

REFERENCE TITLE: tax credit; gray water systems

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

# **SB 1241**

Introduced by  
Senators Shope: Kerr

## **AN ACT**

AMENDING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1080; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1169; RELATING TO INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to  
3 read:

4 43-222. Income tax credit review schedule

5 The joint legislative income tax credit review committee shall  
6 review the following income tax credits:

7 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,  
8 43-1089.04, 43-1167.01 and 43-1175.

9 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,  
10 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,  
11 43-1164.03 and 43-1183.

12 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,  
13 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1165,  
14 and 43-1181.

15 4. For years ending in 3 and 8, sections 43-1074.01, 43-1168,  
16 43-1170 and 43-1178.

17 5. For years ending in 4 and 9, sections 43-1073.01, 43-1080,  
18 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, 43-1169 and  
19 43-1184.

20 Sec. 2. Title 43, chapter 10, article 5, Arizona Revised Statutes,  
21 is amended by adding section 43-1080, to read:

22 43-1080. Credit for residential gray water treatment system;  
23 definition

24 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024  
25 THROUGH DECEMBER 31, 2035, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED  
26 BY THIS TITLE FOR EXPENSES THAT A TAXPAYER INCURRED DURING THE TAXABLE  
27 YEAR TO PURCHASE AND INSTALL A RESIDENTIAL GRAY WATER TREATMENT SYSTEM FOR  
28 USE IN THIS STATE.

29 B. THE AMOUNT OF THE CREDIT IS FIFTY PERCENT OF THE COST OF THE  
30 RESIDENTIAL GRAY WATER TREATMENT SYSTEM NOT TO EXCEED \$5,000 PER SYSTEM.

31 C. TO BE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE TAXPAYER  
32 MUST SUBMIT A FORM PRESCRIBED BY THE DEPARTMENT FOR CERTIFICATION OF THE  
33 CREDIT. THE DEPARTMENT SHALL CERTIFY CREDITS UNDER THIS SECTION BEGINNING  
34 JANUARY 2 THROUGH JANUARY 31 OF THE YEAR FOLLOWING THE CALENDAR YEAR FOR  
35 WHICH THE CREDIT IS BEING REQUESTED. THE FORM SHALL INCLUDE:

36 1. THE NAME, ADDRESS AND SOCIAL SECURITY OR FEDERAL EMPLOYER  
37 IDENTIFICATION NUMBER OF THE APPLICANT.

38 2. THE NUMBER OF RESIDENTIAL GRAY WATER TREATMENT SYSTEMS FOR WHICH  
39 THE CREDIT IS CLAIMED.

40 3. DOCUMENTATION THAT SHOWS THE DATE THAT EACH RESIDENTIAL GRAY  
41 WATER TREATMENT SYSTEM WAS PURCHASED AND INSTALLED AND THAT EACH  
42 RESIDENTIAL GRAY WATER TREATMENT SYSTEM MEETS THE REQUIREMENTS PRESCRIBED  
43 IN SECTION 49-204, SUBSECTION C.

44 4. THE TOTAL AMOUNT OF THE CREDIT CLAIMED.

1 D. THE DEPARTMENT SHALL REVIEW EACH FORM SUBMITTED PURSUANT TO  
2 SUBSECTION C OF THIS SECTION AND CERTIFY TO THE TAXPAYER THE AMOUNT OF THE  
3 CREDIT THAT IS AUTHORIZED. THE AMOUNT OF THE CREDIT FOR ANY CALENDAR YEAR  
4 MAY NOT EXCEED \$5,000,000 PER TAXPAYER. CREDITS ARE ALLOWED UNDER THIS  
5 SECTION AND SECTION 43-1169 ON A FIRST-COME, FIRST-SERVED BASIS. THE  
6 DEPARTMENT MAY NOT AUTHORIZE TAX CREDITS UNDER THIS SECTION AND SECTION  
7 43-1169 THAT EXCEED IN THE AGGREGATE A TOTAL OF \$25,000,000 FOR ANY  
8 CALENDAR YEAR. AFTER THE DEPARTMENT AUTHORIZES \$25,000,000 IN CREDITS,  
9 THE DEPARTMENT SHALL DENY ANY SUBSEQUENT FORMS THAT ARE RECEIVED FOR THAT  
10 CALENDAR YEAR. THE DEPARTMENT MAY NOT AUTHORIZE ANY ADDITIONAL CREDITS  
11 THAT EXCEED THE \$25,000,000 LIMIT EVEN IF THE AMOUNTS THAT HAVE BEEN  
12 CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE FAILS  
13 TO MEET THE REQUIREMENTS TO CLAIM THE CREDIT.

14 E. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER  
15 THIS TITLE ON THE CLAIMANT'S INCOME OR IF THERE ARE NO TAXES DUE UNDER  
16 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES DUE UNDER  
17 THIS TITLE MAY BE CARRIED FORWARD FOR NOT MORE THAN TWO CONSECUTIVE  
18 TAXABLE YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

19 F. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND  
20 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE  
21 INTERNAL REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE  
22 CREDIT ALLOWED UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST OR  
23 FINANCIAL INVESTMENT IN THE SYSTEM. THE TOTAL AMOUNT OF THE CREDITS  
24 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN  
25 ALLOWED A SOLE OWNER.

26 G. FOR THE PURPOSES OF THIS SECTION, "RESIDENTIAL GRAY WATER  
27 TREATMENT SYSTEM" MEANS A RESIDENTIAL GRAY WATER TREATMENT SYSTEM THAT IS  
28 CERTIFIED TO MEET STANDARD 350 FOR RESIDENTIAL GRAY WATER RECYCLING THAT  
29 IS ISSUED BY A NATIONAL SANITARY FOUNDATION AND AN AMERICAN NATIONAL  
30 STANDARDS INSTITUTE AND THAT COMPLIES WITH THE REQUIREMENTS IN SECTION  
31 49-204, SUBSECTION C.

32 Sec. 3. Title 43, chapter 11, article 6, Arizona Revised Statutes,  
33 is amended by adding section 43-1169, to read:

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40 49-204, SUBSECTION C.

41 Sec. 4. Purpose

42 Pursuant to section 43-223, Arizona Revised Statutes, the income tax  
43 credits enacted in sections 43-1080 and 43-1169, Arizona Revised Statutes,  
44 as added by this act, are intended to promote the use of residential gray  
45 water treatment systems in this state.