE in connection with its work, including
3 the award of monies, is subject to title 39, chapter 1, unless an applicant
4 shows, or the board or ~~authority~~ OFFICE determines, that specific
5 information meets either of the following:

6 1. If made public, the information would divulge the applicant's or
7 potential applicant's trade secrets, as defined in section 44-401.

8 2. If made public, the information could potentially harm the
9 applicant's, the potential applicant's or this state's competitive position
10 relating to potential business development opportunities and strategies.

11 ~~M. The authority is exempt from chapter 25, article 1 of this title,
12 relating to government competition with private enterprise.~~

13 O. FOR THE PURPOSES OF THIS SECTION:

14 1. "CONSIDERATION":

15 (a) MEANS AN EXCHANGE OF GOODS, SERVICES OR MONEY THAT IS
16 PROPORTIONAL, DIRECT, CONTRACTUALLY OBLIGATORY AND FOR WHICH AN OBJECTIVE
17 FAIR MARKET VALUE CAN BE READILY ASCERTAINED.

18 (b) DOES NOT INCLUDE:

19 (i) INDIRECT BENEFITS THAT ARE SPECULATIVE OR ANTICIPATORY.

20 (ii) THE PROMISE TO EMPLOY ANY PERSON.

21 (iii) THE RECEIPT OF TAX REVENUE.

22 2. "PUBLIC PURPOSE":

23 (a) MEANS AN ACTIVITY THAT IS DIRECTLY RELATED TO A FUNCTION OF
24 GOVERNMENT AND FOR WHICH THE PRIMARY BENEFICIARY IS THE PUBLIC AS A WHOLE
25 AND NOT A PRIVATE ENTITY.

26 (b) DOES NOT INCLUDE PROVIDING AID BY SUBSIDY, GRANT, LOAN OR
27 OTHERWISE TO PRIVATE BUSINESSES, INDIVIDUALS OR ENTITIES FOR THE PURPOSES
28 OF ECONOMIC DEVELOPMENT.

29 Sec. 11. Section 41-1506, Arizona Revised Statutes, is amended to
30 read:

31 41-1506. Office of economic opportunity fund

1 A. The ~~Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY
2 fund is established consisting of:

3 1. Withholding tax revenues allocated to the fund from the job
4 creation withholdings clearing account pursuant to section 43-409,
5 subsection B, paragraph 1. Monies credited to the fund may be deposited in
6 the state treasury or in a bank or other depository approved by the board
7 of directors pursuant to section 41-1504, subsection D, paragraph 5.

8 2. Monies deposited pursuant to section 18-603.

9 B. The ~~chief executive officer~~ DIRECTOR shall administer the fund.
10 On notice from the ~~chief executive officer~~ DIRECTOR, the state treasurer
11 shall invest and divest any monies in the fund deposited in the state
12 treasury as provided by section 35-313, and monies earned from investment
13 shall be credited to the fund. Monies in the fund are exempt from the
14 provisions of section 35-190 relating to lapsing of appropriations.

15 C. The ~~chief executive officer~~ DIRECTOR shall use the monies in the
16 fund as follows:

17 1. Monies described in subsection A, paragraph 1 of this section
18 shall be used exclusively for the purposes of this chapter without further
19 legislative authorization.

20 2. Monies described in subsection A, paragraph 2 of this section
21 shall be used exclusively for the purposes of title 18, chapter 6.

22 Sec. 12. Repeal

23 Section 41-1507, Arizona Revised Statutes, is repealed.

24 Sec. 13. Title 41, chapter 10, article 1, Arizona Revised Statutes,
25 is amended by adding a new section 41-1507, to read:

26 41-1507. Chief executive officer forums; prohibition

27 NOTWITHSTANDING ANY OTHER LAW, THE OFFICE MAY NOT HOST CHIEF
28 EXECUTIVE OFFICER FORUMS AND MAY NOT ENGAGE IN ANY MARKETING STRATEGIES
29 THAT REQUIRE EXPENDITURES TO BE PAID TO PROVIDE ATTENDEES LODGING,
30 TRANSPORTATION OR ACCESS FOR EVENTS IN THIS STATE.

1 Sec. 14. Section 41-1507.01, Arizona Revised Statutes, is amended to
2 read:

3 41-1507.01. Certification of basic research payments to a
4 university

5 A. For taxable years beginning from and after December 31, 2014,
6 before a taxpayer can apply to the department of revenue for certification
7 of additional income tax credits for increased research activities
8 involving basic research payments to a university under section 43-1074.01,
9 subsection A, paragraph 1, subdivision (c) or section 43-1168, subsection
10 A, paragraph 1, subdivision (d), a taxpayer shall obtain certification from
11 the authority that the basic research payments meet the requirements of
12 this section. The taxpayer shall apply to the ~~authority~~ OFFICE for
13 certification of the basic research payments at a time, on a form and in a
14 manner prescribed by the ~~authority~~ OFFICE.

15 B. The ~~authority~~ OFFICE shall process and evaluate each application
16 for certification of basic research payments to a university up to an
17 amount that corresponds to ~~ten million dollars~~ \$10,000,000 per calendar
18 year in aggregate combined projected additional tax credits under section
19 43-1074.01, subsection A, paragraph 1, subdivision (c) and section 43-1168,
20 subsection A, paragraph 1, subdivision (d). The applicant shall identify
21 the amount of projected additional tax credits corresponding to the basic
22 research payments to a university sought to be certified. The amount of
23 additional tax credits a taxpayer may claim following certification by the
24 authority must be established by the department of revenue under section
25 43-1074.01, subsection A, paragraph 1, subdivision (c) or section 43-1168,
26 subsection A, paragraph 1, subdivision (d). The ~~authority~~ OFFICE shall
27 process and evaluate applications for certification under this section
28 through a competitive process pursuant to subsection C of this section that
29 may include third-party peer review. An application for certification must
30 include:

1 1. The taxpayer's name, address and taxpayer identification number
2 and a telephone number and e-mail address of a person responsible for the
3 application.

4 2. A general description of the taxpayer's business and the research
5 activities contemplated by the taxpayer.

6 3. The amount of the additional income tax credit the taxpayer will
7 be requesting from the department of revenue.

8 4. Any other information required by the **authority OFFICE**.

9 C. The **authority OFFICE** shall establish the time and manner of the
10 competitive process used in issuing certifications. In determining which
11 applications must be issued certifications, the **authority OFFICE** or its
12 designee shall evaluate among all applicants for certification of basic
13 research payments, the relative impact of the research activities involving
14 payments to a university from the standpoint of furthering one or more of
15 the following considerations:

16 1. Expanding cluster industries. For purposes of this paragraph,
17 "cluster industries" means concentrations of firms across several
18 industries that share common economic foundation needs.

19 2. Diversifying and strengthening this state's economy.

20 3. Advancing technological commercialization.

21 4. Enhancing long-term quality job creation.

22 5. Aligning research with university strategic plans.

23 D. Following review of each application pursuant to subsection C of
24 this section, the **authority OFFICE** shall either:

25 1. Issue the applicant a letter certifying the basic research
26 payments.

27 2. Notify the applicant of the denial of the certification with an
28 explanation of the basis for the denial.

29 E. The **authority OFFICE** shall adopt rules and publish and prescribe
30 forms and procedures as necessary to effectuate the purposes of this
31 section.

1 F. Any information gathered from a business for the purposes of this
2 section is confidential and may not be disclosed to the public except that
3 the information must be transmitted to the department of revenue.

4 Sec. 15. Repeal

5 Title 41, chapter 10, article 5, Arizona Revised Statutes, is
6 repealed.

7 Sec. 16. Section 41-2706, Arizona Revised Statutes, is amended to
8 read:

9 41-2706. Applicability of chapter

10 A. This chapter applies to the solicitation of grants initiated
11 after August 6, 1999.

12 B. This chapter does not apply to:

13 1. Any grant program that was exempt from chapter 23, article 3 of
14 this title and for which administrative rules establishing grant
15 solicitation procedures were adopted pursuant to chapter 6 of this title
16 before August 6, 1999.

17 2. The Arizona board of regents and schools, colleges, institutions
18 and universities under its control if the Arizona board of regents adopts
19 rules or policies governing the award of grants that encourage as much
20 competition as practicable.

21 3. Grants made by the cotton research and protection council for
22 research programs related to cotton production or protection.

23 4. Grants made by the Arizona iceberg lettuce research council for
24 research programs under section 3-526.02, subsection C, paragraph 3 or 5.

25 5. Grants made by the Arizona citrus research council for research
26 programs under section 3-468.02, subsection C, paragraph 3 or 5.

27 6. Grants made by the Arizona grain research and promotion council
28 for research projects and programs under section 3-584, subsection C,
29 paragraph 5.

30 7. Grants made under section 3-268, subsection C.

1 8. Grants made by the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC
2 OPPORTUNITY ~~from the Arizona competes fund pursuant to chapter 10, article~~
3 ~~5 of this title. With respect to other grants;~~ The ~~authority~~ OFFICE shall
4 adopt policies, procedures and practices, in consultation with the
5 department of administration, that are similar to and based on the policies
6 and procedures prescribed by this chapter for the purpose of increased
7 public confidence, fair and equitable treatment of all persons engaged in
8 the process and fostering broad competition while accomplishing flexibility
9 to achieve the ~~authority's~~ OFFICE'S statutory requirements. The ~~authority~~
10 OFFICE shall make its policies, procedures and practices available to the
11 public.

12 9. Grants of less than ~~five thousand dollars~~ \$5,000 from the
13 veterans' donations fund if the department of veterans' services adopts
14 rules or policies governing these grants that encourage as much competition
15 as practicable.

16 Sec. 17. Repeal

17 Section 41-3024.31, Arizona Revised Statutes, is repealed.

18 Sec. 18. Section 41-5302, Arizona Revised Statutes, is amended to
19 read:

20 41-5302. Office of economic opportunity; funds

21 A. The office of economic opportunity is established.

22 B. The director is responsible for the direction, operation and
23 control of the office.

24 C. The governor shall appoint the director of the office pursuant to
25 section 38-211 ~~to serve at the pleasure of the governor~~ FROM A LIST OF
26 THREE QUALIFIED PERSONS SUBMITTED JOINTLY TO THE GOVERNOR BY THE PRESIDENT
27 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE DIRECTOR
28 SERVES AT THE PLEASURE OF THE BOARD OF DIRECTORS OF THE OFFICE PURSUANT TO
29 SECTION 41-1502 UNDER THE TERMS OF A PERFORMANCE-BASED CONTRACT.

30 D. The office of economic opportunity operations fund is established
31 consisting of monies deposited pursuant to sections 44-1843, 44-1861,

1 44-1892, 44-3324 and 44-3325 and as otherwise provided by law. The office
2 shall administer the fund. Monies in the fund are continuously
3 appropriated. Monies in the fund may be used in the furtherance of the
4 mission of the office and related economic development interests.

5 E. The economic development fund is established consisting of monies
6 received from the Arizona industrial development authority and the Arizona
7 finance authority as otherwise provided by law. The office shall
8 administer the fund.

9 Sec. 19. Section 41-5303, Arizona Revised Statutes, is amended to
10 read:

11 41-5303. Powers and duties

12 A. The director shall:

13 1. Monitor this state's tax and regulatory competitiveness by
14 benchmarking this state against competitor states and municipalities,
15 including implementing a systematic data collection and analysis process to
16 evaluate tax and regulatory costs to businesses imposed by this state and
17 municipalities of this state in relation to other states and
18 municipalities.

19 2. Serve as this state's workforce planning coordinator, provide
20 staffing support to the workforce Arizona council, provide stewardship of
21 the state workforce data evaluation system, provide economic and
22 demographic research and analysis, including constitutionally required
23 population estimates, provide employment and unemployment estimates and
24 develop labor market information for the development of the state workforce
25 strategy.

26 3. Provide office and meeting space, administrative support and
27 analytical support to the Arizona finance authority and coordinate with the
28 Arizona finance authority director to incorporate finance market
29 intelligence in economic development strategy and policy recommendations.

30 4. Develop data-informed policy and regulatory reform
31 recommendations and provide assistance with state tax and regulatory

1 matters, including the development and analysis of proposed rules and
2 regulations and the projected cost on employers relating to those rules and
3 regulations.

4 5. Provide analytical support ~~to the Arizona commerce authority in~~
5 ~~its~~ PURSUANT TO CHAPTER 10 OF THIS TITLE REGARDING business recruitment,
6 growth and retention strategies.

7 6. Provide analytical support to ~~the Arizona commerce authority,~~ the
8 Arizona-Mexico commission in the governor's office, ~~and~~ the office of
9 tourism ~~in their~~ AND PURSUANT TO CHAPTER 10 OF THIS TITLE REGARDING state
10 marketing strategies.

11 7. MANAGE, ADMINISTER AND SUPERVISE THE ACTIVITIES OF THE OFFICE
12 PURSUANT TO CHAPTER 10 OF THIS TITLE.

13 8. NEGOTIATE, MAKE, EXECUTE, ACKNOWLEDGE AND PERFORM CONTRACTS AND
14 OTHER AGREEMENTS IN THE INTEREST OF THE OFFICE OR TO CARRY OUT OR
15 ACCOMPLISH THE PURPOSES OF CHAPTER 10 OF THIS TITLE.

16 B. The director may:

17 1. Contract and incur obligations that are reasonably necessary or
18 desirable within the general scope of the office's activities and
19 operations to enable the office to adequately perform its duties.

20 2. Use monies, facilities or services to provide matching
21 contributions under federal or other programs that further the objectives
22 and programs of the office.

23 3. Accept gifts, grants, matching monies or direct payments from
24 public or private agencies or private persons and enterprises for the
25 conduct of programs that are consistent with the general purposes and
26 objectives of this chapter.

27 Sec. 20. Section 43-409, Arizona Revised Statutes, is amended to
28 read:

29 43-409. Job creation withholdings clearing account

30 A. The job creation withholdings clearing account is established
31 consisting of \$10,500,000 in each fiscal year.

1 B. On the twentieth day of each month, the state treasurer shall
2 credit ~~the following amounts from the clearing account:~~

3 ~~1. to the Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY
4 fund established by section 41-1506, one-twelfth of the annual sum of
5 \$10,000,000 in each fiscal year.

6 ~~2. To the Arizona competes fund established by section 41-1545.01,~~
7 ~~one-twelfth of the annual sum of \$500,000 in each fiscal year.~~

8 Sec. 21. Section 43-1022, Arizona Revised Statutes, is amended to
9 read:

10 43-1022. Subtractions from Arizona gross income

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

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

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

16 (a) The United States government service retirement and disability
17 fund, the United States foreign service retirement and disability system
18 and any other retirement system or plan established by federal law, except
19 retired or retainer pay of the uniformed services of the United States that
20 qualifies for a subtraction under paragraph ~~26~~ 25 of this section.

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

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

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

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

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

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

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

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

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

28 11. To the extent not already excluded from Arizona gross income
29 under the internal revenue code, compensation received for active service
30 as a member of the reserves, the national guard or the armed forces of the

1 United States, including compensation for service in a combat zone as
2 determined under section 112 of the internal revenue code.

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

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

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

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

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

26 17. For property placed in service:

27 (a) In taxable years beginning before December 31, 2012, an amount
28 equal to the depreciation allowable pursuant to section 167(a) of the
29 internal revenue code for the taxable year computed as if the election
30 described in section 168(k) of the internal revenue code had been made for

1 each applicable class of property in the year the property was placed in
2 service.

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

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

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

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

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

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

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

14 (b) \$4,000 per beneficiary for a married couple filing a joint
15 return. In the case of a husband and wife who file separate returns, the
16 subtraction may be taken by either taxpayer or may be divided between them,
17 but the total subtractions allowed both husband and wife may not exceed
18 \$4,000 per beneficiary.

19 20. The portion of the net operating loss carryforward that would
20 have been allowed as a deduction in the current year pursuant to section
21 172 of the internal revenue code if the election described in section
22 172(b)(1)(H) of the internal revenue code had not been made in the year of
23 the loss that exceeds the actual net operating loss carryforward that was
24 deducted in arriving at federal adjusted gross income. This subtraction
25 only applies to taxpayers who made an election under section 172(b)(1)(H)
26 of the internal revenue code as amended by section 1211 of the American
27 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section
28 13 of the worker, homeownership, and business assistance act of 2009
29 (P.L. 111-92).

30 ~~21. For taxable years beginning from and after December 31, 2013,~~
31 ~~the amount of any net capital gain included in federal adjusted gross~~

~~income for the taxable year derived from investment in a qualified small business as determined by the Arizona commerce authority pursuant to section 41-1518.~~

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

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

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

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

~~23.~~ 22. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

~~24.~~ 23. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1024.

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

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

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

5 ~~26.~~ 25. 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.~~ 26. For taxable years beginning from and after December 31,
15 2020, the amount contributed during the taxable year to an achieving a
16 better life experience account established pursuant to section 529A of the
17 internal revenue code on behalf of the designated beneficiary to the extent
18 that the contributions were not deducted in computing federal adjusted
19 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 them,
25 but the total subtractions allowed both husband and wife may not exceed
26 \$4,000 per beneficiary.

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

1 ~~29.~~ 28. To the extent not already excluded from Arizona gross
2 income under the internal revenue code, the value of virtual currency and
3 non-fungible tokens the taxpayer received pursuant to an airdrop at the
4 time of the airdrop. This paragraph may not be interpreted as providing a
5 subtraction for any appreciation in value that occurs from holding the
6 virtual currency after the initial receipt of the airdrop. For the
7 purposes of this paragraph:

8 (a) "Airdrop" means the receipt of virtual currency through a means
9 of distribution of virtual currency to the distributed ledger addresses of
10 multiple taxpayers.

11 (b) "Non-fungible token" has the same meaning prescribed in section
12 43-1028.

13 (c) "Virtual currency" has the same meaning prescribed in section
14 43-1028.

15 ~~30.~~ 29. The amount allowed as a subtraction by section 43-1028 for
16 gas fees not already included in the taxpayer's virtual currency or
17 non-fungible token basis.

18 Sec. 22. Section 43-1024, Arizona Revised Statutes, is amended to
19 read:

20 43-1024. Americans with disabilities act access expenditures
21 A. For taxable years beginning from and after December 31, 2017, in
22 computing Arizona adjusted gross income, a subtraction is allowed under
23 section 43-1022, paragraph ~~24~~ 23 for eligible business access expenditures
24 paid or incurred by the taxpayer during the taxable year in order to comply
25 with the requirements of the Americans with disabilities act of 1990
26 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting developed
27 real property that was originally placed in service at least ten years
28 before the current taxable year.

29 B. For the purposes of this section, eligible business access
30 expenditures include reasonable and necessary amounts paid or incurred to:

1 1. Remove any barriers that prevent a business from being accessible
2 to or usable by individuals with disabilities.

3 2. Provide qualified interpreters or other methods of making audio
4 materials available to hearing-impaired individuals.

5 3. Provide qualified readers, taped texts and other effective
6 methods of making visually delivered materials available to individuals
7 with visual impairments.

8 4. Acquire or modify equipment or devices for individuals with
9 disabilities.

10 5. Provide other similar services, modifications, materials or
11 equipment.

12 C. A taxpayer who has been cited for noncompliance with the
13 Americans with disabilities act of 1990 or title 41, chapter 9, article 8
14 by either federal or state enforcement officials is ineligible for a
15 subtraction under this section for any expenditure required to cure the
16 cited violation.

17 Sec. 23. Section 43-1073, Arizona Revised Statutes, is amended to
18 read:

19 43-1073. Family income tax credit

20 A. Subject to the conditions prescribed by this section, a credit is
21 allowed against the taxes imposed by this chapter for a taxable year for
22 taxpayers whose Arizona adjusted gross income, plus the amount subtracted
23 for exemptions under section 43-1023 and the amount subtracted for Arizona
24 small business gross income under section 43-1022, paragraph ~~28~~ 27, is:

25 1. \$20,000 or less in the case of a married couple filing a joint
26 return with not more than one dependent or a single person who is a head of
27 a household with not more than one dependent.

28 2. \$23,600 or less in the case of a married couple filing a joint
29 return with two dependents.

30 3. \$27,300 or less in the case of a married couple filing a joint
31 return with three dependents.

1 4. \$31,000 or less in the case of a married couple filing a joint
2 return with four or more dependents.

3 5. \$20,135 or less in the case of a single person who is a head of a
4 household with two dependents.

5 6. \$23,800 or less in the case of a single person who is a head of a
6 household with three dependents.

7 7. \$25,200 or less in the case of a single person who is a head of a
8 household with four dependents.

9 8. \$26,575 or less in the case of a single person who is a head of a
10 household with five or more dependents.

11 9. \$10,000 or less in the case of a single person or a married
12 person filing separately.

13 B. The amount of the credit is equal to \$40 for each person who is a
14 resident of this state and who is either the taxpayer, the taxpayer's
15 spouse who does not file a return or a dependent but may not exceed:

16 1. \$240 in the case of a married couple filing a joint return or a
17 single person who is a head of a household.

18 2. \$120 in the case of a single person or a married couple filing
19 separately.

20 3. For any taxpayer, the amount of taxes due under this chapter for
21 the taxable year.

22 Sec. 24. Section 43-1074.01, Arizona Revised Statutes, is amended to
23 read:

24 43-1074.01. Credit for increased research activities

25 A. A credit is allowed against the taxes imposed by this title in an
26 amount determined pursuant to section 41 of the internal revenue code,
27 except that:

28 1. The amount of the credit is based on the excess, if any, of the
29 qualified research expenses for the taxable year over the base amount as
30 defined in section 41(c) of the internal revenue code and is computed as
31 follows:

1 (a) If the excess is \$2,500,000 or less:
2 (i) For taxable years beginning before December 31, 2030, the credit
3 is equal to twenty-four percent of that amount.
4 (ii) For taxable years beginning from and after December 31, 2030,
5 the credit is equal to twenty percent of that amount.
6 (b) If the excess is over \$2,500,000:
7 (i) For taxable years beginning before December 31, 2030, the credit
8 is equal to \$600,000 plus fifteen percent of any amount
9 exceeding \$2,500,000.
10 (ii) For taxable years beginning from and after December 31, 2030,
11 the credit is equal to \$500,000 plus eleven percent of any amount exceeding
12 \$2,500,000.
13 (c) For taxable years beginning from and after December 31, 2011, an
14 additional credit amount is allowed if the taxpayer made basic research
15 payments during the taxable year to a university under the jurisdiction of
16 the Arizona board of regents. The additional credit amount is equal to ten
17 percent of the excess, if any, of the basic research payments over the
18 qualified organization base period amount for the taxable year. The
19 department shall not allow credit amounts under this subdivision and
20 section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed, in
21 the aggregate, a combined total of \$10,000,000 in any calendar
22 year. Subject to that limit, on application by the taxpayer, the
23 department shall certify credit amounts under this subdivision and section
24 43-1168, subsection A, paragraph 1, subdivision (d) based on priority
25 placement established by the date that the taxpayer filed the application.
26 For taxable years beginning from and after December 31, 2014, any basic
27 research payments used to determine the additional credit under this
28 subdivision must first receive certification from the ~~Arizona commerce~~
29 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section
30 41-1507.01. The additional credit amount under this subdivision shall not
31 exceed the amount allowed based on actual basic research payments or the

1 department's certification, whichever is less. If an application, if
2 certified in full, would exceed the \$10,000,000 limit, the department shall
3 certify only an amount within that limit. After the limit is attained, the
4 department shall deny any subsequent applications regardless of whether
5 other certified amounts are not actually claimed as a credit or other
6 taxpayers fail to qualify to actually claim certified amounts.
7 Notwithstanding subsections B and C of this section, any amount of the
8 additional credit under this subdivision that exceeds the taxes otherwise
9 due under this title is not refundable, but may be carried forward to the
10 next five consecutive taxable years. For the purposes of this subdivision,
11 "basic research payments" and "qualified organization base period amount"
12 have the same meanings prescribed by section 41(e) of the internal revenue
13 code without regard to whether the taxpayer is or is not a corporation.

14 2. Qualified research includes only research conducted in this
15 state, including research conducted at a university in this state and paid
16 for by the taxpayer.

17 3. If two or more taxpayers, including partners in a partnership and
18 shareholders of an S corporation, as defined in section 1361 of the
19 internal revenue code, share in the eligible expenses, each taxpayer is
20 eligible to receive a proportionate share of the credit.

21 4. The credit under this section applies only to expenses incurred
22 from and after December 31, 2000.

23 5. The termination provisions of section 41 of the internal revenue
24 code do not apply.

25 B. ~~Except as provided by subsection C of this section,~~ If the
26 allowable credit under this section exceeds the taxes otherwise due under
27 this title on the claimant's income, or if there are no taxes due under
28 this title, the amount of the credit that is claimed for taxable years
29 beginning before January 1, 2022 and that is not used to offset taxes may
30 be carried forward to the next fifteen consecutive taxable years and the
31 amount of the credit that is claimed for taxable years beginning from and

1 after December 31, 2021 and that is not used to offset taxes may be carried
2 forward to the next ten consecutive taxable years. The amount of credit
3 carryforward from taxable years beginning from and after December 31, 2002
4 that may be used in any taxable year may not exceed the taxpayer's tax
5 liability under this title minus the credit under this section for the
6 current taxable year's qualified research expenses. ~~A taxpayer who carries
7 forward any amount of credit under this subsection may not thereafter claim
8 a refund of any amount of the credit under subsection C of this section.~~

9 ~~C. For taxable years beginning from and after December 31, 2009, if
10 a taxpayer who claims a credit under this section employs fewer than one
11 hundred fifty persons in the taxpayer's trade or business and if the
12 allowable credit under this section exceeds the taxes otherwise due under
13 this title on the claimant's income, or if there are no taxes due under
14 this title, in lieu of carrying the excess amount of credit forward to
15 subsequent taxable years under subsection B of this section, the taxpayer
16 may elect to receive a refund as follows:~~

17 ~~1. The taxpayer must apply to the Arizona commerce authority for
18 qualification for the refund pursuant to section 41-1507 and submit a copy
19 of the authority's certificate of qualification to the department of
20 revenue with the taxpayer's income tax return.~~

21 ~~2. The amount of the refund is limited to seventy-five percent of
22 the amount by which the allowable credit under this section exceeds the
23 taxpayer's tax liability under this title for the taxable year. The
24 remainder of the excess amount of the credit is waived.~~

25 ~~3. The refund shall be paid in the manner prescribed by section
26 42-1118.~~

27 ~~4. The refund is subject to setoff under section 42-1122.~~

28 ~~5. If the department determines that a credit refunded pursuant to
29 this subsection is incorrect or invalid, the excess credit issued may be
30 treated as a tax deficiency pursuant to section 42-1108.~~

1 Sec. 24. Section 43-1082, Arizona Revised Statutes, is amended to
2 read:

3 43-1082. Credit for motion picture production costs;
4 qualifications; data maintenance; rules;
5 definitions

6 A. For taxable years beginning from and after December 31, 2022, a
7 tax credit is allowed against production costs paid by a motion picture
8 production company in this state that are subject to taxation by this state
9 and that are directly attributable to a motion picture production. The
10 amount of the credit shall be determined as follows:

11 1. An amount equal to a percentage of the total amount of the
12 qualified production costs as approved by the ~~Arizona commerce authority~~
13 **OFFICE OF ECONOMIC OPPORTUNITY** pursuant to section 41-1517 as follows:

14 (a) For a motion picture production company that spends up to
15 \$10,000,000, fifteen percent.

16 (b) For a motion picture production company that spends more than
17 \$10,000,000 but less than \$35,000,000, seventeen and one-half percent.

18 (c) For a motion picture production company that spends more than
19 \$35,000,000, twenty percent.

20 2. An additional two and one-half percent of the motion picture
21 production company's production labor costs related to positions held by
22 residents of this state as approved by the ~~Arizona commerce authority~~
23 **OFFICE OF ECONOMIC OPPORTUNITY** pursuant to section 41-1517.

24 3. If the motion picture production company either:

25 (a) Uses a qualified production facility in this state to produce
26 the motion picture production, an additional two and one-half percent of
27 the total amount of qualified production costs as approved by the ~~Arizona~~
28 ~~commerce authority~~ **OFFICE OF ECONOMIC OPPORTUNITY** pursuant to section
29 41-1517.

30 (b) Films primarily at a practical location, produces and films the
31 motion picture production primarily in this state and performs all

1 preproduction, postproduction and editing at a qualified production
2 facility in this state, an additional two and one-half percent of the total
3 qualified production costs as approved by the ~~Arizona commerce authority~~
4 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517.

5 4. An additional two and one-half percent of the total amount of
6 qualified production costs as approved by the ~~Arizona commerce authority~~
7 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517 if the motion
8 picture production is produced and filmed in association with a long-term
9 tenant of a qualified production facility.

10 B. Tax credits under this section may not exceed the amount provided
11 in the postapproval issued by the ~~Arizona commerce authority~~ OFFICE OF
12 ECONOMIC OPPORTUNITY pursuant to section 41-1517, subsection H. The
13 taxpayer must include a copy of the postapproval with the taxpayer's income
14 tax return for the taxable year in which the ~~Arizona commerce authority~~
15 OFFICE OF ECONOMIC OPPORTUNITY issued the postapproval.

16 C. The department may not allow a tax credit under this section to a
17 taxpayer who has a delinquent tax balance owed to the department under this
18 title.

19 D. To qualify for a tax credit under this section, the motion
20 picture production company must:

21 1. Do either of the following:

22 (a) Use a qualified production facility in this state to produce the
23 motion picture production.

24 (b) If the motion picture production is filmed primarily at a
25 practical location, produce and film the motion picture production
26 primarily in this state and perform all preproduction, postproduction and
27 editing at an industry standard facility, if such a facility for those
28 functions is available.

29 2. Maintain the motion picture production company's production labor
30 positions in this state.

1 3. Include in the credits for each motion picture production an
2 acknowledgment that the MOTION PICTURE production was filmed in Arizona.

3 4. Receive preapproval and postapproval from the ~~Arizona commerce~~
4 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517.

5 5. Claim the tax credit by using the form prescribed by the
6 department and include the form with the motion picture production
7 company's income tax return for the taxable year in which the ~~Arizona~~
8 ~~commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY issued the postapproval.

9 E. Co-owners of a motion picture production company, including
10 partners in a partnership, members of a limited liability company and
11 shareholders of an S corporation, as defined in section 1361 of the
12 internal revenue code, may each claim the pro rata share of the tax credit
13 allowed under this section based on ownership interests. The total of the
14 tax credits allowed all such owners may not exceed the amount that would
15 have been allowed a sole owner.

16 F. If the allowable tax credit for a taxable year exceeds the income
17 taxes otherwise due on the claimant's income, or if there are no state
18 income taxes due on the claimant's income, THE TAXPAYER MAY CARRY the
19 amount of the claim not used as an offset against income taxes ~~shall be~~
20 ~~paid to the taxpayer in the same manner as a refund under section~~
21 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
22 ~~under section 42-1122. If the department determines that a refund is~~
23 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
24 ~~pursuant to section 42-1108~~ FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE
25 YEARS' INCOME TAX LIABILITY.

26 G. The department shall maintain annual data on the total amount of
27 monies credited pursuant to this section and shall provide the data to the
28 ~~Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY on request.

29 H. The department shall adopt fees and rules and publish and
30 prescribe forms and procedures as necessary to administer this section and
31 provide administrative support services.

1 I. The tax credit allowed by this section is in lieu of any
2 allowance for state tax purposes of a deduction of those expenses allowed
3 by the internal revenue code.

4 J. For the purposes of this section:

5 1. "Long-term tenant" means a person that enters into a lease of at
6 least five years for the use of a qualified production facility.

7 2. "Motion picture production" has the same meaning prescribed in
8 section 41-1517.

9 3. "Motion picture production company" has the same meaning
10 prescribed in section 41-1517.

11 4. "Practical location" has the same meaning prescribed in section
12 41-1517.

13 5. "Production costs" has the same meaning prescribed in section
14 41-1517.

15 6. "Production labor" has the same meaning prescribed in section
16 41-1517.

17 7. "Qualified production facility" has the same meaning prescribed
18 in section 41-1517.

19 Sec. 25. Section 43-1083.03, Arizona Revised Statutes, is amended to
20 read:

21 43-1083.03. Credit for qualified facilities

22 A. For taxable years beginning from and after December 31, 2012
23 through December 31, 2030, a credit is allowed against the taxes imposed by
24 this title for qualifying investment and employment in expanding or
25 locating a qualified facility in this state. To qualify for the credit,
26 after June 30, 2012 the taxpayer must invest in a new qualified facility or
27 expand an existing qualified facility in this state and produce new
28 full-time employment positions where the job duties are associated with the
29 location of the qualifying investment. The taxpayer must meet the employee
30 compensation and employee health benefit requirements prescribed by section
31 41-1512.

1 B. The amount of the credit is computed as follows:

2 1. Ten percent of the lesser of:

3 (a) The total qualifying investment in the qualified facility.

4 (b) Either:

5 (i) If the total qualifying investment is less than \$2,000,000,000,
6 \$200,000 for each net new full-time employment position that has duties
7 associated with the qualified facility.

8 (ii) If the total qualifying investment is \$2,000,000,000 or more,
9 \$300,000 for each net new full-time employment position that has duties
10 associated with the qualified facility.

11 2. The amount of the credit shall not exceed the postapproval amount
12 determined by the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY
13 under section 41-1512, subsection P.

14 3. Subject to subsections G and J of this section:

15 (a) The credit amount computed under paragraph 1 of this subsection
16 is apportioned, and the taxpayer shall claim the credit in five equal
17 annual installments in each of five consecutive taxable years.

18 (b) The taxpayer may claim all five annual installments of a credit
19 that was preapproved before January 1, 2031 by the ~~Arizona commerce~~
20 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY notwithstanding any intervening
21 repeal or other termination of the credit.

22 C. To claim the credit the taxpayer must:

23 1. Conduct a business that qualifies under section 41-1512.

24 2. Receive preapproval and postapproval from the ~~Arizona commerce~~
25 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1512.

26 3. Submit to the department a copy of a current and valid
27 certification of qualification issued to the taxpayer by the ~~Arizona~~
28 ~~commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY.

29 D. To be counted for the purposes of the credit, an employee must
30 have been employed with job duties associated with the qualified facility
31 for at least ninety days during the taxable year in a permanent full-time

1 employment position of at least one thousand seven hundred fifty hours per
2 year. An employee who is hired during the last ninety days of the taxable
3 year shall be considered a new employee during the next taxable year. To
4 be counted for the purposes of the credit during the first taxable year of
5 employment, the employee must not have been previously employed by the
6 taxpayer within twelve months before the current date of hire. The terms
7 of employment must comply in all cases with the requirements of section
8 41-1512 and be certified by the ~~Arizona commerce authority~~ OFFICE OF
9 ECONOMIC OPPORTUNITY.

10 E. Co-owners of a business, including partners in a partnership,
11 members of a limited liability company and shareholders of an
12 S corporation, as defined in section 1361 of the internal revenue code, may
13 each claim only the pro rata share of the credit allowed under this section
14 based on the ownership interest. The total of the credits allowed all
15 owners of the business may not exceed the amount that would have been
16 allowed for a sole owner of the business.

17 F. If the allowable tax credit for a taxable year exceeds the income
18 taxes otherwise due on the claimant's income, or if there are no state
19 income taxes due on the claimant's income, THE TAXPAYER MAY CARRY the
20 amount of the claim not used as an offset against income taxes ~~shall be~~
21 ~~paid to the taxpayer in the same manner as a refund under section~~
22 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
23 ~~under section 42-1122. If the department determines that a refund is~~
24 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
25 ~~pursuant to section 42-1108~~ FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE
26 YEARS' INCOME TAX LIABILITY.

27 G. Except as provided by subsection H of this section, if, within
28 five taxable years after first receiving a credit pursuant to this section,
29 the certification of qualification of a business is terminated or revoked
30 under section 41-1512, other than for reasons beyond the control of the
31 business as determined by the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC

1 OPPORTUNITY, the taxpayer is disqualified from credits under this section
2 in subsequent taxable years. On a determination that the taxpayer has
3 committed fraud or relocated outside of this state within five taxable
4 years after first receiving a credit pursuant to this section, the credits
5 allowed the taxpayer in all taxable years pursuant to this section are
6 subject to recapture pursuant to this subsection. This subsection applies
7 only in the case of the termination or revocation of a certification of
8 qualification under section 41-1512. This subsection does not apply if, in
9 any taxable year, a taxpayer otherwise does not qualify for or fails to
10 claim the credit under this section. The recapture of credits is computed
11 by increasing the amount of taxes imposed in the year following the year of
12 termination or revocation by the full amount of all credits previously
13 allowed under this section.

14 H. A taxpayer who claims a credit under section 43-1074 may not
15 claim a credit under this section with respect to the same full-time
16 employment positions.

17 I. The department of revenue shall adopt rules and prescribe forms
18 and procedures as necessary for the purposes of this section. The
19 department of revenue and the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC
20 OPPORTUNITY shall collaborate in adopting rules as necessary to avoid
21 duplication and contradictory requirements while accomplishing the intent
22 and purposes of this section.

23 J. Each taxable year after the postapproval of the credit under
24 section 41-1512, subsection P, when the taxpayer files the taxpayer's
25 income tax return, the taxpayer shall:

26 1. Notify the department, on a form prescribed by the department, of
27 any full-time employment position for which a credit was claimed under this
28 section and that was vacant for more than one hundred fifty days after the
29 date the full-time employment position was originally filled to the end of
30 that taxable year. The period that a full-time employment position was

1 vacant may not include the period before the full-time employment position
2 was filled for the first time.

3 2. Reduce the portion of the credit claimed for the taxable year
4 pursuant to subsection B, paragraph 3 of this section by \$4,000 for each
5 full-time employment position reported pursuant to paragraph 1 of this
6 subsection.

7 Sec. 26. Section 43-1164.04, Arizona Revised Statutes, is amended to
8 read:

9 43-1164.04. Credit for qualified facilities

10 A. For taxable years beginning from and after December 31, 2012
11 through December 31, 2030, a credit is allowed against the taxes imposed by
12 this title for qualifying investment and employment in expanding or
13 locating a qualified facility in this state. To qualify for the credit,
14 after June 30, 2012 the taxpayer must invest in a new qualified facility or
15 expand an existing qualified facility in this state and produce new
16 full-time employment positions where the job duties are associated with the
17 location of the qualifying investment. The taxpayer must meet the employee
18 compensation and employee health benefit requirements prescribed by
19 section 41-1512.

20 B. The amount of the credit is computed as follows:

21 1. Ten percent of the lesser of:

22 (a) The total qualifying investment in the qualified facility.

23 (b) Either:

24 (i) If the total qualifying investment is less than \$2,000,000,000,
25 \$200,000 for each net new full-time employment position that has job duties
26 associated with the qualified facility.

27 (ii) If the total qualifying investment is \$2,000,000,000 or more,
28 \$300,000 for each net new full-time employment position that has job duties
29 associated with the qualified facility.

1 2. The amount of the credit shall not exceed the postapproval amount
2 determined by the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY
3 under section 41-1512, subsection P.

4 3. Subject to subsections G and J of this section:

5 (a) The credit amount computed under paragraph 1 of this subsection
6 is apportioned, and the taxpayer shall claim the credit in five equal
7 annual installments in each of five consecutive taxable years.

8 (b) The taxpayer may claim all five annual installments of a credit
9 that was preapproved before January 1, 2031 by the ~~Arizona commerce~~
10 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY notwithstanding any intervening
11 repeal or other termination of the credit.

12 C. To claim the credit the taxpayer must:

13 1. Conduct a business that qualifies under section 41-1512.

14 2. Receive preapproval and postapproval from the ~~Arizona commerce~~
15 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1512.

16 3. Submit to the department a copy of a current and valid
17 certification of qualification issued to the taxpayer by the ~~Arizona~~
18 ~~commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY.

19 D. To be counted for the purposes of the credit, an employee must
20 have been employed with job duties associated with the qualified facility
21 for at least ninety days during the taxable year in a permanent full-time
22 employment position of at least one thousand seven hundred fifty hours per
23 year. An employee who is hired during the last ninety days of the taxable
24 year shall be considered a new employee during the next taxable year. To
25 be counted for the purposes of the credit during the first taxable year of
26 employment, the employee must not have been previously employed by the
27 taxpayer within twelve months before the current date of hire. The terms
28 of employment must comply in all cases with the requirements of section
29 41-1512 and be certified by the ~~Arizona commerce authority~~ OFFICE OF
30 ECONOMIC OPPORTUNITY.

1 E. Co-owners of a business, including corporate partners in a
2 partnership and members of a limited liability company, may each claim only
3 the pro rata share of the credit allowed under this section based on the
4 ownership interest. The total of the credits allowed all owners of the
5 business may not exceed the amount that would have been allowed for a sole
6 owner of the business.

7 F. If the allowable tax credit for a taxable year exceeds the income
8 taxes otherwise due on the claimant's income, or if there are no state
9 income taxes due on the claimant's income, **THE TAXPAYER MAY CARRY** the
10 amount of the claim not used as an offset against income taxes ~~shall be~~
11 ~~paid to the taxpayer in the same manner as a refund under section~~
12 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
13 ~~under section 42-1122. If the department determines that a refund is~~
14 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
15 ~~pursuant to section 42-1108~~ **FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE**
16 **YEARS' INCOME TAX LIABILITY.**

17 G. Except as provided by subsection H of this section, if, within
18 five taxable years after first receiving a credit pursuant to this section,
19 the certification of qualification of a business is terminated or revoked
20 under section 41-1512, other than for reasons beyond the control of the
21 business as determined by the ~~Arizona commerce authority~~ **OFFICE OF ECONOMIC**
22 **OPPORTUNITY**, the taxpayer is disqualified from credits under this section
23 in subsequent taxable years. On a determination that the taxpayer has
24 committed fraud or relocated outside of this state within five taxable
25 years after first receiving a credit pursuant to this section, the credits
26 allowed the taxpayer in all taxable years pursuant to this section are
27 subject to recapture pursuant to this subsection. This subsection applies
28 only in the case of the termination or revocation of a certification of
29 qualification under section 41-1512. This subsection does not apply if, in
30 any taxable year, a taxpayer otherwise does not qualify for or fails to
31 claim the credit under this section. The recapture of credits is computed

1 by increasing the amount of taxes imposed in the year following the year of
2 termination or revocation by the full amount of all credits previously
3 allowed under this section.

4 H. A taxpayer that claims a credit under section 43-1161 may not
5 claim a credit under this section with respect to the same full-time
6 employment positions.

7 I. The department of revenue shall adopt rules and prescribe forms
8 and procedures as necessary for the purposes of this section. The
9 department of revenue and the ~~Arizona commerce authority~~ OFFICE OF ECONOMIC
10 OPPORTUNITY shall collaborate in adopting rules as necessary to avoid
11 duplication and contradictory requirements while accomplishing the intent
12 and purposes of this section.

13 J. Each taxable year after the postapproval of the credit under
14 section 41-1512, subsection P, when the taxpayer files the taxpayer's
15 income tax return, the taxpayer shall:

16 1. Notify the department, on a form prescribed by the department, of
17 any full-time employment position for which a credit was claimed under this
18 section and that was vacant for more than one hundred fifty days after the
19 date the full-time employment position was originally filled to the end of
20 that taxable year. The period that a full-time employment position was
21 vacant may not include the period before the full-time employment position
22 was filled for the first time.

23 2. Reduce the portion of the credit claimed for the taxable year
24 pursuant to subsection B, paragraph 3 of this section by \$4,000 for each
25 full-time employment position reported pursuant to paragraph 1 of this
26 subsection.

27 Sec. 27. Section 43-1165, Arizona Revised Statutes, is amended to
28 read:

29 43-1165. Credit for motion picture production costs;
30 qualifications; data maintenance; rules;
31 definitions

1 A. For taxable years beginning from and after December 31, 2022, a
2 tax credit is allowed against production costs paid by a motion picture
3 production company in this state that are subject to taxation by this state
4 and that are directly attributable to a motion picture production. The
5 amount of the credit shall be determined as follows:

6 1. An amount equal to a percentage of the total amount of the
7 qualified production costs as approved by the ~~Arizona commerce authority~~
8 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517 as follows:

9 (a) For a motion picture production company that spends up to
10 \$10,000,000, fifteen percent.

11 (b) For a motion picture production company that spends more than
12 \$10,000,000 but less than \$35,000,000, seventeen and one-half percent.

13 (c) For a motion picture production company that spends more than
14 \$35,000,000, twenty percent.

15 2. An additional two and one-half percent of the motion picture
16 production company's production labor costs related to positions held by
17 residents of this state as approved by the ~~Arizona commerce authority~~
18 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517.

19 3. If the motion picture production company either:

20 (a) Uses a qualified production facility in this state to produce
21 the motion picture production, an additional two and one-half percent of
22 the total amount of qualified production costs as approved by the ~~Arizona~~
23 ~~commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section
24 41-1517.

25 (b) Films primarily at a practical location, produces and films the
26 motion picture production primarily in this state and performs all
27 preproduction, postproduction and editing at a qualified production
28 facility in this state, an additional two and one-half percent of the total
29 qualified production costs as approved by the ~~Arizona commerce authority~~
30 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517.

1 4. An additional two and one-half percent of the total amount of
2 qualified production costs as approved by the ~~Arizona commerce authority~~
3 OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517 if the motion
4 picture production is produced and filmed in association with a long-term
5 tenant of a qualified production facility.

6 B. Tax credits under this section may not exceed the amount provided
7 in the postapproval issued by the ~~Arizona commerce authority~~ OFFICE OF
8 ECONOMIC OPPORTUNITY pursuant to section 41-1517, subsection H. The
9 taxpayer must include a copy of the postapproval with the taxpayer's income
10 tax return for the taxable year in which the ~~Arizona commerce authority~~
11 OFFICE OF ECONOMIC OPPORTUNITY issued the postapproval.

12 C. The department may not allow a tax credit under this section to a
13 taxpayer that has a delinquent tax balance owed to the department under
14 this title.

15 D. To qualify for a tax credit under this section, the motion
16 picture production company must:

17 1. Do either of the following:

18 (a) Use a qualified production facility in this state to produce the
19 motion picture production.

20 (b) If the motion picture production is filmed primarily at a
21 practical location, produce and film the motion picture production
22 primarily in this state and perform all preproduction, postproduction and
23 editing at an industry standard facility, if such a facility for those
24 functions is available.

25 2. Maintain the motion picture production company's production labor
26 positions in this state.

27 3. Include in the credits for each motion picture production an
28 acknowledgment that the MOTION PICTURE production was filmed in Arizona.

29 4. Receive preapproval and postapproval from the ~~Arizona commerce~~
30 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section 41-1517.

1 5. Claim the tax credit by using the form prescribed by the
2 department and include the form with the motion picture production
3 company's income tax return for the taxable year in which the ~~Arizona~~
4 ~~commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY issued the postapproval.

5 E. Co-owners of a motion picture production company, including
6 corporate partners in a partnership, may each claim the pro rata share of
7 the tax credit allowed under this section based on ownership interest. The
8 total of the tax credits allowed all such owners may not exceed the amount
9 that would have been allowed a sole owner.

10 F. If the allowable tax credit for a taxable year exceeds the income
11 taxes otherwise due on the claimant's income, or if there are no state
12 income taxes due on the claimant's income, THE TAXPAYER MAY CARRY the
13 amount of the claim not used as an offset against income taxes ~~shall be~~
14 ~~paid to the taxpayer in the same manner as a refund under section~~
15 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
16 ~~under section 42-1122. If the department determines that a refund is~~
17 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
18 ~~pursuant to section 42-1108~~ FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE
19 YEARS' INCOME TAX LIABILITY.

20 G. The department shall maintain annual data on the total amount of
21 monies credited pursuant to this section and shall provide the data to the
22 ~~Arizona commerce authority~~ OFFICE OF ECONOMIC OPPORTUNITY on request.

23 H. The department shall adopt fees and rules and publish and
24 prescribe forms and procedures as necessary to administer this section and
25 provide administrative support services.

26 I. The tax credit allowed by this section is in lieu of any
27 allowance for state tax purposes of a deduction of those expenses allowed
28 by the internal revenue code.

29 J. For the purposes of this section:

30 1. "Long-term tenant" means a person that enters into a lease of at
31 least five years for the use of a qualified production facility.

1 2. "Motion picture production" has the same meaning prescribed in
2 section 41-1517.

3 3. "Motion picture production company" has the same meaning
4 prescribed in section 41-1517.

5 4. "Practical location" has the same meaning prescribed in section
6 41-1517.

7 5. "Production costs" has the same meaning prescribed in section
8 41-1517.

9 6. "Production labor" has the same meaning prescribed in section
10 41-1517.

11 7. "Qualified production facility" has the same meaning prescribed
12 in section 41-1517.

13 Sec. 28. Section 43-1168, Arizona Revised Statutes, is amended to
14 read:

15 43-1168. Credit for increased research activity

16 A. A credit is allowed against the taxes imposed by this title in an
17 amount determined pursuant to section 41 of the internal revenue code,
18 except that:

19 1. The amount of the credit is computed as follows:

20 (a) Add:

21 (i) The excess, if any, of the qualified research expenses for the
22 taxable year over the base amount as defined in section 41(c) of the
23 internal revenue code.

24 (ii) The basic research payments determined under section
25 41(e)(1)(A) of the internal revenue code.

26 (b) If the sum computed under subdivision (a) of this paragraph is
27 \$2,500,000 or less:

28 (i) For taxable years beginning before December 31, 2030, the credit
29 is equal to twenty-four percent of that amount.

30 (ii) For taxable years beginning from and after December 31, 2030,
31 the credit is equal to twenty percent of that amount.

1 (c) If the sum computed under subdivision (a) of this paragraph is
2 over \$2,500,000:

3 (i) For taxable years beginning before December 31, 2030, the credit
4 is equal to \$600,000 plus fifteen percent of any amount exceeding
5 \$2,500,000.

6 (ii) For taxable years beginning from and after December 31, 2030,
7 the credit is equal to \$500,000 plus eleven percent of any amount exceeding
8 \$2,500,000.

9 (d) For taxable years beginning from and after December 31, 2011, an
10 additional credit amount is allowed if the taxpayer made basic research
11 payments during the taxable year to a university under the jurisdiction of
12 the Arizona board of regents. The additional credit amount is equal to ten
13 percent of the excess, if any, of the basic research payments over the
14 qualified organization base period amount for the taxable year. The
15 department shall not allow credit amounts under this subdivision and
16 section 43-1074.01, subsection A, paragraph 1, subdivision (c) that exceed,
17 in the aggregate, a combined total of \$10,000,000 in any calendar
18 year. Subject to that limit, on application by the taxpayer, the
19 department shall certify credit amounts under this subdivision and section
20 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority
21 placement established by the date that the taxpayer filed the application.
22 For taxable years beginning from and after December 31, 2014, any basic
23 research payments used to determine the additional credit under this
24 subdivision must first receive certification from the ~~Arizona commerce~~
25 ~~authority~~ OFFICE OF ECONOMIC OPPORTUNITY pursuant to section
26 41-1507.01. The additional credit amount under this subdivision shall not
27 exceed the amount allowed based on actual basic research payments or the
28 department's certification, whichever is less. If an application, if
29 certified in full, would exceed the \$10,000,000 limit, the department shall
30 certify only an amount within that limit. After the limit is attained, the
31 department shall deny any subsequent applications regardless of whether

1 other certified amounts are not actually claimed as a credit or other
2 taxpayers fail to qualify to actually claim certified amounts.
3 Notwithstanding subsections B and C of this section, any amount of the
4 additional credit under this subdivision that exceeds the taxes otherwise
5 due under this title is not refundable, but may be carried forward to the
6 next five consecutive taxable years. For the purposes of this subdivision,
7 "basic research payments" and "qualified organization base period amount"
8 have the same meanings prescribed by section 41(e) of the internal revenue
9 code.

10 2. Qualified research includes only research conducted in this
11 state, including research conducted at a university in this state and paid
12 for by the taxpayer.

13 3. If two or more taxpayers, including corporate partners in a
14 partnership, share in the eligible expenses, each taxpayer is eligible to
15 receive a proportionate share of the credit.

16 4. The credit under this section applies only to expenses incurred
17 from and after December 31, 1993.

18 5. The termination provisions of section 41 of the internal revenue
19 code do not apply.

20 B. ~~Except as provided by subsection C of this section,~~ If the
21 allowable credit under this section exceeds the taxes otherwise due under
22 this title on the claimant's income, or if there are no taxes due under
23 this title, the amount of the credit claimed for taxable years beginning
24 before January 1, 2022 not used to offset taxes may be carried forward to
25 the next fifteen consecutive taxable years, and the amount of the credit
26 claimed for taxable years beginning from and after December 31, 2021 not
27 used to offset taxes may be carried forward to the next ten consecutive
28 taxable years. The amount of credit carryforward from taxable years
29 beginning from and after December 31, 2002 that may be used under this
30 subsection in any taxable year may not exceed the taxpayer's tax liability
31 under this title minus the credit under this section for the current

1 taxable year's qualified research expenses. A taxpayer that carries
2 forward any amount of credit under this subsection may not thereafter claim
3 a refund of any amount of the credit under subsection C of this section.

4 ~~C. For taxable years beginning from and after December 31, 2009, if~~
5 ~~a taxpayer that claims a credit under this section employs fewer than one~~
6 ~~hundred fifty persons in the taxpayer's trade or business and if the~~
7 ~~allowable credit under this section exceeds the taxes otherwise due under~~
8 ~~this title on the claimant's income, or if there are no taxes due under~~
9 ~~this title, in lieu of carrying the excess amount of credit forward to~~
10 ~~subsequent taxable years under subsection B of this section, the taxpayer~~
11 ~~may elect to receive a refund as follows:~~

12 ~~1. The taxpayer must apply to the Arizona commerce authority for~~
13 ~~qualification for the refund pursuant to section 41-1507 and submit a copy~~
14 ~~of the authority's certificate of qualification to the department of~~
15 ~~revenue with the taxpayer's income tax return.~~

16 ~~2. The amount of the refund is limited to seventy-five percent of~~
17 ~~the amount by which the allowable credit under this section exceeds the~~
18 ~~taxpayer's tax liability under this title for the taxable year. The~~
19 ~~remainder of the excess amount of the credit is waived.~~

20 ~~3. The refund shall be paid in the manner prescribed by section~~
21 ~~42-1118.~~

22 ~~4. The refund is subject to setoff under section 42-1122.~~

23 ~~5. If the department determines that a credit refunded pursuant to~~
24 ~~this subsection is incorrect or invalid, the excess credit issued may be~~
25 ~~treated as a tax deficiency pursuant to section 42-1108.~~

26 Sec. 29. Section 43-1721, Arizona Revised Statutes, is amended to
27 read:

28 43-1721. Additions and subtractions to Arizona small business
29 gross income

30 In computing Arizona small business adjusted gross income, the
31 additions and subtractions provided in sections 43-1021 and 43-1022 shall

1 be made but only to the extent the additions and subtractions directly
2 relate to Arizona small business gross income. The subtraction provided in
3 section 43-1022, paragraph ~~28~~ 27 may not be included as a subtraction under
4 this chapter.

5 Sec. 30. Office of Economic Opportunity; prohibited expenditures

6 The Office of Economic Opportunity shall not expend any public or
7 private monies for the employment or contracted employment of a digital
8 equity position.

9 Sec. 31. Retention of members

10 Notwithstanding section 41-1502, Arizona Revised Statutes, as amended
11 by this act, all persons serving as members of the Arizona commerce
12 authority board of directors on the effective date of this act may continue
13 to serve until the expiration of their normal terms. All subsequent
14 appointments shall be as prescribed by statute.

15 Sec. 32. Retroactivity

16 Section 18 of this act applies retroactively to from and after July
17 1, 2024.

18 Sec. 33. Conforming legislation

19 The legislative council staff shall prepare proposed legislation
20 conforming the Arizona Revised Statutes to the provisions of this act for
21 consideration in the fifty-seventh legislature, first regular session."

22 Amend title to conform

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