



Bill Number: S.B. 1371

Mesnard ADD COW Floor Amendment

Reference to: Senate engrossed bill

Amendment drafted by: Leg Council

FLOOR AMENDMENT EXPLANATION

- 1. Eliminates the income tax subtraction for amounts contributed to an individual retirement account during the taxable year.**
- 2. Removes pension distributions from the individual income tax subtraction for individuals who are 67 years old or older.**
- 3. Makes conforming changes.**

ADDITIONAL COW
MESNARD FLOOR AMENDMENT
SENATE AMENDMENTS TO S.B. 1371
(Reference to Senate engrossed 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

1 deducted in arriving at Arizona gross income, that were incurred or
2 continued to purchase or carry such obligations.

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

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

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

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

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

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

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

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

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

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

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

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

16 17. For property placed in service:

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

23 (b) In taxable years beginning from and after December 31, 2012
24 through December 31, 2013, an amount determined in the year the asset was
25 placed in service based on the calculation in subdivision (a) of this
26 paragraph. In the first taxable year beginning from and after
27 December 31, 2013, the taxpayer may elect to subtract the amount necessary
28 to make the depreciation claimed to date for the purposes of this title
29 the same as it would have been if subdivision (c) of this paragraph had
30 applied for the entire time the asset was in service. Subdivision (c) of
31 this paragraph applies for the remainder of the asset's life. If the
32 taxpayer does not make the election under this subdivision, subdivision
33 (a) of this paragraph applies for the remainder of the asset's life.

34 (c) In taxable years beginning from and after December 31, 2013
35 through December 31, 2015, an amount equal to the depreciation allowable
36 pursuant to section 167(a) of the internal revenue code for the taxable
37 year as computed as if the additional allowance for depreciation had been
38 ten percent of the amount allowed pursuant to section 168(k) of the
39 internal revenue code.

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

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

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

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

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

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

30 20. The portion of the net operating loss carryforward that would
31 have been allowed as a deduction in the current year pursuant to section
32 172 of the internal revenue code if the election described in section
33 172(b)(1)(H) of the internal revenue code had not been made in the year of
34 the loss that exceeds the actual net operating loss carryforward that was
35 deducted in arriving at federal adjusted gross income. This subtraction
36 only applies to taxpayers who made an election under section 172(b)(1)(H)
37 of the internal revenue code as amended by section 1211 of the American
38 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by

1 section 13 of the worker, homeownership, and business assistance act of
2 2009 (P.L. 111-92).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (a) "Airdrop" means the receipt of virtual currency through a means
37 of distribution of virtual currency to the distributed ledger addresses of
38 multiple taxpayers.

1 (b) "Non-fungible token" has the same meaning prescribed in section
2 43-1028.

3 (c) "Virtual currency" has the same meaning prescribed in section
4 43-1028.

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

8 31. FOR A TAXPAYER WHO IS SIXTY-SEVEN YEARS OF AGE OR OLDER DURING
9 THE TAXABLE YEAR, TO THE EXTENT NOT ALREADY EXCLUDED FROM ARIZONA GROSS
10 INCOME PURSUANT TO THIS SECTION OR THE INTERNAL REVENUE CODE, THE AMOUNT
11 OF ANY DISTRIBUTIONS FROM A ~~[PENSION OR]~~ RETIREMENT ACCOUNT. THE TOTAL
12 AMOUNT SUBTRACTED UNDER THIS PARAGRAPH ~~[AND PARAGRAPH 32 OF THIS SECTION]~~
13 MAY NOT EXCEED AN AMOUNT THAT IS EQUAL TO THE OPTIONAL STANDARD DEDUCTION
14 ALLOWED IN SECTION 43-1041, SUBSECTION A AS ADJUSTED FOR INFLATION
15 PURSUANT TO SECTION 43-1041, SUBSECTION H. FOR THE PURPOSES OF THIS
16 PARAGRAPH~~[.]~~ ~~[:]~~

17 ~~(a) "PENSION" MEANS EITHER OF THE FOLLOWING:~~

18 ~~(i) A defined benefit plan authorized under the internal revenue~~
19 ~~code paid to an individual.~~

20 ~~(ii) PERIODIC, FIXED AMOUNT RETIREMENT PAYMENTS MADE BY THE UNITED~~
21 ~~STATES MILITARY, THE UNITED STATES CIVIL SERVICE OR A STATE OR LOCAL~~
22 ~~GOVERNMENT OR A PRIVATE EMPLOYER TO FORMER EMPLOYEES AND SURVIVING SPOUSES~~
23 ~~OF FORMER EMPLOYEES FOR PRIOR SERVICES PERFORMED.~~

24 ~~(b)~~ "RETIREMENT ACCOUNT" INCLUDES:

25 ~~[(i)]~~ ~~[(a)]~~ A QUALIFIED RETIREMENT PLAN UNDER SECTIONS 401, 403
26 AND 457 OF THE INTERNAL REVENUE CODE.

27 ~~[(ii)]~~ ~~[(b)]~~ AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408 OF
28 THE INTERNAL REVENUE CODE, INCLUDING A SIMPLIFIED EMPLOYEE PENSION AS
29 DEFINED IN SECTION 408(k) OF THE INTERNAL REVENUE CODE AND A SIMPLE
30 RETIREMENT ACCOUNT AS DEFINED IN SECTION 408(p) OF THE INTERNAL REVENUE
31 CODE.

32 ~~[32. THE AMOUNT CONTRIBUTED DURING THE TAXABLE YEAR TO AN~~
33 ~~INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408 OF THE INTERNAL REVENUE~~
34 ~~CODE TO THE EXTENT THAT THE CONTRIBUTIONS WERE NOT DEDUCTED IN COMPUTING~~
35 ~~FEDERAL ADJUSTED GROSS INCOME. THE TOTAL AMOUNT SUBTRACTED UNDER THIS~~
36 ~~PARAGRAPH AND PARAGRAPH 31 OF THIS SECTION MAY NOT EXCEED AN AMOUNT THAT~~
37 ~~IS EQUAL TO THE OPTIONAL STANDARD DEDUCTION ALLOWED IN SECTION 43-1041,~~
38 ~~SUBSECTION A AS ADJUSTED FOR INFLATION PURSUANT TO SECTION 43-1041,~~
39 ~~SUBSECTION H.]~~

Senate Amendments to S.B. 1371

1 Sec. 2. Applicability

2 This act applies to taxable years beginning from and after December
3 31, 2024.

4 Enroll and engross to conform

5 Amend title to conform

J.D. MESNARD

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