

COMMITTEE ON WAYS & MEANS
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2081
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.
[Green strikeout in brackets] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<Green strikeout in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Section 43-1022, Arizona Revised Statutes, is amended to
3 read:

4 43-1022. Subtractions from Arizona gross income

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

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

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

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

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

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

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

1 5. The excess of a partner's share of income required to be
2 included under section 702(a)(8) of the internal revenue code over the
3 income 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
12 credit for employer paid social security taxes on employee cash tips and
13 the Indian employment credit that the taxpayer received under sections
14 45A, 45B, 51(a) and 1396 of the internal revenue code.

15 9. The amount of exploration expenses that is determined pursuant
16 to 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
19 basis as the units of produced ores or minerals discovered or explored as
20 a result of this exploration are sold.

21 10. The amount included in federal adjusted gross income pursuant
22 to 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
32 returns, the subtraction may be taken by either taxpayer or may be divided
33 between them, but the total subtractions allowed both husband and wife may
34 not exceed \$3,000. The subtraction under this paragraph may be taken for
35 the costs that are described in this paragraph and that are incurred in
36 prior years, but the subtraction may be taken only in the year during
37 which the final adoption order is granted.

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

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

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

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

5 17. For property placed in service:

6 (a) In taxable years beginning before December 31, 2012, an amount
7 equal to the depreciation allowable pursuant to section 167(a) of the
8 internal revenue code for the taxable year computed as if the election
9 described in section 168(k) of the internal revenue code had been made for
10 each applicable class of property in the year the property was placed in
11 service.

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

23 (c) In taxable years beginning from and after December 31, 2013
24 through December 31, 2015, an amount equal to the depreciation allowable
25 pursuant to section 167(a) of the internal revenue code for the taxable
26 year as computed as if the additional allowance for depreciation had been
27 ten percent of the amount allowed pursuant to section 168(k) of the
28 internal revenue code.

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

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

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

46 19. The amount contributed during the taxable year to college
47 savings plans established pursuant to section 529 of the internal revenue
48 code on behalf of the designated beneficiary to the extent that the

1 contributions were not deducted in computing federal adjusted gross
2 income. The amount subtracted may not exceed:

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

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

10 20. The portion of the net operating loss carryforward that would
11 have been allowed as a deduction in the current year pursuant to section
12 172 of the internal revenue code if the election described in section
13 172(b)(1)(H) of the internal revenue code had not been made in the year of
14 the loss that exceeds the actual net operating loss carryforward that was
15 deducted in arriving at federal adjusted gross income. This subtraction
16 only applies to taxpayers who made an election under section 172(b)(1)(H)
17 of the internal revenue code as amended by section 1211 of the American
18 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
19 section 13 of the worker, homeownership, and business assistance act of
20 2009 (P.L. 111-92).

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

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

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

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

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

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

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

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

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

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

10 26. Benefits, annuities and pensions received as retired or
11 retainer pay of the uniformed services of the United States in amounts as
12 follows:

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

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

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

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

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

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

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

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

44 (a) "Airdrop" means the receipt of virtual currency through a means
45 of distribution of virtual currency to the distributed ledger addresses of
46 multiple taxpayers.

47 (b) "Non-fungible token" has the same meaning prescribed in section
48 43-1028.

1 (c) "Virtual currency" has the same meaning prescribed in section
2 43-1028.

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

6 31. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024,
7 TO THE EXTENT NOT ALREADY EXCLUDED FROM ARIZONA GROSS INCOME UNDER THE
8 INTERNAL REVENUE CODE, COMPENSATION RECEIVED AS ~~CASH~~ TIPS DURING THE
9 TAXABLE YEAR THAT ARE REPORTED TO THE EMPLOYER PURSUANT TO 26 UNITED
10 STATES CODE SECTION 6053(a).

11 Enroll and engross to conform

12 Amend title to conform

And, as so amended, it do pass

JUSTIN OLSON
CHAIRMAN

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