

REFERENCE TITLE: investments; rural areas; tax credits

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

SB 1265

Introduced by
Senator Shope

AN ACT

AMENDING SECTION 20-224, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.08; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1515; AMENDING SECTIONS 42-2003 AND 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 43-1166; RELATING TO 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 20-224, Arizona Revised Statutes, is amended to
3 read:

4 20-224. Premium tax; reports

5 A. On or before March 1 of each year, each authorized domestic
6 insurer, each other insurer and each formerly authorized insurer referred
7 to in section 20-206, subsection B shall file with the director a report
8 in a form prescribed by the director showing total direct premium income
9 including policy membership and other fees and all other considerations
10 for insurance from all classes of business whether designated as a premium
11 or otherwise received by it during the preceding calendar year on account
12 of policies and contracts covering property, subjects or risks located,
13 resident or to be performed in this state, after deducting from such total
14 direct premium income applicable cancellations, returned premiums, the
15 amount of reduction in or refund of premiums allowed to industrial life
16 policyholders for payment of premiums direct to an office of the insurer
17 and all policy dividends, refunds, savings coupons and other similar
18 returns paid or credited to policyholders within this state and not
19 reapplied as premiums for new, additional or extended insurance. ~~No~~ A
20 deduction shall NOT be made of the cash surrender values of policies or
21 contracts. Considerations received on annuity contracts, as well as the
22 unabsorbed portion of any premium deposit, shall not be included in total
23 direct premium income, and neither ~~shall be~~ IS subject to tax. The report
24 shall separately indicate the total direct fire insurance premium income
25 received from property located in the incorporated cities and towns
26 certified by the office of the state fire marshal pursuant to section
27 9-951, subsection B, as procuring the services of a private fire company.

28 B. Coincident with the filing of the tax report, each insurer shall
29 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a
30 tax on ~~such~~ net premiums at the following rates:

31 1. For fire insurance:

32 (a) On property located in a city or town certified by the office
33 of the state fire marshal pursuant to section 9-951, subsection B, as
34 procuring the services of a private fire company, .66 percent.

35 (b) On all other property, 2.2 percent.

36 2. For disability insurance, 2.0 percent.

37 3. For health care service plans, the rates prescribed under
38 sections 20-837, 20-1010 and 20-1060.

39 4. For other insurance:

40 (a) For premiums received in calendar year 2016, 1.95 percent.

41 (b) For premiums received in calendar year 2017, 1.90 percent.

42 (c) For premiums received in calendar year 2018, 1.85 percent.

43 (d) For premiums received in calendar year 2019, 1.80 percent.

1 (e) For premiums received in calendar year 2020, 1.75 percent.

2 (f) For premiums received in calendar year 2021 and for each
3 subsequent calendar year, 1.70 percent.

4 C. Any payments of tax pursuant to subsection F of this section
5 shall be deducted from the tax payable pursuant to subsection B of this
6 section. Each insurer shall reflect the cost savings attributable to the
7 lower tax in fire insurance premiums charged on property located in an
8 incorporated city or town certified by the office of the state fire
9 marshal pursuant to section 9-951, subsection B, as procuring the services
10 of a private fire company. ~~No AN insurer shall be~~ IS NOT liable to ~~the~~
11 ~~THIS~~ state or to any other person, ~~or shall be~~ AND IS NOT subject to
12 regulatory action, ~~relating to the calculation or submittal of~~
13 ~~CALCULATING OR SUBMITTING~~ fire insurance premium taxes based in good faith
14 on the office of the state fire marshal's certification.

15 D. Eighty-five percent of the tax paid under this section by an
16 insurer on account of premiums received for fire insurance shall be
17 separately specified in the report and shall be apportioned in the manner
18 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so
19 allocated to a fund of a municipality or fire district that has no
20 volunteer firefighters or pension obligations to volunteer firefighters
21 shall be appropriated to the account of the municipality or fire district
22 in the public safety personnel retirement system and all of the tax so
23 allocated to a fund of a municipality or fire district that has both
24 full-time paid firefighters and volunteer firefighters or pension
25 obligations to full-time paid firefighters or volunteer firefighters shall
26 be appropriated to the account of the municipality or fire district in the
27 public safety personnel retirement system where it shall be reallocated by
28 actuarial procedures proportionately to the municipality or fire district
29 for the account of the full-time paid firefighters and to the municipality
30 or fire district for the account of the volunteer firefighters. A
31 municipality or fire district shall provide to the public safety personnel
32 retirement system all information that the system deems necessary to
33 perform the reallocation prescribed by this section. A full accounting of
34 the reallocation shall be forwarded to the municipality or fire district
35 and its local boards.

36 E. This section does not apply to title insurance. Title insurers
37 shall be taxed as provided in section 20-1566.

38 F. Any insurer that paid or is required to pay a tax of \$50,000 or
39 more on net premiums received during the preceding calendar year, pursuant
40 to subsection B of this section and sections 20-224.01, 20-837, 20-1010,
41 20-1060 and 20-1097.07, shall file on or before the fifteenth day of each
42 month from March through August a report for that month, on a form
43 prescribed by the director, accompanied by a payment in an amount equal to
44 fifteen percent of the amount paid or required to be paid during the
45 preceding calendar year pursuant to subsection B of this section and

1 sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments
2 are due and payable on or before the fifteenth day of each month and shall
3 be made to the director for deposit, ~~or~~ pursuant to sections 35-146 and
4 35-147.

5 G. Except for the tax paid on fire insurance premiums pursuant to
6 subsections B and D of this section, an insurer may claim a premium tax
7 credit if the insurer qualifies for a credit pursuant to section
8 20-224.03, 20-224.04, 20-224.06, ~~or~~ 20-224.07 OR 20-224.08.

9 H. On receipt of a properly documented claim, a refund shall be
10 provided to an insurer from available ~~funds~~ MONIES for the excess amount
11 of any fire insurance premium improperly paid by the insurer. The insurer
12 shall reflect the refund in the fire insurance premiums charged on the
13 property that was charged the excessive amount.

14 I. On or before September 30 of each year, the director of the
15 department of insurance and financial institutions shall report to the
16 directors of the joint legislative budget committee and the governor's
17 office of strategic planning and budgeting on the amount of insurance
18 premium tax credits established by sections 20-224.03, 20-224.04,
19 20-224.05, 20-224.06, ~~and~~ 20-224.07 AND 20-224.08 that were used during
20 the previous fiscal year.

21 J. For the purposes of:

22 1. Subsection B of this section, fire insurance is one hundred
23 percent of fire lines, forty percent of commercial multiple peril
24 nonliability lines, thirty-five percent of homeowners' multiple peril
25 lines, twenty-five percent of farm owners' multiple peril lines and twenty
26 percent of allied lines.

27 2. Section 20-416, fire insurance is eighty-five percent of fire
28 and allied lines.

29 K. From and after December 31, 2017, the director may require that
30 reports and payments under this section be submitted electronically. If
31 the director requires electronic submission, the director shall include on
32 the department's official website a list of one or more acceptable
33 third-party services through which an insurer must submit reports and
34 payments.

35 Sec. 2. Title 20, chapter 2, article 1, Arizona Revised Statutes,
36 is amended by adding section 20-224.08, to read:

37 20-224.08. Premium tax credit for rural fund capital
38 investments; rules; definitions

39 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024, A
40 CREDIT IS ALLOWED AGAINST THE PREMIUM TAX LIABILITY IMPOSED PURSUANT TO
41 SECTION 20-224, 20-837, 20-1010, 20-1060 OR 20-1097.07 FOR CREDIT-ELIGIBLE
42 CAPITAL INVESTMENTS TO A RURAL FUND AS CERTIFIED BY THE ARIZONA COMMERCE
43 AUTHORITY PURSUANT TO SECTION 41-1515.

44 B. THE AMOUNT OF THE CREDIT FOR THE TAXABLE YEAR IS AN AMOUNT EQUAL
45 TO THE APPLICABLE PERCENTAGE FOR THE CREDIT ALLOWANCE DATE MULTIPLIED BY

1 THE PURCHASE PRICE PAID TO THE RURAL FUND FOR THE CAPITAL INVESTMENT. TO
2 CLAIM THE CREDIT, THE INSURER MUST SUBMIT A COPY OF THE ARIZONA COMMERCE
3 AUTHORITY CERTIFICATION PROVIDED PURSUANT TO SECTION 41-1515 WITH EACH
4 YEAR'S TAX RETURN.

5 C. IF THE AMOUNT OF THE ALLOWABLE CREDIT FOR A TAXABLE YEAR EXCEEDS
6 THE INSURER'S STATE PREMIUM TAX LIABILITY, THE AMOUNT OF THE CLAIM NOT
7 USED TO OFFSET THE PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD FOR NOT
8 MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A CREDIT AGAINST SUBSEQUENT
9 YEARS' PREMIUM TAX LIABILITY.

10 D. IF THE ARIZONA COMMERCE AUTHORITY RECAPTURES THE CREDIT
11 CERTIFICATE AND RELATED CAPITAL INVESTMENT AUTHORITY PURSUANT TO SECTION
12 41-1515, SUBSECTION K, THE DEPARTMENT OF INSURANCE AND FINANCIAL
13 INSTITUTIONS SHALL DISALLOW ANY FURTHER CREDITS CLAIMED BY THE INSURER.

14 E. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
15 PARTNERSHIP, MAY EACH CLAIM THE PRO RATA SHARE OF THE TAX CREDIT ALLOWED
16 UNDER THIS SECTION BASED ON OWNERSHIP INTERESTS. THE TOTAL OF THE TAX
17 CREDITS ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT IS ALLOWED
18 TO A SOLE OWNER.

19 F. THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS, WITH THE
20 COOPERATION OF THE DEPARTMENT OF REVENUE AND THE ARIZONA COMMERCE
21 AUTHORITY, SHALL ADOPT RULES AND PRESCRIBE FORMS TO ADMINISTER THIS
22 SECTION.

23 G. FOR THE PURPOSES OF THIS SECTION, "APPLICABLE PERCENTAGE",
24 "CAPITAL INVESTMENT", "CREDIT ALLOWANCE DATE" AND "PURCHASE PRICE" HAVE
25 THE SAME MEANINGS PRESCRIBED IN SECTION 41-1515.

26 Sec. 3. Title 41, chapter 10, article 1, Arizona Revised Statutes,
27 is amended by adding section 41-1515, to read:

28 41-1515. Rural capital investments; rural fund; application;
29 fee; certification; tax incentives; reports; exit
30 application; definitions

31 A. BEGINNING FROM AND AFTER THE NINETIETH DAY AFTER THE EFFECTIVE
32 DATE OF THIS SECTION, THE AUTHORITY SHALL ESTABLISH AND ADMINISTER A
33 PROCEDURE FOR ACCEPTING AND EVALUATING APPLICATIONS FOR APPROVAL OF
34 CAPITAL INVESTMENTS THAT ARE ELIGIBLE FOR A TAX CREDIT PURSUANT TO SECTION
35 20-224.08, 43-1080 OR 43-1166.

36 B. A QUALIFIED INVESTOR MAY APPLY TO THE AUTHORITY FOR APPROVAL AS
37 A RURAL FUND FOR THE PURPOSES OF THIS SECTION. THE APPLICATION MUST BE
38 ACCOMPANIED BY A NONREFUNDABLE APPLICATION FEE IN AN AMOUNT PRESCRIBED BY
39 THE AUTHORITY. THE APPLICATION MUST BE IN A FORM PRESCRIBED BY THE
40 AUTHORITY AND INCLUDE ALL OF THE FOLLOWING:

41 1. THE NAME, ADDRESS AND FEDERAL INCOME TAX IDENTIFICATION NUMBER
42 OF THE APPLICANT.

43 2. THE AMOUNT OF THE CAPITAL INVESTMENT REQUESTED.

1 3. A COPY OF THE APPLICANT'S OR AN AFFILIATE OF THE APPLICANT'S
2 LICENSE AS EITHER:

3 (a) A RURAL BUSINESS INVESTMENT COMPANY AS DEFINED IN 7 UNITED
4 STATES CODE SECTION 2009cc.

5 (b) A SMALL BUSINESS INVESTMENT COMPANY PRESCRIBED UNDER 15 UNITED
6 STATES CODE SECTION 681.

7 4. A CERTIFICATE EXECUTED BY AN EXECUTIVE OFFICER OF THE APPLICANT
8 ATTESTING THAT THE LICENSE REQUIRED IN PARAGRAPH 3 OF THIS SUBSECTION IS
9 IN EFFECT AND HAS NOT BEEN REVOKED.

10 5. EVIDENCE THAT, AS OF THE APPLICATION DATE, THE APPLICANT OR
11 AFFILIATES OF THE APPLICANT HAVE INVESTED AT LEAST \$100,000,000 IN
12 NONPUBLIC COMPANIES THAT ARE LOCATED IN COUNTIES WITHIN THE UNITED STATES
13 WITH A POPULATION OF LESS THAN SEVENTY-FIVE THOUSAND PERSONS.

14 6. A BUSINESS PLAN THAT INCLUDES:

15 (a) A REVENUE-IMPACT ASSESSMENT PROJECTING STATE AND LOCAL TAX
16 REVENUE TO BE GENERATED BY THE APPLICANT'S PROPOSED QUALIFIED INVESTMENTS,
17 PREPARED BY A NATIONALLY RECOGNIZED, THIRD-PARTY, INDEPENDENT ECONOMIC
18 FORECASTING FIRM USING A DYNAMIC ECONOMIC FORECASTING MODEL THAT ANALYZES
19 THE APPLICANT'S BUSINESS PLAN OVER THE TEN YEARS FOLLOWING THE APPLICATION
20 DATE.

21 (b) AN ESTIMATE OF THE NUMBER OF EMPLOYMENT POSITIONS CREATED AND
22 RETAINED IN THIS STATE AS A RESULT OF THE APPLICANT'S QUALIFIED
23 INVESTMENTS.

24 C. WITHIN THIRTY DAYS AFTER RECEIVING A COMPLETE APPLICATION, THE
25 AUTHORITY SHALL GRANT OR DENY THE APPLICATION IN FULL OR IN PART. THE
26 AUTHORITY SHALL DENY THE APPLICATION IF ANY OF THE FOLLOWING OCCURS:

27 1. THE APPLICANT DOES NOT SATISFY ALL THE CRITERIA PROVIDED UNDER
28 SUBSECTION B OF THIS SECTION.

29 2. THE REVENUE-IMPACT ASSESSMENT SUBMITTED WITH THE BUSINESS PLAN
30 DOES NOT DEMONSTRATE THAT THE APPLICANT'S BUSINESS PLAN WILL RESULT IN A
31 POSITIVE FISCAL IMPACT ON THIS STATE OVER A TEN-YEAR PERIOD THAT EXCEEDS
32 THE CUMULATIVE AMOUNT OF TAX CREDITS THAT WOULD BE ISSUED TO THE APPLICANT
33 IF THE APPLICATION WAS APPROVED.

34 3. THE AUTHORITY HAS ALREADY APPROVED THE MAXIMUM AMOUNT OF CAPITAL
35 INVESTMENT AUTHORITY ALLOWED UNDER SUBSECTION F OF THIS SECTION.

36 D. IF THE AUTHORITY DENIES ANY PART OF THE APPLICATION, THE
37 AUTHORITY SHALL NOTIFY THE APPLICANT OF THE GROUNDS FOR THE DENIAL. THE
38 APPLICANT MAY PROVIDE ANY ADDITIONAL INFORMATION REQUIRED BY THE AUTHORITY
39 OR OTHERWISE COMPLETE THE APPLICATION WITHIN FIFTEEN DAYS AFTER THE NOTICE
40 OF DENIAL, AND THE APPLICATION SHALL BE CONSIDERED COMPLETE AS OF THE
41 ORIGINAL SUBMISSION DATE. IF THE APPLICANT FAILS TO PROVIDE THE
42 INFORMATION OR FAILS TO COMPLETE THE APPLICATION WITHIN THE FIFTEEN-DAY
43 PERIOD, THE APPLICATION SHALL REMAIN DENIED AND MUST BE RESUBMITTED WITH A
44 NEW SUBMISSION DATE AND A NEW APPLICATION FEE.

1 E. IF THE AUTHORITY APPROVES AN APPLICATION, THE AUTHORITY SHALL
2 CERTIFY THE PROPOSED EQUITY INVESTMENT AS A CAPITAL INVESTMENT ELIGIBLE
3 FOR TAX CREDITS PURSUANT TO SECTIONS 20-224.08, 43-1080 AND 43-1166,
4 SUBJECT TO THE MAXIMUM AMOUNT OF CAPITAL INVESTMENT AUTHORITY ALLOWED
5 UNDER SUBSECTION F OF THIS SECTION. THE AUTHORITY SHALL PROVIDE WRITTEN
6 NOTICE OF THE CERTIFICATION TO THE APPLICANT AND INCLUDE THE AMOUNT OF THE
7 APPLICANT'S CAPITAL INVESTMENT AUTHORITY. THE AUTHORITY SHALL CERTIFY
8 CAPITAL INVESTMENTS IN THE ORDER THAT APPLICATIONS ARE RECEIVED.
9 APPLICATIONS RECEIVED ON THE SAME DAY ARE DEEMED TO HAVE BEEN RECEIVED
10 SIMULTANEOUSLY. FOR APPLICATIONS THAT ARE COMPLETE AND RECEIVED ON THE
11 SAME DAY, THE AUTHORITY SHALL CERTIFY APPLICATIONS IN PROPORTIONATE
12 PERCENTAGES BASED ON THE RATIO OF THE AMOUNT OF CAPITAL INVESTMENT
13 AUTHORITY REQUESTED IN ALL APPLICATIONS.

14 F. THE AUTHORITY MAY NOT CERTIFY TAX CREDITS AND CAPITAL INVESTMENT
15 AUTHORITY UNDER THIS SECTION IN AMOUNTS THAT EXCEED AN AGGREGATE OF
16 \$15,000,000 IN ANY CALENDAR YEAR, EXCLUDING ANY CREDIT AMOUNTS CARRIED
17 FORWARD AS PROVIDED UNDER SECTIONS 20-224.08, 43-1080 AND 43-1166.

18 G. WITHIN NINETY DAYS AFTER RECEIVING THE NOTICE OF CERTIFICATION,
19 A RURAL FUND SHALL ISSUE THE CAPITAL INVESTMENT TO AND RECEIVE CASH IN THE
20 AMOUNT OF THE CERTIFIED AMOUNT FROM A RURAL INVESTOR. AT LEAST TEN
21 PERCENT OF THE RURAL INVESTOR'S CAPITAL INVESTMENT SHALL BE COMPOSED OF
22 CAPITAL RAISED BY THE RURAL INVESTOR DIRECTLY OR INDIRECTLY FROM SOURCES,
23 INCLUDING DIRECTORS, MEMBERS, EMPLOYEES, OFFICERS AND AFFILIATES OF THE
24 RURAL INVESTOR. THE RURAL FUND SHALL PROVIDE THE AUTHORITY WITH EVIDENCE
25 OF THE RECEIPT OF THE CASH INVESTMENT WITHIN NINETY-FIVE DAYS AFTER
26 RECEIVING THE NOTICE OF CERTIFICATION.

27 H. IF A RURAL FUND DOES NOT RECEIVE THE CASH INVESTMENT AND ISSUE
28 THE CAPITAL INVESTMENT WITHIN NINETY DAYS AFTER RECEIVING THE NOTICE OF
29 CERTIFICATION, THE CERTIFICATION LAPSES AND THE RURAL FUND MAY NOT ISSUE
30 THE CAPITAL INVESTMENT WITHOUT REAPPLYING TO THE AUTHORITY FOR
31 CERTIFICATION. LAPSED CERTIFICATIONS REVERT TO THE AUTHORITY AND SHALL BE
32 REISSUED PROPORTIONATELY TO APPLICANTS WHOSE CAPITAL INVESTMENT
33 ALLOCATIONS WERE REDUCED PURSUANT TO SUBSECTION E OF THIS SECTION.

34 I. BEFORE MAKING A QUALIFIED INVESTMENT, A RURAL FUND MAY REQUEST
35 FROM THE AUTHORITY A WRITTEN OPINION AS TO WHETHER THE BUSINESS IN WHICH
36 THE RURAL FUND PROPOSES TO INVEST IN IS AN ELIGIBLE BUSINESS. THE
37 AUTHORITY, NOT LATER THAN FIFTEEN BUSINESS DAYS AFTER THE DATE OF RECEIPT
38 OF THE REQUEST, SHALL NOTIFY THE RURAL FUND OF THE AUTHORITY'S
39 DETERMINATION. IF THE AUTHORITY FAILS TO NOTIFY THE RURAL FUND OF THE
40 DETERMINATION BY THE TWENTIETH BUSINESS DAY, THE BUSINESS IN WHICH THE
41 RURAL FUND PROPOSES TO INVEST SHALL BE DEEMED AN ELIGIBLE BUSINESS.

42 J. ON MAKING A CAPITAL INVESTMENT IN A RURAL FUND, A RURAL INVESTOR
43 MAY CLAIM A TAX CREDIT UNDER SECTION 20-224.08, 43-1080 OR 43-1166 ON EACH
44 CREDIT ALLOWANCE DATE OF THE CAPITAL INVESTMENT IN AN AMOUNT EQUAL TO THE

1 APPLICABLE PERCENTAGE FOR THE CREDIT ALLOWANCE DATE MULTIPLIED BY THE
2 PURCHASE PRICE PAID TO THE RURAL FUND FOR THE CAPITAL INVESTMENT.

3 K. THE AUTHORITY MAY RECAPTURE CREDITS FROM A TAXPAYER THAT CLAIMED
4 A CREDIT AUTHORIZED UNDER THIS SECTION IF:

5 1. A RURAL FUND DOES NOT INVEST SIXTY PERCENT OF THE RURAL FUND'S
6 CAPITAL INVESTMENT AUTHORITY IN QUALIFIED INVESTMENTS IN THIS STATE WITHIN
7 TWO YEARS AFTER THE CREDIT ALLOWANCE DATE AND ONE HUNDRED PERCENT OF THE
8 RURAL FUND'S CAPITAL INVESTMENT AUTHORITY IN QUALIFIED INVESTMENTS IN THIS
9 STATE WITHIN THREE YEARS AFTER THE CREDIT ALLOWANCE DATE. AT LEAST
10 SEVENTY PERCENT OF THESE INITIAL QUALIFIED INVESTMENTS MUST BE MADE IN
11 ELIGIBLE BUSINESSES LOCATED IN RURAL AREAS.

12 2. A RURAL FUND FAILS TO MAINTAIN QUALIFIED INVESTMENTS EQUAL TO
13 NINETY PERCENT OF THE RURAL FUND'S CAPITAL INVESTMENT AUTHORITY FROM THE
14 THIRD ANNIVERSARY UNTIL THE SIXTH ANNIVERSARY OF THE CREDIT ALLOWANCE
15 DATE, WITH SEVENTY PERCENT OF THE CAPITAL INVESTMENTS MAINTAINED IN
16 ELIGIBLE BUSINESSES LOCATED IN RURAL AREAS. FOR EACH YEAR THE RURAL FUND
17 FAILS TO MAINTAIN SUCH CAPITAL INVESTMENTS, THE AUTHORITY MAY RECAPTURE AN
18 AMOUNT OF THAT YEAR'S ALLOWED CREDITS EQUAL TO THE PERCENTAGE DIFFERENCE
19 BETWEEN NINETY PERCENT OF THE RURAL FUND'S CAPITAL INVESTMENT AUTHORITY
20 AND THE ACTUAL AMOUNT OF QUALIFIED INVESTMENTS MAINTAINED FOR THAT YEAR.
21 FOR THE PURPOSES OF THIS SUBSECTION, A QUALIFIED INVESTMENT IS CONSIDERED
22 EVEN IF THE QUALIFIED INVESTMENT WAS SOLD OR REPAID IF THE RURAL FUND
23 REINVESTS AN AMOUNT EQUAL TO THE CAPITAL RETURNED, RECOVERED OR REPAID BY
24 THE RURAL FUND FROM THE ORIGINAL INVESTMENT, EXCLUSIVE OF ANY PROFITS
25 REALIZED, IN OTHER QUALIFIED INVESTMENTS IN THIS STATE WITHIN TWELVE
26 MONTHS OF RECEIPT OF THE CAPITAL. AMOUNTS RECEIVED PERIODICALLY BY A
27 RURAL FUND SHALL BE TREATED AS CONTINUALLY INVESTED IN QUALIFIED
28 INVESTMENTS IF THE AMOUNTS ARE REINVESTED IN ONE OR MORE QUALIFIED
29 INVESTMENTS BY THE END OF THE FOLLOWING CALENDAR YEAR. A RURAL FUND MAY
30 NOT BE REQUIRED TO REINVEST CAPITAL RETURNED FROM QUALIFIED INVESTMENTS
31 AFTER THE FIFTH ANNIVERSARY OF THE CREDIT ALLOWANCE DATE, AND SUCH
32 QUALIFIED INVESTMENTS ARE CONSIDERED TO BE HELD CONTINUOUSLY BY THE RURAL
33 FUND THROUGH THE SIXTH ANNIVERSARY OF THE CREDIT ALLOWANCE DATE.

34 3. BEFORE THE EARLIER OF EITHER EXITING THE PROGRAM PURSUANT TO
35 SUBSECTION R OF THIS SECTION OR THIRTY DAYS AFTER THE SIXTH ANNIVERSARY OF
36 THE CREDIT ALLOWANCE DATE, THE RURAL FUND MAKES A DISTRIBUTION OR PAYMENT
37 THAT RESULTS IN THE RURAL FUND HAVING LESS THAN ONE HUNDRED PERCENT OF ITS
38 CAPITAL INVESTMENT AUTHORITY INVESTED IN QUALIFIED INVESTMENTS IN THIS
39 STATE OR HELD IN CASH OR OTHER MARKETABLE SECURITIES.

40 4. THE RURAL FUND VIOLATES SUBSECTION O OF THIS SECTION IN WHICH
41 CASE THE AUTHORITY MAY RECAPTURE AN AMOUNT EQUAL TO THE AMOUNT OF THE
42 RURAL FUND'S CAPITAL INVESTMENT AUTHORITY FOUND TO BE IN VIOLATION OF
43 SUBSECTION O OF THIS SECTION.

1 L. FOR THE PURPOSES OF MEETING AND MAINTAINING THE OBJECTIVES
2 ESTABLISHED FOR INVESTMENT IN SUBSECTION K, PARAGRAPHS 1 AND 2 OF THIS
3 SECTION, A RURAL FUND'S QUALIFIED INVESTMENTS SHALL BE MULTIPLIED BY A
4 FACTOR OF ONE AND ONE-QUARTER IN COUNTIES WITH A POPULATION OF LESS THAN
5 THIRTY THOUSAND PERSONS AND MORE THAN THIRTEEN THOUSAND PERSONS AND SHALL
6 BE MULTIPLIED BY A FACTOR OF ONE AND ONE-HALF IN COUNTIES WITH A
7 POPULATION OF THIRTEEN THOUSAND PERSONS OR LESS.

8 M. RECAPTURED CREDITS AND RELATED CAPITAL INVESTMENT AUTHORITY
9 REVERT TO THE AUTHORITY AND THE AUTHORITY SHALL REISSUE THE CREDITS AND
10 RELATED CAPITAL INVESTMENT AUTHORITY PRO RATA TO APPLICANTS WHOSE CAPITAL
11 INVESTMENT ALLOCATIONS WERE REDUCED IN ACCORDANCE WITH THE APPLICATION
12 PROCESS PROVIDED UNDER SUBSECTION E OF THIS SECTION.

13 N. RECAPTURE MAY NOT OCCUR UNTIL THE RURAL FUND HAS BEEN GIVEN
14 NOTICE OF NONCOMPLIANCE AND THE RURAL FUND HAS NOT CURED THE NONCOMPLIANCE
15 WITHIN SIX MONTHS AFTER THE DATE OF THE NOTICE.

16 O. AN ELIGIBLE BUSINESS THAT RECEIVES A QUALIFIED INVESTMENT UNDER
17 THIS SECTION, OR ANY AFFILIATES OF THE ELIGIBLE BUSINESS, MAY NOT DIRECTLY
18 OR INDIRECTLY:

19 1. OWN OR HAVE THE RIGHT TO ACQUIRE AN OWNERSHIP INTEREST IN A
20 RURAL FUND OR BE A MEMBER OR AN AFFILIATE OF A RURAL FUND, INCLUDING A
21 HOLDER OF A CAPITAL INVESTMENT ISSUED BY A RURAL FUND.

22 2. LOAN TO OR INVEST IN A RURAL FUND OR ANY MEMBER OR AFFILIATE OF
23 A RURAL FUND, INCLUDING A HOLDER OF CAPITAL INVESTMENT ISSUED BY A RURAL
24 FUND, WHERE THE PROCEEDS OF THE LOAN OR INVESTMENT ARE DIRECTLY OR
25 INDIRECTLY USED TO FUND OR REFINANCE THE PURCHASE OF CAPITAL INVESTMENTS
26 UNDER THIS SECTION.

27 P. A RURAL FUND SHALL SUBMIT A REPORT TO THE AUTHORITY WITHIN
28 FIFTEEN BUSINESS DAYS AFTER THE SECOND AND THIRD ANNIVERSARY OF THE
29 INITIAL CREDIT ALLOWANCE DATE. THE REPORT FOLLOWING THE SECOND
30 ANNIVERSARY SHALL PROVIDE DOCUMENTATION OF INVESTING SIXTY PERCENT OF THE
31 PURCHASE PRICE OF THE CAPITAL INVESTMENT IN QUALIFIED INVESTMENTS. THE
32 REPORT FOLLOWING THE THIRD ANNIVERSARY SHALL PROVIDE DOCUMENTATION OF
33 INVESTING ONE HUNDRED PERCENT OF THE PURCHASE PRICE OF THE CAPITAL
34 INVESTMENT IN QUALIFIED INVESTMENTS. UNLESS PREVIOUSLY REPORTED PURSUANT
35 TO THIS SUBSECTION, THE REPORTS SHALL INCLUDE:

36 1. THE NAME AND LOCATION OF EACH ELIGIBLE BUSINESS RECEIVING A
37 QUALIFIED INVESTMENT.

38 2. BANK STATEMENTS OF THE RURAL FUND EVIDENCING EACH QUALIFIED
39 INVESTMENT.

40 3. A COPY OF THE WRITTEN OPINION OF THE AUTHORITY, IF REQUESTED
41 PURSUANT TO SUBSECTION I OF THIS SECTION, OR EVIDENCE THAT A BUSINESS WAS
42 AN ELIGIBLE BUSINESS AT THE TIME OF THE QUALIFIED INVESTMENT, AS
43 APPLICABLE.

44 4. THE NUMBER OF EMPLOYMENT POSITIONS CREATED AND RETAINED AS A
45 RESULT OF EACH QUALIFIED INVESTMENT.

1 5. THE AVERAGE SALARY OF THE EMPLOYMENT POSITIONS DESCRIBED IN
2 PARAGRAPH 4 OF THIS SUBSECTION.

3 6. ANY OTHER INFORMATION REQUIRED BY THE AUTHORITY.

4 Q. FOR ALL SUBSEQUENT YEARS AFTER THE THIRD ANNIVERSARY, A RURAL
5 FUND SHALL SUBMIT AN ANNUAL REPORT TO THE AUTHORITY WITHIN NINETY DAYS
6 AFTER THE BEGINNING OF THE CALENDAR YEAR DURING THE COMPLIANCE PERIOD. THE
7 REPORT SHALL INCLUDE THE FOLLOWING:

8 1. THE NUMBER OF EMPLOYMENT POSITIONS CREATED AND AS A RESULT OF
9 QUALIFIED INVESTMENTS.

10 2. THE AVERAGE ANNUAL SALARY OF THE EMPLOYMENT POSITIONS DESCRIBED
11 IN PARAGRAPH 1 OF THIS SUBSECTION.

12 3. ANY OTHER INFORMATION REQUIRED BY THE AUTHORITY.

13 R. ON OR AFTER THE SIXTH ANNIVERSARY OF THE CREDIT ALLOWANCE DATE,
14 A RURAL FUND MAY APPLY TO THE AUTHORITY TO EXIT THE PROGRAM AND NO LONGER
15 BE SUBJECT TO THE REQUIREMENTS OF THIS SECTION. THE AUTHORITY SHALL
16 RESPOND TO THE EXIT APPLICATION WITHIN FIFTEEN DAYS OF RECEIPT OF THE EXIT
17 APPLICATION. IN EVALUATING THE EXIT APPLICATION, THE FACT THAT NO CREDITS
18 HAVE BEEN RECAPTURED AND THAT THE RURAL FUND HAS NOT RECEIVED A NOTICE OF
19 RECAPTURE THAT HAS NOT BEEN CURED IS SUFFICIENT EVIDENCE TO PROVE THAT THE
20 RURAL FUND IS ELIGIBLE FOR EXIT. THE AUTHORITY MAY NOT UNREASONABLY DENY
21 AN EXIT APPLICATION SUBMITTED UNDER THIS SECTION. IF AN EXIT APPLICATION
22 IS DENIED, THE NOTICE SHALL INCLUDE THE REASONS FOR THE DENIAL.

23 S. THE AUTHORITY MAY NOT ACCEPT NEW APPLICATIONS OR APPROVAL OF
24 CAPITAL INVESTMENTS ELIGIBLE FOR A TAX CREDIT PURSUANT TO SECTIONS
25 20-224.08, 43-1080 AND 43-1166 FROM AND AFTER DECEMBER 1, 2034.

26 T. FOR THE PURPOSES OF THIS SECTION:

27 1. "AFFILIATE" MEANS AN ENTITY THAT DIRECTLY, OR INDIRECTLY THROUGH
28 ONE OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS UNDER THE
29 COMMON CONTROL WITH ANOTHER ENTITY.

30 2. "APPLICABLE PERCENTAGE" MEANS ZERO PERCENT FOR THE FIRST TWO
31 CREDIT ALLOWANCE DATES AND FIFTEEN PERCENT FOR THE NEXT FOUR CREDIT
32 ALLOWANCE DATES.

33 3. "CAPITAL INVESTMENT" MEANS ANY EQUITY INVESTMENT IN A RURAL FUND
34 BY A RURAL INVESTOR THAT MEETS ALL OF THE FOLLOWING REQUIREMENTS:

35 (a) IS ACQUIRED AFTER THE EFFECTIVE DATE OF THIS SECTION AT ITS
36 ORIGINAL ISSUANCE SOLELY IN EXCHANGE FOR CASH.

37 (b) HAS ONE HUNDRED PERCENT OF ITS CASH PURCHASE PRICE USED BY THE
38 RURAL FUND TO MAKE QUALIFIED INVESTMENTS IN ELIGIBLE BUSINESSES LOCATED IN
39 THIS STATE BY THE THIRD ANNIVERSARY OF THE INITIAL CREDIT ALLOWANCE DATE.

40 (c) IS DESIGNATED BY THE RURAL FUND AS A CAPITAL INVESTMENT UNDER
41 THIS SECTION AND IS CERTIFIED BY THE AUTHORITY PURSUANT TO THIS SECTION,
42 INCLUDING ANY CAPITAL INVESTMENT THAT WAS NOT PROVIDED IN THE APPLICATION
43 PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION IF THE INVESTMENT
44 WAS A CAPITAL INVESTMENT OF A PRIOR HOLDER.

1 4. "CONTROL" MEANS DIRECTLY OR INDIRECTLY HOLDING THE MAJORITY OF
2 VOTING OR OWNERSHIP INTEREST OR CONTROL OVER THE DAY-TO-DAY OPERATIONS
3 EITHER BY CONTRACT OR BY LAW.

4 5. "CREDIT ALLOWANCE DATE" MEANS THE DATE ON WHICH THE AUTHORITY
5 CERTIFIES A RURAL FUND'S CAPITAL INVESTMENT AND EACH OF THE FIVE
6 ANNIVERSARY DATES OF THAT DATE THEREAFTER.

7 6. "ELIGIBLE BUSINESS" MEANS A BUSINESS THAT, AT THE TIME OF THE
8 INITIAL QUALIFIED INVESTMENT IN THE BUSINESS, HAS BOTH:

9 (a) FEWER THAN TWO HUNDRED FIFTY EMPLOYEES.

10 (b) THE BUSINESS'S PRINCIPAL BUSINESS OPERATIONS IN THIS STATE.

11 7. "PRINCIPAL BUSINESS OPERATIONS":

12 (a) MEANS THE LOCATION WHERE AT LEAST SIXTY PERCENT OF A BUSINESS'S
13 EMPLOYEES WORK OR WHERE EMPLOYEES WHO ARE PAID AT LEAST SIXTY PERCENT OF
14 THE BUSINESS'S PAYROLL WORK.

15 (b) INCLUDES THE NEW LOCATION OF A BUSINESS THAT HAS AGREED TO
16 RELOCATE EMPLOYEES USING THE PROCEEDS OF A QUALIFIED INVESTMENT TO
17 ESTABLISH ITS PRINCIPAL BUSINESS OPERATIONS IN A NEW LOCATION IF IT
18 SATISFIES THE REQUIREMENTS OF THIS PARAGRAPH NOT LATER THAN ONE HUNDRED
19 EIGHTY DAYS AFTER RECEIVING A QUALIFIED INVESTMENT.

20 8. "PURCHASE PRICE" MEANS THE AMOUNT PAID TO THE RURAL FUND THAT
21 ISSUES A CAPITAL INVESTMENT NOT TO EXCEED THE AMOUNT OF CAPITAL INVESTMENT
22 AUTHORITY CERTIFIED UNDER THIS SECTION.

23 9. "QUALIFIED INVESTMENT" MEANS ANY INVESTMENT IN AN ELIGIBLE
24 BUSINESS OR ANY LOAN TO AN ELIGIBLE BUSINESS WITH A STATED MATURITY DATE
25 OF AT LEAST ONE YEAR AFTER THE DATE OF ISSUANCE, EXCLUDING REVOLVING LINES
26 OF CREDIT AND SENIOR-SECURED DEBT, UNLESS THE CHIEF EXECUTIVE OR SIMILAR
27 OFFICER OF THE ELIGIBLE BUSINESS CERTIFIES THAT THE ELIGIBLE BUSINESS
28 SOUGHT AND WAS DENIED SIMILAR FINANCING FROM A DEPOSITORY INSTITUTION, BY
29 A RURAL FUND, EXCEPT THAT WITH RESPECT TO ANY ONE ELIGIBLE BUSINESS, THE
30 MAXIMUM AMOUNT OF INVESTMENTS MADE IN SUCH BUSINESS BY ONE OR MORE RURAL
31 FUNDS, ON A COLLECTIVE BASIS WITH ALL OF THE BUSINESSES' AFFILIATES, WITH
32 THE PROCEEDS OF THE CAPITAL INVESTMENTS, IS THE GREATER OF TWENTY PERCENT
33 OF THE RURAL FUND'S CAPITAL INVESTMENT AUTHORITY OR \$6,500,000, EXCLUSIVE
34 OF INVESTMENTS MADE WITH REPAYED OR REDEEMED INVESTMENTS OR INTEREST OR
35 PROFITS REALIZED ON THE INVESTMENT.

36 10. "RURAL AREA" MEANS ANY COUNTY IN THIS STATE THAT HAS A
37 POPULATION OF LESS THAN SEVENTY-FIVE THOUSAND PERSONS OR ANY CITY OR TOWN
38 IN THIS STATE THAT HAS A POPULATION OF SEVEN THOUSAND PERSONS OR LESS.

39 11. "RURAL FUND" MEANS AN ENTITY CERTIFIED BY THE AUTHORITY FOR THE
40 PURPOSES OF THIS SECTION.

41 12. "RURAL INVESTOR" MEANS AN ENTITY THAT MAKES A CAPITAL
42 INVESTMENT IN A RURAL FUND.

43 13. "SENIOR-SECURED DEBT" MEANS ANY LOAN THAT IS SECURED BY A FIRST
44 MORTGAGE ON REAL ESTATE WITH A LOAN-TO-VALUE RATIO OF LESS THAN EIGHTY
45 PERCENT.

1 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to
2 read:

3 42-2003. Authorized disclosure of confidential information

4 A. Confidential information relating to:

5 1. A taxpayer may be disclosed to the taxpayer, its successor in
6 interest or a designee of the taxpayer who is authorized in writing by the
7 taxpayer. A principal corporate officer of a parent corporation may
8 execute a written authorization for a controlled subsidiary. If a
9 taxpayer elects to file an Arizona small business income tax return under
10 section 43-302, a written authorization by the taxpayer to allow the
11 department to disclose personal income tax information to a designee
12 includes the corresponding Arizona small business income tax return.

13 2. A corporate taxpayer may be disclosed to any principal officer,
14 any person designated by a principal officer or any person designated in a
15 resolution by the corporate board of directors or other similar governing
16 body. If a corporate officer signs a statement under penalty of perjury
17 representing that the officer is a principal officer, the department may
18 rely on the statement until the statement is shown to be false. For the
19 purposes of this paragraph, "principal officer" includes a chief executive
20 officer, president, secretary, treasurer, vice president of tax, chief
21 financial officer, chief operating officer or chief tax officer or any
22 other corporate officer who has the authority to bind the taxpayer on
23 matters related to state taxes.

24 3. A partnership may be disclosed to any partner of the
25 partnership. This exception does not include disclosure of confidential
26 information of a particular partner unless otherwise authorized.

27 4. A limited liability company may be disclosed to any member of
28 the company or, if the company is manager-managed, to any manager.

29 5. An estate may be disclosed to the personal representative of the
30 estate and to any heir, next of kin or beneficiary under the will of the
31 decedent if the department finds that the heir, next of kin or beneficiary
32 has a material interest that will be affected by the confidential
33 information.

34 6. A trust may be disclosed to the trustee or trustees, jointly or
35 separately, and to the grantor or any beneficiary of the trust if the
36 department finds that the grantor or beneficiary has a material interest
37 that will be affected by the confidential information.

38 7. A government entity may be disclosed to the head of the entity
39 or a member of the governing board of the entity, or any employee of the
40 entity who has been delegated the authorization in writing by the head of
41 the entity or the governing board of the entity.

42 8. Any taxpayer may be disclosed if the taxpayer has waived any
43 rights to confidentiality either in writing or on the record in any
44 administrative or judicial proceeding.

1 9. The name and taxpayer identification numbers of persons issued
2 direct payment permits may be publicly disclosed.

3 10. Any taxpayer may be disclosed during a meeting or telephone
4 call if the taxpayer is present during the meeting or telephone call and
5 authorizes the disclosure of confidential information.

6 B. Confidential information may be disclosed to:

7 1. Any employee of the department whose official duties involve tax
8 administration.

9 2. The office of the attorney general solely for its use in
10 preparation for, or in an investigation that may result in, any proceeding
11 involving tax administration before the department or any other agency or
12 board of this state, or before any grand jury or any state or federal
13 court.

14 3. The department of liquor licenses and control for its use in
15 determining whether a spirituous liquor licensee has paid all transaction
16 privilege taxes and affiliated excise taxes incurred as a result of the
17 sale of spirituous liquor, as defined in section 4-101, at the licensed
18 establishment and imposed on the licensed establishments by this state and
19 its political subdivisions.

20 4. Other state tax officials whose official duties require the
21 disclosure for proper tax administration purposes if the information is
22 sought in connection with an investigation or any other proceeding
23 conducted by the official. Any disclosure is limited to information of a
24 taxpayer who is being investigated or who is a party to a proceeding
25 conducted by the official.

26 5. The following agencies, officials and organizations, if they
27 grant substantially similar privileges to the department for the type of
28 information being sought, pursuant to statute and a written agreement
29 between the department and the foreign country, agency, state, Indian
30 tribe or organization:

31 (a) The United States internal revenue service, alcohol and tobacco
32 tax and trade bureau of the United States treasury, United States bureau
33 of alcohol, tobacco, firearms and explosives of the United States
34 department of justice, United States drug enforcement agency and federal
35 bureau of investigation.

36 (b) A state tax official of another state.

37 (c) An organization of states, federation of tax administrators or
38 multistate tax commission that operates an information exchange for tax
39 administration purposes.

40 (d) An agency, official or organization of a foreign country with
41 responsibilities that are comparable to those listed in subdivision (a),
42 (b) or (c) of this paragraph.

43 (e) An agency, official or organization of an Indian tribal
44 government with responsibilities comparable to the responsibilities of the

1 agencies, officials or organizations identified in subdivision (a), (b) or
2 (c) of this paragraph.

3 6. The auditor general, in connection with any audit of the
4 department subject to the restrictions in section 42-2002, subsection D.

5 7. Any person to the extent necessary for effective tax
6 administration in connection with:

7 (a) The processing, storage, transmission, destruction and
8 reproduction of the information.

9 (b) The programming, maintenance, repair, testing and procurement
10 of equipment for purposes of tax administration.

11 (c) The collection of the taxpayer's civil liability.

12 8. The office of administrative hearings relating to taxes
13 administered by the department pursuant to section 42-1101, but the
14 department shall not disclose any confidential information without the
15 taxpayer's written consent:

16 (a) Regarding income tax or withholding tax.

17 (b) On any tax issue relating to information associated with the
18 reporting of income tax or withholding tax.

19 9. The United States treasury inspector general for tax
20 administration for the purpose of reporting a violation of internal
21 revenue code section 7213A (26 United States Code section 7213A),
22 unauthorized inspection of returns or return information.

23 10. The financial management service of the United States treasury
24 department for use in the treasury offset program.

25 11. The United States treasury department or its authorized agent
26 for use in the state income tax levy program and in the electronic federal
27 tax payment system.

28 12. The Arizona commerce authority for its use in:

29 (a) Qualifying renewable energy operations for the tax incentives
30 under section 42-12006.

31 (b) Qualifying businesses with a qualified facility for income tax
32 credits under sections 43-1083.03 and 43-1164.04.

33 (c) Fulfilling its annual reporting responsibility pursuant to
34 section 41-1512, subsections U and V and section 41-1517, subsection L.

35 (d) Certifying computer data centers for tax relief under section
36 41-1519.

37 (e) Certifying applicants for the tax credit for motion picture
38 production costs under sections 43-1082 and 43-1165.

39 (f) CERTIFYING RURAL FUNDS FOR THE TAX CREDIT FOR RURAL CAPITAL
40 INVESTMENT UNDER SECTIONS 20-224.08, 43-1080 AND 43-1166.

41 13. A prosecutor for purposes of section 32-1164, subsection C.

42 14. The office of the state fire marshal for use in determining
43 compliance with and enforcing title 37, chapter 9, article 5.

44 15. The department of transportation for its use in administering
45 taxes, surcharges and penalties prescribed by title 28.

1 16. The Arizona health care cost containment system administration
2 for its use in administering nursing facility provider assessments.

3 17. The department of administration risk management division and
4 the office of the attorney general if the information relates to a claim
5 against this state pursuant to section 12-821.01 involving the department
6 of revenue.

7 18. Another state agency if the taxpayer authorizes the disclosure
8 of confidential information in writing, including an authorization that is
9 part of an application form or other document submitted to the agency.

10 19. The department of economic security for its use in determining
11 whether an employer has paid all amounts due under the unemployment
12 insurance program pursuant to title 23, chapter 4.

13 20. The department of health services for its use in determining
14 the following:

15 (a) Whether a medical marijuana dispensary is in compliance with
16 the tax requirements of chapter 5 of this title for the purposes of
17 section 36-2806, subsection A.

18 (b) Whether a marijuana establishment, marijuana testing facility
19 or dual licensee licensed under title 36, chapter 28.2 is in compliance
20 with the tax obligations under this title or title 43.

21 21. The Arizona department of agriculture for the purpose of
22 ascertaining compliance with the licensing provisions in title 3.

23 22. The office of economic opportunity for the purpose of
24 performing the duties and obligations to or on behalf of this state
25 prescribed by title 41, chapter 53.

26 C. Confidential information may be disclosed in any state or
27 federal judicial or administrative proceeding pertaining to tax
28 administration pursuant to the following conditions:

29 1. One or more of the following circumstances must apply:

30 (a) The taxpayer is a party to the proceeding.

31 (b) The proceeding arose out of, or in connection with, determining
32 the taxpayer's civil or criminal liability, or the collection of the
33 taxpayer's civil liability, with respect to any tax imposed under this
34 title or title 43.

35 (c) The treatment of an item reflected on the taxpayer's return is
36 directly related to the resolution of an issue in the proceeding.

37 (d) Return information directly relates to a transactional
38 relationship between a person who is a party to the proceeding and the
39 taxpayer and directly affects the resolution of an issue in the
40 proceeding.

41 2. Confidential information may not be disclosed under this
42 subsection if the disclosure is prohibited by section 42-2002, subsection
43 C or D.

1 D. Identity information may be disclosed for purposes of notifying
2 persons entitled to tax refunds if the department is unable to locate the
3 persons after reasonable effort.

4 E. The department, on the request of any person, shall provide the
5 names and addresses of bingo licensees as defined in section 5-401, verify
6 whether or not a person has a privilege license and number, a tobacco
7 product distributor's license and number or a withholding license and
8 number or disclose the information to be posted on the department's
9 website or otherwise publicly accessible pursuant to section 42-1124,
10 subsection F and section 42-3401.

11 F. A department employee, in connection with the official duties
12 relating to any audit, collection activity or civil or criminal
13 investigation, may disclose return information to the extent that
14 disclosure is necessary to obtain information that is not otherwise
15 reasonably available. These official duties include the correct
16 determination of and liability for tax, the amount to be collected or the
17 enforcement of other state tax revenue laws.

18 G. Confidential information relating to transaction privilege tax,
19 use tax, severance tax, jet fuel excise and use tax and any other tax
20 collected by the department on behalf of any jurisdiction may be disclosed
21 to any county, city or town tax official if the information relates to a
22 taxpayer who is or may be taxable by a county, city or town or who may be
23 subject to audit by the department pursuant to section 42-6002. Any
24 taxpayer information that is released by the department to the county,
25 city or town:

26 1. May be used only for internal purposes, including audits. If
27 there is a legitimate business need relating to enforcing laws,
28 regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a
29 county, city or town tax official may redisclose transaction privilege tax
30 information relating to a vacation rental or short-term rental property
31 owner or online lodging operator from the new license report and license
32 update report, subject to the following:

33 (a) The information redisclosed is limited to the following:

34 (i) The transaction privilege tax license number.

35 (ii) The type of organization or ownership of the business.

36 (iii) The legal business name and doing business as name, if
37 different from the legal name.

38 (iv) The business mailing address, tax record physical location
39 address, telephone number, email address and fax number.

40 (v) The date the business started in this state, the business
41 description and the North American industry classification system code.

42 (vi) The name, address and telephone number for each owner,
43 partner, corporate officer, member, managing member or official of the
44 employing unit.

1 (b) Redisclosure is limited to nonelected officials in other units
2 within the county, city or town. The information may not be redisclosed
3 to an elected official or the elected official's staff.

4 (c) All redisclosures of confidential information made pursuant to
5 this paragraph are subject to paragraph 2 of this subsection.

6 2. May not be disclosed to the public in any manner that does not
7 comply with confidentiality standards established by the department. The
8 county, city or town shall agree in writing with the department that any
9 release of confidential information that violates the confidentiality
10 standards adopted by the department will result in the immediate
11 suspension of any rights of the county, city or town to receive taxpayer
12 information under this subsection.

13 H. The department may disclose statistical information gathered
14 from confidential information if it does not disclose confidential
15 information attributable to any one taxpayer. The department may disclose
16 statistical information gathered from confidential information, even if it
17 discloses confidential information attributable to a taxpayer, to:

18 1. The state treasurer in order to comply with the requirements of
19 section 42-5029, subsection A, paragraph 3.

20 2. The joint legislative income tax credit review committee, the
21 joint legislative budget committee staff and the legislative staff in
22 order to comply with the requirements of section 43-221.

23 I. The department may disclose the aggregate amounts of any tax
24 credit, tax deduction or tax exemption enacted after January 1, 1994.
25 Information subject to disclosure under this subsection shall not be
26 disclosed if a taxpayer demonstrates to the department that such
27 information would give an unfair advantage to competitors.

28 J. Except as provided in section 42-2002, subsection C,
29 confidential information, described in section 42-2001, paragraph 1,
30 subdivision (a), item (ii), may be disclosed to law enforcement agencies
31 for law enforcement purposes.

32 K. The department may provide transaction privilege tax license
33 information to property tax officials in a county for the purpose of
34 identification and verification of the tax status of commercial property.

35 L. The department may provide transaction privilege tax, luxury
36 tax, use tax, property tax and severance tax information to the
37 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

38 M. Except as provided in section 42-2002, subsection D, a court may
39 order the department to disclose confidential information pertaining to a
40 party to an action. An order shall be made only on a showing of good
41 cause and that the party seeking the information has made demand on the
42 taxpayer for the information.

1 N. This section does not prohibit the disclosure by the department
2 of any information or documents submitted to the department by a bingo
3 licensee. Before disclosing the information, the department shall obtain
4 the name and address of the person requesting the information.

5 O. If the department is required or allowed to disclose
6 confidential information, it may charge the person or agency requesting
7 the information for the reasonable cost of its services.

8 P. Except as provided in section 42-2002, subsection D, the
9 department of revenue shall release confidential information as requested
10 by the department of economic security pursuant to section 42-1122 or
11 46-291. Information disclosed under this subsection is limited to the
12 same type of information that the United States internal revenue service
13 is authorized to disclose under section 6103(l)(6) of the internal revenue
14 code.

15 Q. Except as provided in section 42-2002, subsection D, the
16 department shall release confidential information as requested by the
17 courts and clerks of the court pursuant to section 42-1122.

18 R. To comply with the requirements of section 42-5031, the
19 department may disclose to the state treasurer, to the county stadium
20 district board of directors and to any city or town tax official that is
21 part of the county stadium district confidential information attributable
22 to a taxpayer's business activity conducted in the county stadium
23 district.

24 S. The department shall release to the attorney general
25 confidential information as requested by the attorney general for purposes
26 of determining compliance with or enforcing any of the following:

27 1. Any public health control law relating to tobacco sales as
28 provided under title 36, chapter 6, article 14.

29 2. Any law relating to reduced cigarette ignition propensity
30 standards as provided under title 37, chapter 9, article 5.

31 3. Sections 44-7101 and 44-7111, the master settlement agreement
32 referred to in those sections and all agreements regarding disputes under
33 the master settlement agreement.

34 T. For proceedings before the department, the office of
35 administrative hearings, the state board of tax appeals or any state or
36 federal court involving penalties that were assessed against a return
37 preparer, an electronic return preparer or a payroll service company
38 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential
39 information may be disclosed only before the judge or administrative law
40 judge adjudicating the proceeding, the parties to the proceeding and the
41 parties' representatives in the proceeding prior to its introduction into
42 evidence in the proceeding. The confidential information may be
43 introduced as evidence in the proceeding only if the taxpayer's name, the
44 names of any dependents listed on the return, all social security numbers,

1 the taxpayer's address, the taxpayer's signature and any attachments
2 containing any of the foregoing information are redacted and if either:

3 1. The treatment of an item reflected on such a return is or may be
4 related to the resolution of an issue in the proceeding.

5 2. Such a return or the return information relates or may relate to
6 a transactional relationship between a person who is a party to the
7 proceeding and the taxpayer that directly affects the resolution of an
8 issue in the proceeding.

9 3. The method of payment of the taxpayer's withholding tax
10 liability or the method of filing the taxpayer's withholding tax return is
11 an issue for the period.

12 U. The department and attorney general may share the information
13 specified in subsection S of this section with any of the following:

14 1. Federal, state or local agencies located in this state for the
15 purposes of enforcement of the statutes or agreements specified in
16 subsection S of this section or for the purposes of enforcement of
17 corresponding laws of other states.

18 2. Indian tribes located in this state for the purposes of
19 enforcement of the statutes or agreements specified in subsection S of
20 this section.

21 3. A court, arbitrator, data clearinghouse or similar entity for
22 the purpose of assessing compliance with or making calculations required
23 by the master settlement agreement or agreements regarding disputes under
24 the master settlement agreement, and with counsel for the parties or
25 expert witnesses in any such proceeding, if the information otherwise
26 remains confidential.

27 V. The department may provide the name and address of qualifying
28 hospitals and qualifying health care organizations, as defined in section
29 42-5001, to a business that is classified and reporting transaction
30 privilege tax under the utilities classification.

31 W. The department may disclose to an official of any city, town or
32 county in a current agreement or considering a prospective agreement with
33 the department as described in section 42-5032.02, subsection G any
34 information relating to amounts that are subject to distribution and that
35 are required by section 42-5032.02. Information disclosed by the
36 department under this subsection:

37 1. May be used only by the city, town or county for internal
38 purposes.

39 2. May not be disclosed to the public in any manner that does not
40 comply with confidentiality standards established by the department. The
41 city, town or county must agree with the department in writing that any
42 release of confidential information that violates the confidentiality
43 standards will result in the immediate suspension of any rights of the
44 city, town or county to receive information under this subsection.

1 X. Notwithstanding any other provision of this section, the
2 department may not disclose information provided by an online lodging
3 marketplace, as defined in section 42-5076, without the written consent of
4 the online lodging marketplace, and the information may be disclosed only
5 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,
6 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such
7 information:

8 1. Is not subject to disclosure pursuant to title 39, relating to
9 public records.

10 2. May not be disclosed to any agency of this state or of any
11 county, city, town or other political subdivision of this state.

12 Sec. 5. Section 43-222, Arizona Revised Statutes, is amended to
13 read:

14 43-222. Income tax credit review schedule

15 The joint legislative income tax credit review committee shall
16 review the following income tax credits:

17 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
18 43-1089.04, 43-1167.01 and 43-1175.

19 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
20 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,
21 43-1164.03 and 43-1183.

22 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
23 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164,
24 43-1165, and 43-1181.

25 4. For years ending in 3 and 8, sections 43-1074.01, 43-1168,
26 43-1170 and 43-1178.

27 5. For years ending in 4 and 9, sections 43-1073.01, 43-1080,
28 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, 43-1166 and
29 43-1184.

30 Sec. 6. Title 43, chapter 10, article 5, Arizona Revised Statutes,
31 is amended by adding section 43-1080, to read:

32 43-1080. Credit for rural fund capital investments; rules;
33 definitions

34 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024, A
35 CREDIT IS ALLOWED AGAINST THE TAX LIABILITY IMPOSED PURSUANT TO THIS
36 CHAPTER FOR CREDIT-ELIGIBLE CAPITAL INVESTMENTS TO A RURAL FUND AS
37 CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO SECTION 41-1515.

38 B. THE AMOUNT OF THE CREDIT FOR THE TAXABLE YEAR IS AN AMOUNT EQUAL
39 TO THE APPLICABLE PERCENTAGE FOR THE CREDIT ALLOWANCE DATE MULTIPLIED BY
40 THE PURCHASE PRICE PAID TO THE RURAL FUND FOR THE CAPITAL INVESTMENT. TO
41 CLAIM THE CREDIT, THE TAXPAYER MUST SUBMIT A COPY OF THE ARIZONA COMMERCE
42 AUTHORITY CERTIFICATION PROVIDED PURSUANT TO SECTION 41-1515 WITH EACH
43 YEAR'S TAX RETURN.

1 C. IF THE AMOUNT OF THE ALLOWABLE CREDIT FOR A TAXABLE YEAR EXCEEDS
2 THE AMOUNT OF TAX DUE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAX
3 MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS
4 A CREDIT AGAINST SUBSEQUENT YEARS' TAX LIABILITY.

5 D. IF THE ARIZONA COMMERCE AUTHORITY RECAPTURES THE CREDIT
6 CERTIFICATE AND RELATED CAPITAL INVESTMENT AUTHORITY PURSUANT TO SECTION
7 41-1515, SUBSECTION K, THE DEPARTMENT SHALL DISALLOW ANY FURTHER CREDITS
8 CLAIMED BY THE TAXPAYER.

9 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP,
10 MEMBERS OF A LIMITED LIABILITY COMPANY AND SHAREHOLDERS OF AN S
11 CORPORATION, AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY
12 EACH CLAIM THE PRO RATA SHARE OF THE TAX CREDIT ALLOWED UNDER THIS SECTION
13 BASED ON OWNERSHIP INTERESTS. THE TOTAL AMOUNT OF THE TAX CREDITS ALLOWED
14 ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED A
15 SOLE OWNER.

16 F. THE DEPARTMENT, WITH THE COOPERATION OF THE ARIZONA COMMERCE
17 AUTHORITY, SHALL ADOPT RULES AND PRESCRIBE FORMS TO ADMINISTER THIS
18 SECTION.

19 G. FOR THE PURPOSES OF THIS SECTION, "APPLICABLE PERCENTAGE",
20 "CAPITAL INVESTMENT", "CREDIT ALLOWANCE DATE" AND "PURCHASE PRICE" HAVE
21 THE SAME MEANINGS PRESCRIBED IN SECTION 41-1515.

22 Sec. 7. Title 43, chapter 11, article 6, Arizona Revised Statutes,
23 is amended by adding section 43-1166, to read:

24 43-1166. Credit for rural fund capital investments;
25 definitions

26 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024, A
27 CREDIT IS ALLOWED AGAINST THE TAX LIABILITY IMPOSED PURSUANT TO THIS
28 CHAPTER FOR CREDIT-ELIGIBLE CAPITAL INVESTMENTS TO A RURAL FUND AS
29 CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO SECTION 41-1515.

30 B. THE AMOUNT OF THE CREDIT FOR THE TAXABLE YEAR IS AN AMOUNT EQUAL
31 TO THE APPLICABLE PERCENTAGE FOR THE CREDIT ALLOWANCE DATE MULTIPLIED BY
32 THE PURCHASE PRICE PAID TO THE RURAL FUND FOR THE CAPITAL INVESTMENT. TO
33 CLAIM THE CREDIT, THE TAXPAYER MUST SUBMIT A COPY OF THE ARIZONA COMMERCE
34 AUTHORITY CERTIFICATION PROVIDED PURSUANT TO SECTION 41-1515 WITH EACH
35 YEAR'S TAX RETURN.

36 C. IF THE AMOUNT OF THE ALLOWABLE CREDIT FOR A TAXABLE YEAR EXCEEDS
37 THE AMOUNT OF TAX DUE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAX
38 MAY BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS
39 A CREDIT AGAINST SUBSEQUENT YEARS' TAX LIABILITY.

40 D. IF THE ARIZONA COMMERCE AUTHORITY RECAPTURES THE CREDIT
41 CERTIFICATE AND RELATED CAPITAL INVESTMENT AUTHORITY PURSUANT TO SECTION
42 41-1515, SUBSECTION K, THE DEPARTMENT SHALL DISALLOW ANY FURTHER CREDITS
43 CLAIMED BY THE TAXPAYER.

1 E. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
2 PARTNERSHIP, MAY EACH CLAIM THE PRO RATA SHARE OF THE TAX CREDIT ALLOWED
3 UNDER THIS SECTION BASED ON OWNERSHIP INTERESTS. THE TOTAL AMOUNT OF THE
4 TAX CREDITS ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD
5 HAVE BEEN ALLOWED A SOLE OWNER.

6 F. THE DEPARTMENT, WITH THE COOPERATION OF THE ARIZONA COMMERCE
7 AUTHORITY, SHALL ADOPT RULES AND PRESCRIBE FORMS TO ADMINISTER THIS
8 SECTION.

9 G. FOR THE PURPOSES OF THIS SECTION, "APPLICABLE PERCENTAGE",
10 "CAPITAL INVESTMENT", "CREDIT ALLOWANCE DATE" AND "PURCHASE PRICE" HAVE
11 THE SAME MEANINGS PRESCRIBED IN SECTION 41-1515.

12 Sec. 8. Purpose

13 Pursuant to section 43-223, Arizona Revised Statutes, the
14 legislature enacts sections 43-1080 and 43-1166, Arizona Revised Statutes,
15 as added by this act, to encourage capital investments to grow the economy
16 in rural areas in this state by attracting new business, stimulating the
17 growth of existing business and creating jobs in rural areas.