

PROPOSED

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. The Arizona commerce authority.~~

10 ~~8.~~ 7. The department of child safety.

11 ~~9.~~ 8. The department of transportation.

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

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

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

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

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

30 L. An agency, including an agency listed in subsection F of this
31 section, may accept compensation for placing public service announcements

1 on state-owned motor vehicles, and monies received shall be deposited,
2 pursuant to sections 35-146 and 35-147, in the state general fund. The
3 agency director shall determine the appropriateness of the announcements,
4 may exempt any motor vehicles that are not suitable for advertising and may
5 contract with private parties to design and place the announcements.

6 M. NOTWITHSTANDING SUBSECTION H OF THIS SECTION, THE ARIZONA
7 COMMERCE AUTHORITY MAY PURCHASE, LEASE OR RENT MOTOR VEHICLES USING
8 NONSTATE MONIES. VEHICLES PURCHASED, LEASED OR RENTED UNDER THIS
9 SUBSECTION SHALL BE USED BY THE ARIZONA COMMERCE AUTHORITY ONLY FOR THE
10 ARIZONA COMMERCE AUTHORITY'S PURPOSES.

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

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

25 41-710.03. State broadband office; director; powers and duties

26 A. The state broadband office is established in the ~~authority~~
27 DEPARTMENT.

28 B. The state broadband office consists of the state broadband
29 director, who serves at the pleasure of the ~~chief executive officer~~
30 DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION. The ~~chief executive officer~~

1 **DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION** may hire staff for the state
2 broadband office to do the following:

3 1. Coordinate the implementation of local, state and federal
4 broadband programs.

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

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

10 4. Provide guidance and support to local and state public and
11 private partners on federal, state and local broadband policies and
12 practices.

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

16 6. Work with local partners, state and federal agencies and
17 telecommunication providers to develop plans to improve internet
18 connectivity and resiliency in this state.

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

22 D. The state broadband office may develop rules and guidelines to
23 implement this section.

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

26 41-1049. Proposed rulemaking; regulatory costs; legislative
27 ratification; applicability

28 A. **NOTWITHSTANDING ANY OTHER LAW, AN AGENCY SHALL SUBMIT A PROPOSED**
29 **RULE THAT IS ESTIMATED TO INCREASE REGULATORY COSTS IN THIS STATE BY MORE**
30 **THAN \$100,000 WITHIN FIVE YEARS AFTER IMPLEMENTATION TO THE OFFICE OF**
31 **ECONOMIC OPPORTUNITY FOR REVIEW. IF THE OFFICE OF ECONOMIC OPPORTUNITY**

1 CONFIRMS THAT THE PROPOSED RULE IS ESTIMATED TO INCREASE REGULATORY COSTS
2 IN THIS STATE BY MORE THAN \$500,000 WITHIN FIVE YEARS AFTER IMPLEMENTATION,
3 THE PROPOSED RULE MAY NOT BECOME EFFECTIVE UNTIL THE LEGISLATURE ENACTS
4 LEGISLATION RATIFYING THE PROPOSED RULE.

5 B. THE OFFICE OF ECONOMIC OPPORTUNITY SHALL SUBMIT THE PROPOSED RULE
6 TO THE ADMINISTRATIVE RULES OVERSIGHT COMMITTEE NOT LATER THAN THIRTY DAYS
7 BEFORE THE NEXT REGULAR LEGISLATIVE SESSION. THE COMMITTEE MUST SUBMIT THE
8 PROPOSED RULE TO THE LEGISLATURE AS SOON AS PRACTICABLE.

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

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

18 E. IF A PERSON IS REGULATED BY AN AGENCY THAT IS PROPOSING A RULE,
19 THAT PERSON MAY REQUEST THE OFFICE OF ECONOMIC OPPORTUNITY TO REVIEW THE
20 RULE. A LEGISLATOR MAY ALSO REQUEST THE OFFICE OF ECONOMIC OPPORTUNITY TO
21 REVIEW A PROPOSED RULE.

22 F. THIS SECTION DOES NOT APPLY TO EMERGENCY RULES ADOPTED PURSUANT
23 TO SECTION 41-1026.

24 G. BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION, A RULE
25 PRESCRIBED BY SUBSECTION A OF THIS SECTION IS VOID AND UNENFORCEABLE UNLESS
26 THE RULE IS RATIFIED AS PRESCRIBED BY THIS SECTION.

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

28 Sec. 5. Heading change

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

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

3 41-1502. Arizona commerce authority; board of directors;
4 advisory council; conduct of office; audit; annual
5 report; definitions

6 A. The Arizona commerce authority is established **IN THE OFFICE OF**
7 **ECONOMIC OPPORTUNITY**. The mission of the authority is to provide private
8 sector leadership in growing and diversifying the economy of this state,
9 creating high quality employment in this state through expansion,
10 attraction and retention of businesses and marketing this state for the
11 purpose of expansion, attraction and retention of businesses.

12 B. The authority is governed by a board of directors consisting of:

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

14 ~~2. The chief executive officer.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 1. NINE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR CONSISTING OF THE
14 FOLLOWING:

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

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

20 (c) FOUR MEMBERS OF THE PUBLIC.

21 2. EIGHT MEMBERS CONSISTING OF THE FOLLOWING:

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

25 (b) THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE OR THE
26 DIRECTOR'S DESIGNEE.

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

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

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

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

8 C. THE BOARD SHALL ESTABLISH AN ADVISORY COUNCIL CONSISTING OF THE
9 FOLLOWING MEMBERS FROM THE BOARD:

10 1. THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE OR THE
11 DIRECTOR'S DESIGNEE.

12 2. THE MEMBER FROM AN ORGANIZATION REPRESENTING INDEPENDENT
13 BUSINESSES IN THIS STATE.

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

15 4. THE MEMBER REPRESENTING A TAX RESEARCH ORGANIZATION IN THIS
16 STATE.

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

20 D. THE ADVISORY COUNCIL SHALL:

21 1. SURVEY ALL BUSINESSES IN THIS STATE TO ASSESS ALL OF THE
22 FOLLOWING:

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

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

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

28 2. ON OR BEFORE DECEMBER 31 OF EACH YEAR, SUBMIT A REPORT TO THE
29 GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
30 REPRESENTATIVES AND THE CHAIRPERSON OF THE BOARD SUMMARIZING THE ADVISORY
31 COUNCIL'S FINDINGS AND RECOMMENDATIONS CONCERNING THE ASSESSMENT PURSUANT

1 TO THIS SUBSECTION. THE ADVISORY COUNCIL SHALL PROVIDE A COPY OF THIS
2 REPORT TO THE SECRETARY OF STATE.

3 E. THE BOARD SHALL MEET QUARTERLY AND AT THE CALL OF THE
4 CHAIRPERSON.

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

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

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

16 ~~2. The state land commissioner.~~

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

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

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

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

21 ~~7. The director of the department of insurance and financial
22 institutions.~~

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

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

26 E. G. The governor shall appoint a ~~cochairperson~~ CHAIRPERSON of the
27 board of directors from among the ~~voting~~ members. The board may establish
28 an executive committee consisting of the chairperson, ~~the cochairperson,~~
29 ~~the chief executive officer,~~ and additional ~~voting~~ members of the board
30 elected by the board. The chairperson may appoint subcommittees as
31 necessary.

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

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

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

7 2. ANNUALLY SUBMIT A COMPLETE FINANCIAL DISCLOSURE STATEMENT
8 INDICATING ALL FINANCIAL HOLDINGS OF THE MEMBER TO THE CHIEF EXECUTIVE
9 OFFICER AND THE CHAIRPERSON OF THE BOARD.

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

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

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

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

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

29 3. Activities and events held in public for the purpose of
30 announcing the expansion, attraction and retention of projects are not
31 public meetings.

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

4 ~~N~~. N. The board of directors shall adopt written policies,
5 procedures and guidelines for standards of conduct, including a gift
6 policy, for members of the board and for officers and employees of the
7 authority.

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

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

20 ~~Q~~. Q. All state agencies shall cooperate with the authority and
21 make available data pertaining to the functions of the authority as
22 requested by the authority.

23 R. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE AUTHORITY SHALL SUBMIT
24 A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF
25 THE HOUSE OF REPRESENTATIVES THAT IDENTIFIES THE NUMBER OF JOBS CREATED IN
26 THIS STATE IN THE PREVIOUS CALENDAR YEAR AND CATEGORIZES EACH JOB AS EITHER
27 A DIRECT JOB THAT WAS CREATED BY PROGRAMS ADMINISTERED BY THE AUTHORITY, AN
28 INDIRECT JOB OR AN INDUCED JOB AND SHALL PROVIDE A COPY OF THIS REPORT TO
29 THE SECRETARY OF STATE.

1 S. FOR THE PURPOSES OF THIS SECTION:

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

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

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

8 Sec. 7. Section 41-1503, Arizona Revised Statutes, is amended to
9 read:

10 41-1503. Chief executive officer

11 A. The ~~board of directors~~ GOVERNOR shall ~~employ~~ APPOINT a chief
12 executive officer ~~and prescribe the terms and conditions of the chief~~
13 ~~executive officer's employment~~ PURSUANT TO SECTION 38-211 FROM A LIST OF
14 THREE QUALIFIED PERSONS SUBMITTED JOINTLY TO THE GOVERNOR BY THE PRESIDENT
15 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. The chief
16 executive officer serves at the pleasure of the ~~board~~ GOVERNOR under the
17 terms of a ~~performance based~~ PERFORMANCE-BASED contract.

18 B. The chief executive officer is responsible for managing,
19 administering and supervising the activities of the authority.

20 C. The chief executive officer shall negotiate, make, execute,
21 acknowledge and perform contracts and other agreements in the interest of
22 the authority or to carry out or accomplish the purposes of this chapter.

23 Sec. 8. Section 41-1504, Arizona Revised Statutes, is amended to
24 read:

25 41-1504. Powers and duties; e-verify requirement; definitions

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

27 1. Adopt and use a corporate seal.

28 2. Sue and be sued.

29 3. Enter into contracts as necessary to carry out the purposes and
30 requirements of this chapter, including intergovernmental agreements

1 pursuant to title 11, chapter 7, article 3 and interagency service
2 agreements as provided by section 35-148.

3 4. Lease real property and improvements to real property for the
4 purposes of the authority. Leases by the authority are exempt from
5 chapter 4, article 7 of this title, relating to management of state
6 properties.

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

9 ~~6.~~ 5. Develop and use written policies, procedures and guidelines
10 for the terms and conditions of employing officers and employees of the
11 authority and may include background checks of appropriate personnel.

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

13 1. Develop comprehensive long-range strategic economic plans for
14 this state and submit the plans to the governor.

15 2. Annually update a strategic economic plan for submission to the
16 governor.

17 3. Accept gifts, grants and loans and enter into contracts and other
18 transactions with any federal or state agency, municipality, private
19 organization or other source.

20 C. The authority shall:

21 1. Assess and collect fees for processing applications and
22 administering incentives. The board shall adopt the manner of computing
23 the amount of each fee to be assessed. Within thirty days after proposing
24 fees for adoption, the chief executive officer shall submit a schedule of
25 the fees for review by the joint legislative budget committee. It is the
26 intent of the legislature that a fee shall not exceed one percent of the
27 amount of the incentive.

28 2. Determine and collect registry fees for the administration of the
29 allocation of federal tax exempt industrial development bonds and student
30 loan bonds authorized by the authority. Such monies collected by the
31 authority shall be deposited, pursuant to sections 35-146 and 35-147, in an

1 application fees fund. Monies in the fund shall be used, subject to annual
2 appropriation by the legislature, by the authority to administer the
3 allocations provided in this paragraph and are exempt from the provisions
4 of section 35-190 relating to the lapsing of appropriations.

5 3. Determine and collect security deposits for the allocation, for
6 the extension of allocations and for the difference between allocations and
7 principal amounts of federal tax exempt industrial development bonds and
8 student loan bonds authorized by the authority. Security deposits
9 forfeited to the authority shall be deposited in the state general fund.

10 4. At the direction of the board, establish and supervise the
11 operations of full-time or part-time offices in other states and foreign
12 countries for the purpose of expanding direct investment and export trade
13 opportunities for businesses and industries in this state if, based on
14 objective research, the authority determines that the effort would be
15 beneficial to the economy of this state.

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

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

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

23 (b) To the extent not prohibited by law, information on each
24 incentive application approved by the authority in the fiscal year,
25 including the amount of the incentive approved or awarded and the
26 applicant's activity that is projected or has been achieved, whichever is
27 applicable, to qualify for the incentive.

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

29 (d) Small business outreach and impact data.

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

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

5 ~~(b) Procedures for verification of information submitted by~~
6 ~~grantees.~~

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

9 ~~8.~~ 7. Notwithstanding any other law, on request of the office of
10 economic opportunity, disclose to the office of economic opportunity
11 applicant information for incentives administered, in whole or in part, by
12 the authority. Any confidentiality requirements provided by law applicable
13 to the information disclosed pursuant to this paragraph apply to the office
14 of economic opportunity.

15 8. CONDUCT A WRITTEN EVALUATION FOR EACH GRANT THE AUTHORITY
16 PROVIDES THAT DEMONSTRATES COMPLIANCE WITH THIS SECTION. EACH EVALUATION
17 SHALL BE MADE PUBLICLY AVAILABLE ON THE AUTHORITY'S WEBSITE.

18 D. The authority, through the chief executive officer, may:

19 1. Contract and incur obligations reasonably necessary or desirable
20 within the general scope of the authority's activities and operations to
21 enable the authority to adequately perform its duties.

22 2. Use monies, facilities or services to provide matching
23 contributions under federal or other programs that further the objectives
24 and programs of the authority.

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

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

1 5. Establish and maintain one or more accounts in banks or other
2 depositories, for public or private monies of the authority, from which
3 operational activities, including payroll, vendor and grant payments, may
4 be conducted. Individual funds that are established by law under the
5 jurisdiction of the authority may be maintained in separate accounts in
6 banks or other depositories, but shall not be commingled with any other
7 monies or funds of the authority.

8 E. THE AUTHORITY MAY NOT PROVIDE ANY GRANTS TO AN ENTITY IN THIS
9 STATE UNLESS THE AUTHORITY DETERMINES THAT THE GRANT IS SERVING A PUBLIC
10 PURPOSE AND THIS STATE RECEIVES SUFFICIENT CONSIDERATION IN EXCHANGE FOR
11 THE GRANT.

12 F. A TAXPAYER IN THIS STATE HAS STANDING TO CHALLENGE THE
13 AUTHORITY'S COMPLIANCE WITH SUBSECTION E OF THIS SECTION. THE TAXPAYER MAY
14 RECOVER REASONABLE ATTORNEY FEES AND COSTS IF THE TAXPAYER PREVAILS IN THE
15 ACTION.

16 ~~E.~~ G. The chief executive officer shall:

17 1. Hire employees and prescribe the terms and conditions of their
18 employment as necessary to carry out the purposes of the authority. The
19 board of directors shall adopt written policies, procedures and guidelines,
20 similar to those adopted by the department of administration, regarding
21 officer and employee compensation, observed holidays, leave and
22 reimbursement of travel expenses and health and accident insurance. The
23 officers and employees of the authority are exempt from any laws regulating
24 state employment, including:

25 (a) Chapter 4, articles 5 and 6 of this title, relating to state
26 service.

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

29 (c) Title 38, chapter 4, article 2, relating to reimbursement of
30 state employee expenses.

1 (d) Title 38, chapter 4, article 4, relating to health and accident
2 insurance.

3 2. Maintain three full-time employees to serve as advocates for
4 small and rural businesses on economic development and regulatory matters
5 before cities, towns, counties or state agencies. Two of the full-time
6 employees shall be dedicated to small business growth, support and
7 regulation, one of whom shall serve as a small business ombudsman. One of
8 the full-time employees shall be dedicated to rural economic development.

9 3. On a quarterly basis, provide public record data in a manner
10 prescribed by the department of administration related to the authority's
11 revenues and expenditures for inclusion in the comprehensive database of
12 receipts and expenditures of state monies pursuant to section 41-725.

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

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

21 ~~H.~~ J. The authority is exempt from title 18, chapter 1, articles 1
22 and 2, relating to statewide information technology. The authority shall
23 adopt policies, procedures and guidelines regarding information technology.

24 ~~I.~~ K. The authority is exempt from state general accounting and
25 finance practices and rules adopted pursuant to chapter 4, article 3 of
26 this title, but the board shall adopt written accounting practices, systems
27 and procedures for the economic and efficient operation of the authority.

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

30 ~~K.~~ M. The authority may **NOT USE STATE MONIES TO** lease or purchase
31 motor vehicles for use by employees to conduct business activities. The

1 authority ~~is exempt from~~ MAY PARTICIPATE IN THE STATE MOTOR VEHICLE FLEET
2 PURSUANT TO section 28-472, ~~relating to the state motor vehicle fleet, and.~~
3 FOR ANY MOTOR VEHICLES PURCHASED OR LEASED, THE AUTHORITY IS EXEMPT FROM
4 title 38, chapter 3, article 10, relating to vehicle usage and markings.

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

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

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

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

17 O. FOR THE PURPOSES OF THIS SECTION:

18 1. "CONSIDERATION":

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

22 (b) DOES NOT INCLUDE:

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

24 (ii) THE PROMISE TO EMPLOY ANY PERSON.

25 (iii) THE RECEIPT OF TAX REVENUE.

26 2. "PUBLIC PURPOSE":

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

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

4 Sec. 9. Repeal

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

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

8 41-1507. Chief executive officer forums; prohibition

9 NOTWITHSTANDING ANY OTHER LAW, THE AUTHORITY MAY NOT HOST CHIEF
10 EXECUTIVE OFFICER FORUMS AND MAY NOT ENGAGE IN ANY MARKETING STRATEGIES
11 THAT REQUIRE EXPENDITURES TO BE PAID TO PROVIDE ATTENDEES LODGING,
12 TRANSPORTATION OR ACCESS FOR EVENTS IN THIS STATE.

13 Sec. 11. Repeal

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

16 Sec. 12. Section 41-2706, Arizona Revised Statutes, is amended to
17 read:

18 41-2706. Applicability of chapter

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

21 B. This chapter does not apply to:

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

26 2. The Arizona board of regents and schools, colleges, institutions
27 and universities under its control if the Arizona board of regents adopts
28 rules or policies governing the award of grants that encourage as much
29 competition as practicable.

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

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

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

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

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

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

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

23 Sec. 13. Section 43-409, Arizona Revised Statutes, is amended to
24 read:

25 43-409. Job creation withholdings clearing account

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

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

30 ~~1.~~ to the Arizona commerce authority fund established by section
31 41-1506, one-twelfth of the annual sum of \$10,000,000 in each fiscal year.

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

3 Sec. 14. Section 43-1022, Arizona Revised Statutes, is amended to
4 read:

5 43-1022. Subtractions from Arizona gross income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 12. The amount of unreimbursed medical and hospital costs, adoption
30 counseling, legal and agency fees and other nonrecurring costs of adoption
31 not to exceed \$3,000. In the case of a husband and wife who file separate

1 returns, the subtraction may be taken by either taxpayer or may be divided
2 between them, but the total subtractions allowed both husband and wife may
3 not exceed \$3,000. The subtraction under this paragraph may be taken for
4 the costs that are described in this paragraph and that are incurred in
5 prior years, but the subtraction may be taken only in the year during which
6 the final adoption order is granted.

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

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

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

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

21 17. For property placed in service:

22 (a) In taxable years beginning before December 31, 2012, an amount
23 equal to the depreciation allowable pursuant to section 167(a) of the
24 internal revenue code for the taxable year computed as if the election
25 described in section 168(k) of the internal revenue code had been made for
26 each applicable class of property in the year the property was placed in
27 service.

28 (b) In taxable years beginning from and after December 31, 2012
29 through December 31, 2013, an amount determined in the year the asset was
30 placed in service based on the calculation in subdivision (a) of this
31 paragraph. In the first taxable year beginning from and after December 31,

1 2013, the taxpayer may elect to subtract the amount necessary to make the
2 depreciation claimed to date for the purposes of this title the same as it
3 would have been if subdivision (c) of this paragraph had applied for the
4 entire time the asset was in service. Subdivision (c) of this paragraph
5 applies for the remainder of the asset's life. If the taxpayer does not
6 make the election under this subdivision, subdivision (a) of this paragraph
7 applies for the remainder of the asset's life.

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

14 (d) In taxable years beginning from and after December 31, 2015
15 through December 31, 2016, 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 fifty-five percent of the amount allowed pursuant to section 168(k) of the
19 internal revenue code.

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

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

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

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

8 (b) \$4,000 per beneficiary for a married couple filing a joint
9 return. In the case of a husband and wife who file separate returns, the
10 subtraction may be taken by either taxpayer or may be divided between them,
11 but the total subtractions allowed both husband and wife may not exceed
12 \$4,000 per beneficiary.

13 20. The portion of the net operating loss carryforward that would
14 have been allowed as a deduction in the current year pursuant to section
15 172 of the internal revenue code if the election described in section
16 172(b)(1)(H) of the internal revenue code had not been made in the year of
17 the loss that exceeds the actual net operating loss carryforward that was
18 deducted in arriving at federal adjusted gross income. This subtraction
19 only applies to taxpayers who made an election under section 172(b)(1)(H)
20 of the internal revenue code as amended by section 1211 of the American
21 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section
22 13 of the worker, homeownership, and business assistance act of 2009
23 (P.L. 111-92).

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

29 ~~22.~~ 21. An amount of any net long-term capital gain included in
30 federal adjusted gross income for the taxable year that is derived from an
31 investment in an asset acquired after December 31, 2011, as follows:

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

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

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

14 ~~23.~~ 22. If an individual is not claiming itemized deductions
15 pursuant to section 43-1042, the amount of premium costs for long-term care
16 insurance, as defined in section 20-1691.

17 ~~24.~~ 23. The amount of eligible access expenditures paid or incurred
18 during the taxable year to comply with the requirements of the Americans
19 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
20 article 8 as provided by section 43-1024.

21 ~~25.~~ 24. For taxable years beginning from and after December 31,
22 2017, the amount of any net capital gain included in Arizona gross income
23 for the taxable year that is derived from the exchange of one kind of legal
24 tender for another kind of legal tender. For the purposes of this
25 paragraph:

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

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

1 ~~26.~~ 25. Benefits, annuities and pensions received as retired or
2 retainer pay of the uniformed services of the United States in amounts as
3 follows:

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

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

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

10 ~~27.~~ 26. For taxable years beginning from and after December 31,
11 2020, the amount contributed during the taxable year to an achieving a
12 better life experience account established pursuant to section 529A of the
13 internal revenue code on behalf of the designated beneficiary to the extent
14 that the contributions were not deducted in computing federal adjusted
15 gross income. The amount subtracted may not exceed:

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

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

23 ~~28.~~ 27. For taxable years beginning from and after December 31,
24 2020, Arizona small business gross income but only if an individual
25 taxpayer has elected to separately report and pay tax on the taxpayer's
26 Arizona small business adjusted gross income on the Arizona small business
27 income tax return.

28 ~~29.~~ 28. To the extent not already excluded from Arizona gross
29 income under the internal revenue code, the value of virtual currency and
30 non-fungible tokens the taxpayer received pursuant to an airdrop at the
31 time of the airdrop. This paragraph may not be interpreted as providing a

1 subtraction for any appreciation in value that occurs from holding the
2 virtual currency after the initial receipt of the airdrop. For the
3 purposes of this paragraph:

4 (a) "Airdrop" means the receipt of virtual currency through a means
5 of distribution of virtual currency to the distributed ledger addresses of
6 multiple taxpayers.

7 (b) "Non-fungible token" has the same meaning prescribed in section
8 43-1028.

9 (c) "Virtual currency" has the same meaning prescribed in section
10 43-1028.

11 ~~30~~ 29. The amount allowed as a subtraction by section 43-1028 for
12 gas fees not already included in the taxpayer's virtual currency or
13 non-fungible token basis.

14 Sec. 15. Section 43-1024, Arizona Revised Statutes, is amended to
15 read:

16 43-1024. Americans with disabilities act access expenditures

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

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

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

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

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

4 4. Acquire or modify equipment or devices for individuals with
5 disabilities.

6 5. Provide other similar services, modifications, materials or
7 equipment.

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

13 Sec. 16. Section 43-1073, Arizona Revised Statutes, is amended to
14 read:

15 43-1073. Family income tax credit

16 A. Subject to the conditions prescribed by this section, a credit is
17 allowed against the taxes imposed by this chapter for a taxable year for
18 taxpayers whose Arizona adjusted gross income, plus the amount subtracted
19 for exemptions under section 43-1023 and the amount subtracted for Arizona
20 small business gross income under section 43-1022, paragraph ~~26~~ 27, is:

21 1. \$20,000 or less in the case of a married couple filing a joint
22 return with not more than one dependent or a single person who is a head of
23 a household with not more than one dependent.

24 2. \$23,600 or less in the case of a married couple filing a joint
25 return with two dependents.

26 3. \$27,300 or less in the case of a married couple filing a joint
27 return with three dependents.

28 4. \$31,000 or less in the case of a married couple filing a joint
29 return with four or more dependents.

30 5. \$20,135 or less in the case of a single person who is a head of a
31 household with two dependents.

1 6. \$23,800 or less in the case of a single person who is a head of a
2 household with three dependents.

3 7. \$25,200 or less in the case of a single person who is a head of a
4 household with four dependents.

5 8. \$26,575 or less in the case of a single person who is a head of a
6 household with five or more dependents.

7 9. \$10,000 or less in the case of a single person or a married
8 person filing separately.

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

12 1. \$240 in the case of a married couple filing a joint return or a
13 single person who is a head of a household.

14 2. \$120 in the case of a single person or a married couple filing
15 separately.

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

18 Sec. 17. Section 43-1074.01, Arizona Revised Statutes, is amended to
19 read:

20 43-1074.01. Credit for increased research activities

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

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

28 (a) If the excess is \$2,500,000 or less:

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

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

3 (b) If the excess is over \$2,500,000:

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

7 (ii) For taxable years beginning from and after December 31, 2030,
8 the credit is equal to \$500,000 plus eleven percent of any amount exceeding
9 \$2,500,000.

10 (c) For taxable years beginning from and after December 31, 2011, an
11 additional credit amount is allowed if the taxpayer made basic research
12 payments during the taxable year to a university under the jurisdiction of
13 the Arizona board of regents. The additional credit amount is equal to ten
14 percent of the excess, if any, of the basic research payments over the
15 qualified organization base period amount for the taxable year. The
16 department shall not allow credit amounts under this subdivision and
17 section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed, in
18 the aggregate, a combined total of \$10,000,000 in any calendar
19 year. Subject to that limit, on application by the taxpayer, the
20 department shall certify credit amounts under this subdivision and section
21 43-1168, subsection A, paragraph 1, subdivision (d) based on priority
22 placement established by the date that the taxpayer filed the application.
23 For taxable years beginning from and after December 31, 2014, any basic
24 research payments used to determine the additional credit under this
25 subdivision must first receive certification from the Arizona commerce
26 authority pursuant to section 41-1507.01. The additional credit amount
27 under this subdivision shall not exceed the amount allowed based on actual
28 basic research payments or the department's certification, whichever is
29 less. If an application, if certified in full, would exceed the
30 \$10,000,000 limit, the department shall certify only an amount within that
31 limit. After the limit is attained, the department shall deny any

1 subsequent applications regardless of whether other certified amounts are
2 not actually claimed as a credit or other taxpayers fail to qualify to
3 actually claim certified amounts. Notwithstanding subsections B and C of
4 this section, any amount of the additional credit under this subdivision
5 that exceeds the taxes otherwise due under this title is not refundable,
6 but may be carried forward to the next five consecutive taxable years. For
7 the purposes of this subdivision, "basic research payments" and "qualified
8 organization base period amount" have the same meanings prescribed by
9 section 41(e) of the internal revenue code without regard to whether the
10 taxpayer is or is not a corporation.

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

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

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

20 5. The termination provisions of section 41 of the internal revenue
21 code do not apply.

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

1 that may be used in any taxable year may not exceed the taxpayer's tax
2 liability under this title minus the credit under this section for the
3 current taxable year's qualified research expenses. ~~A taxpayer who carries~~
4 ~~forward any amount of credit under this subsection may not thereafter claim~~
5 ~~a refund of any amount of the credit under subsection C of this section.~~

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

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

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

22 ~~3. The refund shall be paid in the manner prescribed by section~~
23 ~~42-1118.~~

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

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

1 Sec. 18. 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 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 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 pursuant to section 41-1517.

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

1 facility in this state, an additional two and one-half percent of the total
2 qualified production costs as approved by the Arizona commerce authority
3 pursuant to section 41-1517.

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

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

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

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

19 1. Do either of the following:

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

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

27 2. Maintain the motion picture production company's production labor
28 positions in this state.

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

1 4. Receive preapproval and postapproval from the Arizona commerce
2 authority pursuant to section 41-1517.

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

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

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

24 G. The department shall maintain annual data on the total amount of
25 monies credited pursuant to this section and shall provide the data to the
26 Arizona commerce authority on request.

27 H. The department shall adopt fees and rules and publish and
28 prescribe forms and procedures as necessary to administer this section and
29 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. 19. 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 under section 41-1512,
13 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 notwithstanding any intervening repeal or other termination of
21 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 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.

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.

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

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

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

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

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

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

24 1. Notify the department, on a form prescribed by the department, of
25 any full-time employment position for which a credit was claimed under this
26 section and that was vacant for more than one hundred fifty days after the
27 date the full-time employment position was originally filled to the end of
28 that taxable year. The period that a full-time employment position was
29 vacant may not include the period before the full-time employment position
30 was filled for the first time.

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

5 Sec. 20. Section 43-1164.04, Arizona Revised Statutes, is amended to
6 read:

7 43-1164.04. Credit for qualified facilities

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

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

19 1. Ten percent of the lesser of:

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

21 (b) Either:

22 (i) If the total qualifying investment is less than \$2,000,000,000,
23 \$200,000 for each net new full-time employment position that has job duties
24 associated with the qualified facility.

25 (ii) If the total qualifying investment is \$2,000,000,000 or more,
26 \$300,000 for each net new full-time employment position that has job duties
27 associated with the qualified facility.

28 2. The amount of the credit shall not exceed the postapproval amount
29 determined by the Arizona commerce authority under section 41-1512,
30 subsection P.

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

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

4 (b) The taxpayer may claim all five annual installments of a credit
5 that was preapproved before January 1, 2031 by the Arizona commerce
6 authority notwithstanding any intervening repeal or other termination of
7 the credit.

8 C. To claim the credit the taxpayer must:

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

10 2. Receive preapproval and postapproval from the Arizona commerce
11 authority pursuant to section 41-1512.

12 3. Submit to the department a copy of a current and valid
13 certification of qualification issued to the taxpayer by the Arizona
14 commerce authority.

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

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

1 F. If the allowable tax credit for a taxable year exceeds the income
2 taxes otherwise due on the claimant's income, or if there are no state
3 income taxes due on the claimant's income, **THE TAXPAYER MAY CARRY** the
4 amount of the claim not used as an offset against income taxes ~~shall be~~
5 ~~paid to the taxpayer in the same manner as a refund under section~~
6 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
7 ~~under section 42-1122. If the department determines that a refund is~~
8 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
9 ~~pursuant to section 42-1108~~ **FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE**
10 **YEARS' INCOME TAX LIABILITY.**

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

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

1 I. The department of revenue shall adopt rules and prescribe forms
2 and procedures as necessary for the purposes of this section. The
3 department of revenue and the Arizona commerce authority shall collaborate
4 in adopting rules as necessary to avoid duplication and contradictory
5 requirements while accomplishing the intent and purposes of this section.

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

9 1. Notify the department, on a form prescribed by the department, of
10 any full-time employment position for which a credit was claimed under this
11 section and that was vacant for more than one hundred fifty days after the
12 date the full-time employment position was originally filled to the end of
13 that taxable year. The period that a full-time employment position was
14 vacant may not include the period before the full-time employment position
15 was filled for the first time.

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

20 Sec. 21. Section 43-1165, Arizona Revised Statutes, is amended to
21 read:

22 43-1165. Credit for motion picture production costs;
23 qualifications; data maintenance; rules;
24 definitions

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

1 1. An amount equal to a percentage of the total amount of the
2 qualified production costs as approved by the Arizona commerce authority
3 pursuant to section 41-1517 as follows:

4 (a) For a motion picture production company that spends up to
5 \$10,000,000, fifteen percent.

6 (b) For a motion picture production company that spends more than
7 \$10,000,000 but less than \$35,000,000, seventeen and one-half percent.

8 (c) For a motion picture production company that spends more than
9 \$35,000,000, twenty percent.

10 2. An additional two and one-half percent of the motion picture
11 production company's production labor costs related to positions held by
12 residents of this state as approved by the Arizona commerce authority
13 pursuant to section 41-1517.

14 3. If the motion picture production company either:

15 (a) Uses a qualified production facility in this state to produce
16 the motion picture production, an additional two and one-half percent of
17 the total amount of qualified production costs as approved by the Arizona
18 commerce authority pursuant to section 41-1517.

19 (b) Films primarily at a practical location, produces and films the
20 motion picture production primarily in this state and performs all
21 preproduction, postproduction and editing at a qualified production
22 facility in this state, an additional two and one-half percent of the total
23 qualified production costs as approved by the Arizona commerce authority
24 pursuant to section 41-1517.

25 4. An additional two and one-half percent of the total amount of
26 qualified production costs as approved by the Arizona commerce authority
27 pursuant to section 41-1517 if the motion picture production is produced
28 and filmed in association with a long-term tenant of a qualified production
29 facility.

30 B. Tax credits under this section may not exceed the amount provided
31 in the postapproval issued by the Arizona commerce authority pursuant to

1 section 41-1517, subsection H. The taxpayer must include a copy of the
2 postapproval with the taxpayer's income tax return for the taxable year in
3 which the Arizona commerce authority issued the postapproval.

4 C. The department may not allow a tax credit under this section to a
5 taxpayer that has a delinquent tax balance owed to the department under
6 this title.

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

9 1. Do either of the following:

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

12 (b) If the motion picture production is filmed primarily at a
13 practical location, produce and film the motion picture production
14 primarily in this state and perform all preproduction, postproduction and
15 editing at an industry standard facility, if such a facility for those
16 functions is available.

17 2. Maintain the motion picture production company's production labor
18 positions in this state.

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

21 4. Receive preapproval and postapproval from the Arizona commerce
22 authority pursuant to section 41-1517.

23 5. Claim the tax credit by using the form prescribed by the
24 department and include the form with the motion picture production
25 company's income tax return for the taxable year in which the Arizona
26 commerce authority issued the postapproval.

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

1 F. If the allowable tax credit for a taxable year exceeds the income
2 taxes otherwise due on the claimant's income, or if there are no state
3 income taxes due on the claimant's income, THE TAXPAYER MAY CARRY the
4 amount of the claim not used as an offset against income taxes ~~shall be~~
5 ~~paid to the taxpayer in the same manner as a refund under section~~
6 ~~42-1118. Refunds made pursuant to this subsection are subject to setoff~~
7 ~~under section 42-1122. If the department determines that a refund is~~
8 ~~incorrect or invalid, the excess refund may be treated as a tax deficiency~~
9 ~~pursuant to section 42-1108~~ FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE
10 YEARS' INCOME TAX LIABILITY.

11 G. The department shall maintain annual data on the total amount of
12 monies credited pursuant to this section and shall provide the data to the
13 Arizona commerce authority on request.

14 H. The department shall adopt fees and rules and publish and
15 prescribe forms and procedures as necessary to administer this section and
16 provide administrative support services.

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

20 J. For the purposes of this section:

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

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

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

27 4. "Practical location" has the same meaning prescribed in section
28 41-1517.

29 5. "Production costs" has the same meaning prescribed in section
30 41-1517.

1 6. "Production labor" has the same meaning prescribed in section
2 41-1517.

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

5 Sec. 22. Section 43-1168, Arizona Revised Statutes, is amended to
6 read:

7 43-1168. Credit for increased research activity

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

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

12 (a) Add:

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

16 (ii) The basic research payments determined under section
17 41(e)(1)(A) of the internal revenue code.

18 (b) If the sum computed under subdivision (a) of this paragraph is
19 \$2,500,000 or less:

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

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

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

26 (i) For taxable years beginning before December 31, 2030, the credit
27 is equal to \$600,000 plus fifteen percent of any amount exceeding
28 \$2,500,000.

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

1 (d) For taxable years beginning from and after December 31, 2011, an
2 additional credit amount is allowed if the taxpayer made basic research
3 payments during the taxable year to a university under the jurisdiction of
4 the Arizona board of regents. The additional credit amount is equal to ten
5 percent of the excess, if any, of the basic research payments over the
6 qualified organization base period amount for the taxable year. The
7 department shall not allow credit amounts under this subdivision and
8 section 43-1074.01, subsection A, paragraph 1, subdivision (c) that exceed,
9 in the aggregate, a combined total of \$10,000,000 in any calendar
10 year. Subject to that limit, on application by the taxpayer, the
11 department shall certify credit amounts under this subdivision and section
12 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority
13 placement established by the date that the taxpayer filed the application.
14 For taxable years beginning from and after December 31, 2014, any basic
15 research payments used to determine the additional credit under this
16 subdivision must first receive certification from the Arizona commerce
17 authority pursuant to section 41-1507.01. The additional credit amount
18 under this subdivision shall not exceed the amount allowed based on actual
19 basic research payments or the department's certification, whichever is
20 less. If an application, if certified in full, would exceed the
21 \$10,000,000 limit, the department shall certify only an amount within that
22 limit. After the limit is attained, the department shall deny any
23 subsequent applications regardless of whether other certified amounts are
24 not actually claimed as a credit or other taxpayers fail to qualify to
25 actually claim certified amounts. Notwithstanding subsections B and C of
26 this section, any amount of the additional credit under this subdivision
27 that exceeds the taxes otherwise due under this title is not refundable,
28 but may be carried forward to the next five consecutive taxable years. For
29 the purposes of this subdivision, "basic research payments" and "qualified
30 organization base period amount" have the same meanings prescribed by
31 section 41(e) of the internal revenue code.

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

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

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

9 5. The termination provisions of section 41 of the internal revenue
10 code do not apply.

11 B. ~~Except as provided by subsection C of this section,~~ 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, the amount of the credit claimed for taxable years beginning
15 before January 1, 2022 not used to offset taxes may be carried forward to
16 the next fifteen consecutive taxable years, and the amount of the credit
17 claimed for taxable years beginning from and after December 31, 2021 not
18 used to offset taxes may be carried forward to the next ten consecutive
19 taxable years. The amount of credit carryforward from taxable years
20 beginning from and after December 31, 2002 that may be used under this
21 subsection in any taxable year may not exceed the taxpayer's tax liability
22 under this title minus the credit under this section for the current
23 taxable year's qualified research expenses. A taxpayer that carries
24 forward any amount of credit under this subsection may not thereafter claim
25 a refund of any amount of the credit under subsection C of this section.

26 ~~C. For taxable years beginning from and after December 31, 2009, if~~
27 ~~a taxpayer that claims a credit under this section employs fewer than one~~
28 ~~hundred fifty persons in the taxpayer's trade or business and if the~~
29 ~~allowable credit under this section exceeds the taxes otherwise due under~~
30 ~~this title on the claimant's income, or if there are no taxes due under~~
31 ~~this title, in lieu of carrying the excess amount of credit forward to~~

1 ~~subsequent taxable years under subsection B of this section, the taxpayer~~
2 ~~may elect to receive a refund as follows:~~

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

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

11 ~~3. The refund shall be paid in the manner prescribed by section~~
12 ~~42-1118.~~

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

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

17 Sec. 23. Section 43-1721, Arizona Revised Statutes, is amended to
18 read:

19 43-1721. Additions and subtractions to Arizona small business
20 gross income

21 In computing Arizona small business adjusted gross income, the
22 additions and subtractions provided in sections 43-1021 and 43-1022 shall
23 be made but only to the extent the additions and subtractions directly
24 relate to Arizona small business gross income. The subtraction provided in
25 section 43-1022, paragraph ~~28~~ 27 may not be included as a subtraction under
26 this chapter.

27 Sec. 24. Retention of members

28 Notwithstanding section 41-1502, Arizona Revised Statutes, as amended
29 by this act, all persons serving as members of the Arizona commerce
30 authority board of directors on the effective date of this act may continue

1 to serve until the expiration of their normal terms. All subsequent
2 appointments shall be as prescribed by statute.

3 Sec. 25. Requirements for enactment; two-thirds vote

4 Pursuant to article IX, section 22, Constitution of Arizona, this act
5 is effective only on the affirmative vote of at least two-thirds of the
6 members of each house of the legislature and is effective immediately on
7 the signature of the governor or, if the governor vetoes this act, on the
8 subsequent affirmative vote of at least three-fourths of the members of
9 each house of the legislature."

10 Amend title to conform

JAKE HOFFMAN

2471HOFFMAN2.docx
03/19/2024
04:23 PM
C: AH