

State of Arizona  
House of Representatives  
Fiftieth Legislature  
Second Regular Session  
2012

**CHAPTER 343**  
**HOUSE BILL 2815**

AN ACT

AMENDING SECTION 20-224.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 3; AMENDING SECTION 41-1511, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1512; AMENDING SECTION 41-1525, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 14; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 170, SECTION 39; REPEALING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 19; AMENDING SECTIONS 42-11127, 43-222 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1074, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 45; AMENDING SECTION 43-1083.01, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1083.03; AMENDING SECTIONS 43-1122 AND 43-1123, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1161, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 3, SECTION 52; AMENDING SECTION 43-1164.01, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1164.04; AMENDING LAWS 2009, CHAPTER 96, SECTION 17; RELATING TO BUSINESS INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 20-224.03, Arizona Revised Statutes, as amended by  
3 Laws 2012, chapter 3, section 3, is amended to read:

4 20-224.03. Premium tax credit for new employment

5 A. FOR TAXABLE YEARS BEGINNING from and after June 30, 2011 THROUGH  
6 DECEMBER 31, 2019, a credit is allowed against the premium tax liability  
7 imposed pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07  
8 for net increases in full-time employees residing in this state and hired in  
9 qualified employment positions in this state as computed and certified by the  
10 Arizona commerce authority pursuant to section 41-1525. A tax credit is not  
11 allowed against the portion of the tax payable to the fire fighters' relief  
12 and pension fund pursuant to section 20-224 or the portion of the tax payable  
13 to the public safety personnel retirement system pursuant to section  
14 20-224.01.

15 B. Subject to subsection ~~E~~ F of this section, the amount of the tax  
16 credit is equal to:

17 1. Three thousand dollars for each full-time employee hired in a  
18 qualified employment position in the first year or partial year of  
19 employment, ~~but not more than four hundred employees in any taxable year.~~  
20 Employees hired in the last ninety days of the taxable year are excluded for  
21 that taxable year and are considered to be new employees in the following  
22 taxable year.

23 2. Three thousand dollars for each full-time employee in a qualified  
24 employment position for the full taxable year in the second year of  
25 continuous employment.

26 3. Three thousand dollars for each full-time employee in a qualified  
27 employment position for the full taxable year in the third year of continuous  
28 employment.

29 C. THE CAPITAL INVESTMENT AND THE NEW QUALIFIED EMPLOYMENT POSITIONS  
30 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B MUST BE ACCOMPLISHED WITHIN  
31 TWELVE MONTHS AFTER THE START OF THE REQUIRED CAPITAL INVESTMENT. NO CREDIT  
32 MAY BE CLAIMED UNTIL BOTH REQUIREMENTS ARE MET. A BUSINESS THAT MEETS THE  
33 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B FOR A LOCATION IS ELIGIBLE TO  
34 CLAIM FIRST YEAR CREDITS FOR THREE YEARS BEGINNING WITH THE TAXABLE YEAR IN  
35 WHICH THOSE REQUIREMENTS ARE COMPLETED. EMPLOYEES HIRED AT THE LOCATION  
36 BEFORE THE BEGINNING OF THE TAXABLE YEAR BUT DURING THE TWELVE-MONTH PERIOD  
37 ALLOWED IN THIS SUBSECTION ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE  
38 YEAR IN WHICH ALL OF THOSE REQUIREMENTS ARE COMPLETED. THE EMPLOYEES THAT  
39 ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE YEAR UNDER THIS SUBSECTION  
40 SHALL NOT BE INCLUDED IN THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE  
41 IMMEDIATELY PRECEDING TAXABLE YEAR UNTIL THE TAXABLE YEAR IN WHICH ALL OF THE  
42 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B ARE COMPLETED. AN EMPLOYEE  
43 WORKING AT A TEMPORARY WORK SITE IN THIS STATE WHILE THE DESIGNATED LOCATION  
44 IS UNDER CONSTRUCTION IS CONSIDERED TO BE WORKING AT THE DESIGNATED LOCATION  
45 IF ALL OF THE FOLLOWING OCCUR:

1           1. THE EMPLOYEE IS HIRED AFTER THE START OF THE REQUIRED INVESTMENT AT  
2 THE DESIGNATED LOCATION.

3           2. THE EMPLOYEE IS HIRED TO WORK AT THE DESIGNATED LOCATION AFTER IT  
4 IS COMPLETED.

5           3. THE PAYROLL FOR THE EMPLOYEES DESTINED FOR THE DESIGNATED LOCATION  
6 IS SEGREGATED FROM OTHER EMPLOYEES.

7           4. THE EMPLOYEE IS MOVED TO THE DESIGNATED LOCATION WITHIN THIRTY DAYS  
8 AFTER ITS COMPLETION.

9           ~~E.~~ D. To qualify for a credit under this section, the insurer and the  
10 employment positions must meet the requirements prescribed by section  
11 41-1525.

12           ~~D.~~ E. A credit is allowed for employment in the second and third year  
13 only for qualified employment positions for which a credit was claimed and  
14 allowed in the first year.

15           ~~E.~~ F. The net increase in the number of qualified employment  
16 positions is the lesser of the total number of filled qualified employment  
17 positions created at the ~~business location~~ DESIGNATED LOCATION OR LOCATIONS  
18 during the taxable year or the difference between the average number of  
19 full-time employees in this state in the current taxable year and the average  
20 number of full-time employees in this state during the immediately preceding  
21 taxable year. The net increase in the number of qualified employment  
22 positions computed under this subsection may not exceed ~~either four hundred~~  
23 ~~qualified employment positions per taxpayer each year or~~ the difference  
24 between the average number of full-time employees in this state in the  
25 current taxable year and the average number of full-time employees in this  
26 state during the immediately preceding taxable year.

27           ~~F.~~ G. A taxpayer who claims a credit under section 20-224.04 shall  
28 not claim a credit under this section with respect to the same employment  
29 positions.

30           ~~G.~~ H. If the allowable tax credit exceeds the state premium tax  
31 liability, the amount of the claim not used as an offset against the state  
32 premium tax liability may be carried forward as a tax credit against  
33 subsequent years' state premium tax liability for a period not exceeding five  
34 taxable years.

35           ~~H.~~ I. If the business is sold or changes ownership through  
36 reorganization, stock purchase or merger, the new taxpayer may claim first  
37 year credits only for the qualified employment positions that it created and  
38 filled with an eligible employee after the purchase or reorganization was  
39 complete. If a person purchases a taxpayer that had qualified for first or  
40 second year credits or if an insurance business changes ownership through  
41 reorganization, stock purchase or merger, the new taxpayer may claim the  
42 second or third year credits if it meets other eligibility requirements of  
43 this section. Credits for which a taxpayer qualified before the changes  
44 described in this subsection are terminated and lost at the time the changes  
45 are implemented.



1 (a) Agrees to furnish records of expenditures for qualifying  
2 investments to the authority on request.

3 (b) Will continue in business at the qualifying renewable energy  
4 operation for five full calendar years after postapproval for a tax  
5 incentive, other than for reasons beyond the control of the applicant.

6 (c) Agrees to furnish to the authority information regarding the  
7 amount of tax benefits claimed each year.

8 (d) Authorizes the department of revenue to provide tax information to  
9 the authority pursuant to section 42-2003 for the purpose of determining any  
10 inconsistency in information furnished by the applicant.

11 (e) Agrees to allow site visits and audits to verify the applicant's  
12 continuing qualification and the accuracy of information submitted to the  
13 authority.

14 (f) Consents to the adjustment or recapture of any amount of income  
15 tax credit or property tax incentive due to noncompliance with this section.

16 9. Letters of good standing from the department of revenue and the  
17 county treasurer of the county in which the project is located stating that  
18 the applicant is in good standing and is not delinquent in the payment of  
19 taxes.

20 C. To be eligible for the tax incentives, the applicant must make new  
21 capital investment in this state after September 30, 2009 in a manufacturing  
22 facility or headquarters facility or any combination of qualifying  
23 facilities, as follows:

24 1. The applicant may qualify for income tax credits pursuant to  
25 section 43-1083.01 or 43-1164.01, as applicable, if:

26 (a) At least fifty-one per cent of the net new full-time employment  
27 positions at the renewable energy operation pay a wage that equals or exceeds  
28 one hundred twenty-five per cent of the median annual wage in this state, as  
29 determined by the most recent annual Arizona commerce authority occupational  
30 wage and employment estimates.

31 (b) All net new full-time employment positions include health  
32 insurance coverage for the employees for which the applicant pays at least  
33 eighty per cent of the premium or membership cost.

34 2. The fixed capital assets shall be classified as class six for the  
35 purposes of property taxation pursuant to section 42-12006, paragraph 8 if  
36 the qualifying investment amounts to at least twenty-five million dollars, if  
37 the applicant pays at least eighty per cent of the health insurance costs or  
38 membership costs for all net new employees and if at least fifty-one per cent  
39 of the net new full-time employment positions at the qualifying renewable  
40 energy operation pay a wage that equals:

41 (a) At least one hundred twenty-five, but less than two hundred, per  
42 cent of the median annual wage in this state, as determined by the most  
43 recent annual Arizona commerce authority occupational wage and employment  
44 estimates, the property may be classified as class six for ten tax years.

45 (b) At least two hundred per cent of the median annual wage in this  
46 state, as determined by the most recent annual Arizona commerce authority

1 occupational wage and employment estimates, the property may be classified as  
2 class six for fifteen tax years.

3 D. Final eligibility for the tax incentives is subject to any  
4 additional requirements prescribed by sections 42-12006, 43-1083.01 and  
5 43-1164.01, as applicable.

6 E. An applicant may separately apply and qualify with respect to  
7 investments for:

8 1. Renewable energy operations in separate locations.

9 2. Separate expansions of a renewable energy operation.

10 F. To determine the amount of income tax credit to be preapproved to a  
11 qualifying applicant, the authority shall use one of the following  
12 computations:

13 1. Ten per cent of the amount the applicant has projected in total  
14 qualifying investment in renewable energy operations meeting the following  
15 minimum employment requirements:

16 (a) For renewable energy manufacturing operations, at least one and  
17 one-half new full-time employment positions projected by the applicant for  
18 each five hundred thousand dollar increment of capital investment.

19 (b) For renewable energy business headquarters, at least one new  
20 full-time employment position projected by the applicant for each two hundred  
21 thousand dollar increment of capital investment.

22 2. For other qualifying renewable energy investment, ten per cent of  
23 the amount computed as follows:

24 (a) Five hundred thousand dollars for each one and one-half new  
25 full-time employment positions projected by the applicant in new renewable  
26 energy manufacturing operations.

27 (b) Two hundred thousand dollars for each new full-time employment  
28 position projected by the applicant at a new renewable energy business  
29 headquarters.

30 G. Beginning with income tax credits allocated for 2010, an approved  
31 income tax credit:

32 1. Must be claimed on a timely filed original income tax return,  
33 including extensions.

34 2. Must be claimed in five equal installments as provided in section  
35 43-1083.01 or 43-1164.01.

36 H. The authority shall establish a process for qualifying and  
37 preapproving applicants for the tax incentives. The authority shall not  
38 preapprove an applicant as qualifying for tax incentives under this section  
39 after December 31, ~~2014~~ 2019. Preapproval is based on:

40 1. Priority placement established by the date that the applicant files  
41 its initial application with the ~~department~~ AUTHORITY.

42 2. The availability of income tax credit capacity under the dollar  
43 limit prescribed by subsection J of this section.

44 I. Within thirty days after receiving a complete and correct  
45 application, the authority shall review the application to determine whether  
46 the applicant satisfies all of the criteria prescribed by this section and

1 either preapprove the project as qualifying for the purposes of the tax  
2 incentives or provide reasons for its denial. The authority shall send  
3 copies of the preapproval to the department of revenue and the applicable  
4 county assessor.

5 J. The authority shall not preapprove income tax credits ~~exceeding~~  
6 ~~UNDER THIS SECTION AND SECTION 41-1512 THAT COMBINED WOULD EXCEED~~ seventy  
7 million dollars in any calendar year, except as provided by this subsection  
8 and subsection K of this section. ~~THE AUTHORITY SHALL NOT PREAPPROVE INCOME~~  
9 ~~TAX CREDITS UNDER THIS SECTION FOR ANY ONE TAXPAYER IN EXCESS OF THIRTY~~  
10 ~~MILLION DOLLARS IN ANY CALENDAR YEAR.~~ A preapproved amount applies against  
11 the dollar limit for the year in which the application was submitted  
12 regardless of whether the initial preapproval period extends into the  
13 following year or years. If, at the end of any year, an unused balance  
14 occurs under the dollar limit prescribed by this subsection:

15 1. The balance shall be allocated to ~~renewable-energy~~ businesses that  
16 successfully appeal the denial of approval under this section ~~OR SECTION~~  
17 ~~41-1512.~~ Any amount of income tax credits due to successful appeals that are  
18 not paid from an unused balance at the end of any year shall be paid against  
19 the dollar limit in the following year.

20 2. Any remaining unused balance ~~ACCRUING THROUGH DECEMBER 31, 2011~~  
21 shall be reallocated for the purposes of this section ~~AND SECTION 41-1512~~ in  
22 the following year.

23 3. ~~ANY REMAINING UNUSED BALANCE ACCRUING IN 2012 AND THEREAFTER LAPSES~~  
24 ~~AND SHALL NOT BE REALLOCATED IN THE FOLLOWING YEAR.~~

25 K. The authority shall reallocate the amount of income tax credits  
26 that are voluntarily relinquished under subsection L of this section, that  
27 lapse under subsection M of this section or that lapse under subsection P of  
28 this section. The reallocation shall be to other ~~renewable-energy~~ businesses  
29 that applied ~~UNDER THIS SECTION OR SECTION 41-1512~~ in the original credit  
30 year based on priority placement. Once reallocated, the amount of the credit  
31 applies against the dollar limit of the original credit year regardless of  
32 the year in which the reallocation occurs.

33 L. A taxpayer may voluntarily relinquish unused credit amounts.

34 M. Preapproval under this section lapses, the application is void and  
35 the amount of the preapproved income tax credits does not apply against the  
36 dollar limit prescribed by subsection J of this section if, within twelve  
37 months after preapproval, the renewable energy business fails to provide to  
38 the authority documentation of its expenditure of two hundred fifty thousand  
39 dollars in qualifying investment or, if the period over which the qualifying  
40 investment will be made exceeds twelve months, documentation of additional  
41 expenditures as required in this subsection for each twelve month period.

42 N. Beginning in 2010, after October 31 of each year, if the authority  
43 has preapproved the maximum calendar year income tax credit amount pursuant  
44 to subsection J of this section, the authority may accept initial  
45 applications for the next calendar year, but the preapproval of any

1 application pursuant to this subsection shall not be effective before the  
2 first business day of the following calendar year.

3       0. Before an applicant applies for postapproval under subsection P of  
4 this section, the applicant must enter into a written managed review  
5 agreement with the chief executive officer of the authority that establishes  
6 the requirements of a managed review to be conducted under this subsection at  
7 the applicant's expense. The managed review must be conducted by a certified  
8 public accountant who is selected by the applicant, who is licensed in this  
9 state and who is approved by the chief executive officer. The certified  
10 public accountant and the firm the certified public accountant is affiliated  
11 with shall not regularly perform services for the applicant or its  
12 affiliates. The managed review shall include an analysis of the applicant's  
13 invoices, checks, accounting records and other documents and information to  
14 verify its base investment and other requirements prescribed by section  
15 42-12006, 43-1083.01 or 43-1164.01 to confirm the amount of credit or  
16 property tax incentive. The certified public accountant shall furnish  
17 written findings of the managed review to the chief executive officer. The  
18 chief executive officer shall review the findings and may examine records and  
19 perform other reviews that the chief executive officer considers necessary to  
20 verify that the managed review substantially conforms to the terms of the  
21 managed review agreement. The chief executive officer shall accept or reject  
22 the findings of the managed review. If the chief executive officer rejects  
23 all or part of the managed review, the chief executive officer shall provide  
24 written reasons for the rejection.

25       P. When the renewable energy operation begins operations, a renewable  
26 energy business that was preapproved for income tax credits under this  
27 section shall apply to the authority in writing for postapproval of the  
28 credits and submit documentation certifying the total amount and dates of the  
29 qualifying investments and identifying the fixed capital assets associated  
30 with the renewable energy operation incurred from and after September 30,  
31 2009 through the date of application for postapproval. From and after  
32 December 31, 2009, the authority shall provide postapproval to a renewable  
33 energy business that it has met the eligibility requirements of this section  
34 and shall notify the department of revenue that the renewable energy business  
35 may claim the tax credits pursuant to section 43-1083.01 or 43-1164.01. If  
36 the amount of qualifying investment actually spent is less than the amount  
37 preapproved for income tax credits, the preapproved amount not incurred  
38 lapses and does not apply against the dollar limit prescribed by subsection J  
39 of this section for that year. The authority shall not allow a credit under  
40 section 43-1083.01 or 43-1164.01 that exceeds the amount of the postapproval  
41 for the project under this subsection. For the purposes of this subsection,  
42 "begins operations" means:

- 43       1. A headquarters facility opens for public business.
- 44       2. A manufacturing facility begins producing commercial quantities of  
45 usable products.



1 Q. The authority may rescind the business' postapproval if the  
2 business no longer meets the terms and conditions required for qualifying for  
3 the tax incentives. The authority may give special consideration, or allow  
4 temporary exemption from recapture of tax benefits, in the case of  
5 extraordinary hardship due to factors beyond the control of the qualifying  
6 business.

7 R. If the authority rescinds an applicant's preapproval or  
8 postapproval under subsection Q of this section, it shall notify the  
9 department of revenue and the county assessor of the action and the  
10 conditions of noncompliance. If the department of revenue obtains  
11 information indicating a possible failure to qualify and comply, it shall  
12 provide that information to the authority. The department of revenue may  
13 require the business to file appropriate amended tax returns reflecting any  
14 recapture of income tax credits under section 43-1083.01 or 43-1164.01.

15 S. Preapproval and postapproval of a business for the purposes of tax  
16 incentives under this section do not constitute or imply compliance with any  
17 other provision of law or any regulatory rule, order, procedure, permit or  
18 other measure required by law. To maintain qualification for tax incentives  
19 under this section, a business must separately comply with all environmental,  
20 employment and other regulatory measures.

21 T. For five years after postapproval for tax incentives under this  
22 section, in any action involving the liquidation of the business assets or  
23 relocation out of state, this state claims the position of a secured creditor  
24 of the business in the amount of income tax credits and property tax  
25 incentives the business received pursuant to section 42-12006, 43-1083.01 or  
26 43-1164.01.

27 U. Any information gathered from a renewable energy business for the  
28 purposes of this section is considered to be confidential taxpayer  
29 information and shall be disclosed only as provided in section 42-2003,  
30 subsection B, paragraph 12, except that the authority shall publish the  
31 following information in its annual report:

32 1. The name of each renewable energy business and the amount of income  
33 tax credits preapproved for each qualifying investment.

34 2. The amount of credits postapproved with respect to each qualifying  
35 investment.

36 V. The authority shall:

37 1. Keep annual records of the information provided on applications for  
38 renewable energy businesses. These records shall reflect a percentage  
39 comparison of the annual amount of monies exempted or credited to qualifying  
40 renewable energy businesses to the estimated amount of monies spent in this  
41 state in the form of qualifying investments.

42 2. Maintain annual data on growth in this state of renewable energy  
43 businesses and industry employment and wages.

44 3. Not later than April 30 of each year, prepare and publish a report  
45 summarizing the information collected pursuant to this subsection. The

1 authority shall make copies of the annual report available to the public on  
2 request.

3 W. The authority shall adopt rules and prescribe forms and procedures  
4 as necessary for the purposes of this section. The authority and the  
5 department of revenue shall collaborate in adopting rules as necessary to  
6 avoid duplication and inconsistencies while accomplishing the intent and  
7 purposes of this section.

8 X. For the purposes of this section:

9 1. "Capital investment" means an expenditure to acquire, lease or  
10 improve property that is used in operating a business, including land,  
11 buildings, machinery and fixtures.

12 2. "Headquarters" means a principal central administrative office  
13 where primary headquarters related functions and services are performed,  
14 including financial, personnel, administrative, legal, planning and similar  
15 business functions.

16 3. "Manufacturing" means fabricating, producing or manufacturing raw  
17 or prepared materials into usable products, imparting new forms, qualities,  
18 properties and combinations. Manufacturing does not include generating  
19 electricity for off-site consumption.

20 4. "Primarily engaged" means that more than fifty per cent of a  
21 company's business activity at a particular facility directly involves  
22 renewable energy operations, measured by revenues received, expenses  
23 incurred, square footage or the number of individuals employed.

24 5. "Qualifying investment" means investment in land, buildings,  
25 machinery and fixtures for expansion of an existing renewable energy  
26 operation or establishment of a new renewable energy operation in this state  
27 after September 30, 2009. Qualifying investment does not include relocating  
28 an existing renewable energy operation in this state to another location in  
29 this state without additional capital investment of at least two hundred  
30 fifty thousand dollars.

31 6. "Qualifying renewable energy operation" means the facility where a  
32 qualifying investment was made.

33 7. "Renewable energy" means usable energy, including electricity,  
34 fuels, gas and heat, produced through the conversion of energy provided by  
35 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or  
36 other nonfossil renewable resource.

37 8. "Renewable energy business" means a person primarily engaged in the  
38 business of renewable energy manufacturing operations or renewable energy  
39 headquarters operations.

40 9. "Renewable energy operations" are limited to manufacturers of, and  
41 headquarters for, systems and components that are used or useful in  
42 manufacturing renewable energy equipment for the generation, storage, testing  
43 and research and development, transmission or distribution of electricity  
44 from renewable resources, including specialized crates necessary to package  
45 the renewable energy equipment manufactured at the qualifying renewable  
46 energy operation.



1 (d) AUTHORIZES THE DEPARTMENT OF REVENUE TO PROVIDE TAX INFORMATION TO  
2 THE AUTHORITY PURSUANT TO SECTION 42-2003 FOR THE PURPOSE OF DETERMINING ANY  
3 INCONSISTENCY IN INFORMATION FURNISHED BY THE APPLICANT.

4 (e) AGREES TO ALLOW SITE VISITS AND AUDITS TO VERIFY THE APPLICANT'S  
5 CONTINUING QUALIFICATION AND THE ACCURACY OF INFORMATION SUBMITTED TO THE  
6 AUTHORITY.

7 (f) CONSENTS TO THE ADJUSTMENT OR RECAPTURE OF ANY AMOUNT OF INCOME  
8 TAX CREDIT DUE TO NONCOMPLIANCE WITH THIS SECTION.

9 9. LETTERS OF GOOD STANDING FROM THE DEPARTMENT OF REVENUE STATING  
10 THAT THE APPLICANT IS NOT DELINQUENT IN THE PAYMENT OF TAXES.

11 C. THE APPLICANT MAY QUALIFY FOR THE INCOME TAX CREDITS PURSUANT TO  
12 SECTION 43-1083.03 OR 43-1164.04, AS APPLICABLE, IF:

13 1. THE APPLICANT MAKES NEW CAPITAL INVESTMENT IN THIS STATE AFTER JUNE  
14 30, 2012 IN A TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31, 2012 IN A  
15 QUALIFIED FACILITY.

16 2. AT LEAST FIFTY-ONE PER CENT OF THE NET NEW FULL-TIME EMPLOYMENT  
17 POSITIONS AT THE QUALIFIED FACILITY PAY A WAGE THAT EQUALS OR EXCEEDS ONE  
18 HUNDRED TWENTY-FIVE PER CENT OF THE MEDIAN ANNUAL WAGE IN THIS STATE, AS  
19 DETERMINED BY THE MOST RECENT ANNUAL ARIZONA COMMERCE AUTHORITY OCCUPATIONAL  
20 WAGE AND EMPLOYMENT ESTIMATES.

21 3. ALL NET NEW FULL-TIME EMPLOYMENT POSITIONS INCLUDE HEALTH INSURANCE  
22 COVERAGE FOR THE EMPLOYEES FOR WHICH THE APPLICANT PAYS AT LEAST EIGHTY PER  
23 CENT OF THE PREMIUM OR MEMBERSHIP COST.

24 D. FINAL ELIGIBILITY FOR AN INCOME TAX CREDIT IS SUBJECT TO ANY  
25 ADDITIONAL REQUIREMENTS PRESCRIBED BY SECTION 43-1083.03 OR 43-1164.04, AS  
26 APPLICABLE.

27 E. AN APPLICANT MAY SEPARATELY APPLY AND QUALIFY WITH RESPECT TO  
28 INVESTMENTS FOR SEPARATE EXPANSIONS OF A QUALIFIED FACILITY.

29 F. THE AMOUNT OF THE INCOME TAX CREDIT TO BE PREAPPROVED BY THE  
30 AUTHORITY TO A QUALIFYING APPLICANT IS TEN PER CENT OF THE LESSER OF:

31 1. THE AMOUNT THE APPLICANT HAS PROJECTED IN TOTAL QUALIFYING  
32 INVESTMENT IN THE QUALIFIED FACILITY.

33 2. TWO HUNDRED THOUSAND DOLLARS FOR EACH NET NEW FULL-TIME EMPLOYMENT  
34 POSITION PROJECTED BY THE APPLICANT AT A QUALIFIED FACILITY.

35 G. BEGINNING WITH INCOME TAX CREDITS ALLOCATED FOR 2013, AN APPROVED  
36 CREDIT:

37 1. MUST BE CLAIMED ON A TIMELY FILED ORIGINAL INCOME TAX RETURN,  
38 INCLUDING EXTENSIONS.

39 2. MUST BE CLAIMED IN FIVE EQUAL INSTALLMENTS AS PROVIDED BY SECTION  
40 43-1083.03 OR 43-1164.04.

41 H. THE AUTHORITY SHALL ESTABLISH A PROCESS FOR QUALIFYING AND  
42 PREAPPROVING APPLICANTS FOR THE INCOME TAX CREDITS. THE AUTHORITY SHALL NOT  
43 PREAPPROVE APPLICANTS AS QUALIFYING FOR CREDITS UNDER THIS SECTION AFTER  
44 DECEMBER 31, 2019. PREAPPROVAL IS BASED ON:

45 1. PRIORITY PLACEMENT ESTABLISHED BY THE DATE THAT THE APPLICANT FILES  
46 ITS INITIAL APPLICATION WITH THE AUTHORITY.

1           2. THE AVAILABILITY OF INCOME TAX CREDIT CAPACITY UNDER THE DOLLAR  
2 LIMIT PRESCRIBED BY SECTION 41-1511, SUBSECTION J.

3           I. WITHIN THIRTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT  
4 APPLICATION, THE AUTHORITY SHALL REVIEW THE APPLICATION TO DETERMINE WHETHER  
5 THE APPLICANT SATISFIES ALL OF THE CRITERIA PRESCRIBED BY THIS SECTION AND  
6 EITHER PREAPPROVE THE PROJECT AS QUALIFYING FOR THE PURPOSES OF AN INCOME TAX  
7 CREDIT OR PROVIDE REASONS FOR ITS DENIAL. THE AUTHORITY SHALL SEND COPIES OF  
8 EACH PREAPPROVAL TO THE DEPARTMENT OF REVENUE.

9           J. THE AUTHORITY SHALL NOT PREAPPROVE INCOME TAX CREDITS UNDER THIS  
10 SECTION AND SECTION 41-1511 THAT COMBINED WOULD EXCEED THE LIMITS PRESCRIBED  
11 BY SECTION 41-1511, SUBSECTION J. A PREAPPROVED AMOUNT APPLIES AGAINST THE  
12 DOLLAR LIMIT FOR THE YEAR IN WHICH THE APPLICATION WAS SUBMITTED REGARDLESS  
13 OF WHETHER THE INITIAL PREAPPROVAL PERIOD EXTENDS INTO THE FOLLOWING YEAR OR  
14 YEARS. A BUSINESS SHALL NOT BE PREAPPROVED FOR CREDITS UNDER BOTH THIS  
15 SECTION AND SECTION 41-1511 FOR THE SAME CAPITAL INVESTMENT. THE AUTHORITY  
16 SHALL NOT PREAPPROVE INCOME TAX CREDITS UNDER THIS SECTION FOR ANY TAXPAYER  
17 IN EXCESS OF THIRTY MILLION DOLLARS IN ANY CALENDAR YEAR.

18           K. THE AUTHORITY SHALL REALLOCATE THE AMOUNT OF INCOME TAX CREDITS  
19 THAT ARE VOLUNTARILY RELINQUISHED UNDER SUBSECTION L OF THIS SECTION, THAT  
20 LAPSE UNDER SUBSECTION M OF THIS SECTION OR THAT LAPSE UNDER SUBSECTION P OF  
21 THIS SECTION. THE REALLOCATION SHALL BE TO OTHER BUSINESSES THAT APPLIED  
22 UNDER THIS SECTION OR SECTION 41-1511 IN THE ORIGINAL CREDIT YEAR BASED ON  
23 PRIORITY PLACEMENT. ONCE REALLOCATED, THE AMOUNT OF THE CREDIT APPLIES  
24 AGAINST THE DOLLAR LIMIT OF THE ORIGINAL CREDIT YEAR REGARDLESS OF THE YEAR  
25 IN WHICH THE REALLOCATION OCCURS.

26           L. A TAXPAYER MAY VOLUNTARILY RELINQUISH UNUSED CREDIT AMOUNTS IN  
27 WRITING TO THE AUTHORITY.

28           M. PREAPPROVAL UNDER THIS SECTION LAPSES, THE APPLICATION IS VOID AND  
29 THE AMOUNT OF THE PREAPPROVED INCOME TAX CREDITS DOES NOT APPLY AGAINST THE  
30 DOLLAR LIMIT PRESCRIBED BY SECTION 41-1511, SUBSECTION J IF, WITHIN TWELVE  
31 MONTHS AFTER PREAPPROVAL, THE BUSINESS FAILS TO PROVIDE TO THE AUTHORITY  
32 DOCUMENTATION OF ITS EXPENDITURE OF TWO HUNDRED FIFTY THOUSAND DOLLARS IN  
33 QUALIFYING INVESTMENT OR, IF THE PERIOD OVER WHICH THE QUALIFYING INVESTMENT  
34 WILL BE MADE EXCEEDS TWELVE MONTHS, DOCUMENTATION OF ADDITIONAL EXPENDITURES  
35 AS REQUIRED IN THIS SUBSECTION FOR EACH TWELVE-MONTH PERIOD.

36           N. AFTER OCTOBER 31 OF EACH YEAR, IF THE AUTHORITY HAS PREAPPROVED THE  
37 MAXIMUM CALENDAR YEAR INCOME TAX CREDIT AMOUNT PURSUANT TO SECTION 41-1511,  
38 SUBSECTION J, THE AUTHORITY MAY ACCEPT INITIAL APPLICATIONS FOR THE NEXT  
39 CALENDAR YEAR, BUT THE PREAPPROVAL OF ANY APPLICATION PURSUANT TO THIS  
40 SUBSECTION SHALL NOT BE EFFECTIVE BEFORE THE FIRST BUSINESS DAY OF THE  
41 FOLLOWING CALENDAR YEAR.

42           O. BEFORE AN APPLICANT APPLIES FOR POSTAPPROVAL UNDER SUBSECTION P OF  
43 THIS SECTION, THE APPLICANT MUST ENTER INTO A WRITTEN MANAGED REVIEW  
44 AGREEMENT WITH THE CHIEF EXECUTIVE OFFICER OF THE AUTHORITY THAT ESTABLISHES  
45 THE REQUIREMENTS OF A MANAGED REVIEW TO BE CONDUCTED UNDER THIS SUBSECTION AT  
46 THE APPLICANT'S EXPENSE. THE MANAGED REVIEW MUST BE CONDUCTED BY A CERTIFIED

1 PUBLIC ACCOUNTANT WHO IS SELECTED BY THE APPLICANT, WHO IS LICENSED IN THIS  
2 STATE AND WHO IS APPROVED BY THE CHIEF EXECUTIVE OFFICER. THE CERTIFIED  
3 PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT IS AFFILIATED  
4 WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE APPLICANT OR ITS  
5 AFFILIATES. THE MANAGED REVIEW SHALL INCLUDE AN ANALYSIS OF THE APPLICANT'S  
6 INVOICES, CHECKS, ACCOUNTING RECORDS AND OTHER DOCUMENTS AND INFORMATION TO  
7 VERIFY ITS BASE INVESTMENT AND OTHER REQUIREMENTS PRESCRIBED BY SECTION  
8 43-1083.03 OR 43-1164.04 TO CONFIRM THE AMOUNT OF CREDIT. THE CERTIFIED  
9 PUBLIC ACCOUNTANT SHALL FURNISH WRITTEN FINDINGS OF THE MANAGED REVIEW TO THE  
10 CHIEF EXECUTIVE OFFICER. THE CHIEF EXECUTIVE OFFICER SHALL REVIEW THE  
11 FINDINGS AND MAY EXAMINE RECORDS AND PERFORM OTHER REVIEWS THAT THE CHIEF  
12 EXECUTIVE OFFICER CONSIDERS NECESSARY TO VERIFY THAT THE MANAGED REVIEW  
13 SUBSTANTIALLY CONFORMS TO THE TERMS OF THE MANAGED REVIEW AGREEMENT. THE  
14 CHIEF EXECUTIVE OFFICER SHALL ACCEPT OR REJECT THE FINDINGS OF THE MANAGED  
15 REVIEW. IF THE CHIEF EXECUTIVE OFFICER REJECTS ALL OR PART OF THE MANAGED  
16 REVIEW, THE CHIEF EXECUTIVE OFFICER SHALL PROVIDE WRITTEN REASONS FOR THE  
17 REJECTION.

18 P. WHEN THE QUALIFIED FACILITY BEGINS OPERATIONS, A BUSINESS THAT WAS  
19 PREAPPROVED FOR INCOME TAX CREDITS UNDER THIS SECTION SHALL APPLY TO THE  
20 AUTHORITY IN WRITING FOR POSTAPPROVAL OF THE CREDITS AND SUBMIT DOCUMENTATION  
21 CERTIFYING THE TOTAL AMOUNT AND DATES OF THE QUALIFYING INVESTMENTS AND  
22 IDENTIFYING THE FIXED CAPITAL ASSETS ASSOCIATED WITH THE QUALIFIED FACILITY  
23 INCURRED AFTER JUNE 30, 2012 THROUGH THE DATE OF APPLICATION FOR  
24 POSTAPPROVAL. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011,  
25 THE AUTHORITY SHALL PROVIDE POSTAPPROVAL TO A BUSINESS THAT HAS MET THE  
26 ELIGIBILITY REQUIREMENTS OF THIS SECTION AND SHALL NOTIFY THE DEPARTMENT OF  
27 REVENUE THAT THE BUSINESS MAY CLAIM AN INCOME TAX CREDIT PURSUANT TO SECTION  
28 43-1083.03 OR 43-1164.04. IF THE AMOUNT OF QUALIFYING INVESTMENT ACTUALLY  
29 SPENT IS LESS THAN THE AMOUNT PREAPPROVED FOR INCOME TAX CREDITS, THE  
30 PREAPPROVED AMOUNT NOT INCURRED LAPSES AND DOES NOT APPLY AGAINST THE DOLLAR  
31 LIMIT PRESCRIBED BY SECTION 41-1511, SUBSECTION J FOR THAT YEAR. THE  
32 DEPARTMENT OF REVENUE SHALL NOT ALLOW AN INCOME TAX CREDIT UNDER SECTION  
33 43-1083.03 OR 43-1164.04 THAT EXCEEDS THE AMOUNT OF THE POSTAPPROVAL FOR THE  
34 PROJECT UNDER THIS SUBSECTION. FOR THE PURPOSES OF THIS SUBSECTION, "BEGINS  
35 OPERATIONS" MEANS THE QUALIFIED FACILITY OPENS FOR PUBLIC BUSINESS.

36 Q. THE AUTHORITY MAY RESCIND AN APPLICANT'S POSTAPPROVAL IF THE  
37 BUSINESS NO LONGER MEETS THE TERMS AND CONDITIONS REQUIRED FOR QUALIFYING FOR  
38 THE CREDIT. THE AUTHORITY MAY GIVE SPECIAL CONSIDERATION, OR ALLOW TEMPORARY  
39 EXEMPTION FROM RECAPTURE OF THE CREDIT, IN THE CASE OF EXTRAORDINARY HARDSHIP  
40 DUE TO FACTORS BEYOND THE CONTROL OF THE QUALIFYING BUSINESS.

41 R. IF THE AUTHORITY RESCINDS AN APPLICANT'S PREAPPROVAL OR  
42 POSTAPPROVAL UNDER SUBSECTION Q OF THIS SECTION, IT SHALL NOTIFY THE  
43 DEPARTMENT OF REVENUE OF THE ACTION AND THE CONDITIONS OF NONCOMPLIANCE. IF  
44 THE DEPARTMENT OF REVENUE OBTAINS INFORMATION INDICATING A POSSIBLE FAILURE  
45 TO QUALIFY AND COMPLY, IT SHALL PROVIDE THAT INFORMATION TO THE AUTHORITY.  
46 THE DEPARTMENT OF REVENUE MAY REQUIRE THE BUSINESS TO FILE APPROPRIATE

1 AMENDED TAX RETURNS REFLECTING ANY RECAPTURE OF THE CREDIT UNDER SECTION  
2 43-1083.03 OR 43-1164.04.

3 S. PREAPPROVAL AND POSTAPPROVAL OF AN APPLICANT FOR THE PURPOSES OF  
4 INCOME TAX CREDITS UNDER THIS SECTION DO NOT CONSTITUTE OR IMPLY COMPLIANCE  
5 WITH ANY OTHER PROVISION OF LAW OR ANY REGULATORY RULE, ORDER, PROCEDURE,  
6 PERMIT OR OTHER MEASURE REQUIRED BY LAW. TO MAINTAIN QUALIFICATION FOR A  
7 CREDIT UNDER THIS SECTION, A BUSINESS MUST SEPARATELY COMPLY WITH ALL  
8 ENVIRONMENTAL, EMPLOYMENT AND OTHER REGULATORY MEASURES.

9 T. FOR FIVE YEARS AFTER POSTAPPROVAL OF AN INCOME TAX CREDIT UNDER  
10 THIS SECTION, IN ANY ACTION INVOLVING THE LIQUIDATION OF THE BUSINESS ASSETS  
11 OR RELOCATION OUT OF STATE, THIS STATE CLAIMS THE POSITION OF A SECURED  
12 CREDITOR OF THE BUSINESS IN THE AMOUNT OF THE CREDIT THE BUSINESS RECEIVED  
13 PURSUANT TO SECTION 43-1083.03 OR 43-1164.04. THE TRANSFER OF PART OR ALL OF  
14 A COMPANY'S ASSETS THAT ARE THEN LEASED BACK BY THE COMPANY IS NOT CONSIDERED  
15 A LIQUIDATION UNDER THIS SECTION.

16 U. ANY INFORMATION GATHERED FROM A BUSINESS FOR THE PURPOSES OF THIS  
17 SECTION IS CONSIDERED TO BE CONFIDENTIAL TAXPAYER INFORMATION AND SHALL BE  
18 DISCLOSED ONLY AS PROVIDED IN SECTION 42-2003, SUBSECTION B, PARAGRAPH 12,  
19 EXCEPT THAT THE AUTHORITY SHALL PUBLISH THE FOLLOWING INFORMATION IN ITS  
20 ANNUAL REPORT:

21 1. THE NAME OF EACH BUSINESS AND THE AMOUNT OF INCOME TAX CREDITS  
22 PREAPPROVED FOR EACH QUALIFYING INVESTMENT.

23 2. THE AMOUNT OF INCOME TAX CREDITS POSTAPPROVED WITH RESPECT TO EACH  
24 QUALIFYING INVESTMENT.

25 V. THE AUTHORITY SHALL:

26 1. KEEP ANNUAL RECORDS OF THE INFORMATION PROVIDED ON APPLICATIONS FOR  
27 QUALIFIED FACILITIES. THESE RECORDS SHALL REFLECT A PERCENTAGE COMPARISON OF  
28 THE ANNUAL AMOUNT OF MONIES CREDITED TO QUALIFIED FACILITIES TO THE ESTIMATED  
29 AMOUNT OF MONIES SPENT IN THIS STATE IN THE FORM OF QUALIFYING INVESTMENTS.

30 2. MAINTAIN ANNUAL DATA ON GROWTH IN THIS STATE OF QUALIFIED  
31 FACILITIES AND RELATED EMPLOYMENT AND WAGES.

32 3. NOT LATER THAN APRIL 30 FOLLOWING EACH CALENDAR YEAR, PREPARE AND  
33 PUBLISH A REPORT SUMMARIZING THE INFORMATION COLLECTED PURSUANT TO THIS  
34 SUBSECTION. THE AUTHORITY SHALL MAKE COPIES OF THE ANNUAL REPORT AVAILABLE  
35 TO THE PUBLIC ON REQUEST.

36 W. THE AUTHORITY SHALL ADOPT RULES AND PRESCRIBE FORMS AND PROCEDURES  
37 AS NECESSARY FOR THE PURPOSES OF THIS SECTION. THE AUTHORITY AND THE  
38 DEPARTMENT OF REVENUE SHALL COLLABORATE IN ADOPTING RULES AS NECESSARY TO  
39 AVOID DUPLICATION AND INCONSISTENCIES WHILE ACCOMPLISHING THE INTENT AND  
40 PURPOSES OF THIS SECTION.

41 X. FOR THE PURPOSES OF THIS SECTION:

42 1. "CAPITAL INVESTMENT" MEANS AN EXPENDITURE TO ACQUIRE, LEASE OR  
43 IMPROVE PROPERTY THAT IS USED IN OPERATING A BUSINESS, INCLUDING LAND,  
44 BUILDINGS, MACHINERY, EQUIPMENT AND FIXTURES.

45 2. "FACILITY" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR  
46 LEASED LAND IN THIS STATE, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON

1 THE LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY THE OWNER. PARCELS THAT  
2 ARE SEPARATED ONLY BY A PUBLIC THOROUGHFARE OR RIGHT-OF-WAY ARE CONSIDERED TO  
3 BE CONTIGUOUS.

4 3. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE  
5 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,  
6 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR  
7 BUSINESS FUNCTIONS.

8 4. "MANUFACTURING" MEANS FABRICATING, PRODUCING OR MANUFACTURING RAW  
9 OR PREPARED MATERIALS INTO USABLE PRODUCTS, IMPARTING NEW FORMS, QUALITIES,  
10 PROPERTIES AND COMBINATIONS. MANUFACTURING DOES NOT INCLUDE GENERATING  
11 ELECTRICITY.

12 5. "QUALIFIED FACILITY" MEANS A FACILITY IN THIS STATE THAT DEVOTES AT  
13 LEAST EIGHTY PER CENT OF THE PROPERTY AND PAYROLL AT THE FACILITY TO ONE OR  
14 MORE OF THE FOLLOWING:

15 (a) QUALIFIED MANUFACTURING.

16 (b) QUALIFIED HEADQUARTERS.

17 (c) QUALIFIED RESEARCH.

18 6. "QUALIFIED HEADQUARTERS" MEANS A GLOBAL, NATIONAL OR REGIONAL  
19 HEADQUARTERS FOR A TAXPAYER THAT IS INVOLVED IN MANUFACTURING AND THAT  
20 DERIVES AT LEAST SIXTY-FIVE PER CENT OF ITS REVENUE FROM OUT-OF-STATE SALES.

21 7. "QUALIFIED MANUFACTURING" MEANS MANUFACTURING TANGIBLE PRODUCTS IN  
22 THIS STATE IF AT LEAST SIXTY-FIVE PER CENT OF THE PRODUCT WILL BE SOLD  
23 OUT-OF-STATE.

24 8. "QUALIFIED RESEARCH" HAS THE SAME MEANING PRESCRIBED BY SECTION  
25 41(d) OF THE INTERNAL REVENUE CODE, AS DEFINED BY SECTION 43-105, EXCEPT THAT  
26 THE RESEARCH MUST BE CONDUCTED BY A TAXPAYER INVOLVED IN MANUFACTURING THAT  
27 DERIVES AT LEAST SIXTY-FIVE PER CENT OF ITS REVENUE FROM OUT-OF-STATE SALES.

28 9. "QUALIFYING INVESTMENT" MEANS INVESTMENT IN LAND, BUILDINGS,  
29 MACHINERY, EQUIPMENT AND FIXTURES FOR EXPANSION OF AN EXISTING QUALIFIED  
30 FACILITY OR ESTABLISHMENT OF A NEW QUALIFIED FACILITY IN THIS STATE AFTER  
31 JUNE 30, 2012 FOR A TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31, 2011.  
32 QUALIFYING INVESTMENT DOES NOT INCLUDE RELOCATING AN EXISTING QUALIFIED  
33 FACILITY IN THIS STATE TO ANOTHER LOCATION IN THIS STATE WITHOUT ADDITIONAL  
34 CAPITAL INVESTMENT OF AT LEAST TWO HUNDRED FIFTY THOUSAND DOLLARS.

35 Sec. 4. Section 41-1525, Arizona Revised Statutes, as amended by Laws  
36 2012, chapter 3, section 14, is amended to read:

37 41-1525. Arizona quality jobs incentives; tax credits for new  
38 employment; qualifications; definitions

39 A. The owner of a business located in this state before July 2017 is  
40 eligible for income tax credits under section 43-1074 or 43-1161 or an  
41 insurance premium tax credit under section 20-224.03 for net increases in  
42 full-time employees residing in this state and hired in qualified employment  
43 positions in this state.

44 B. To qualify under this section, and subject to preapproval by the  
45 authority, the business must meet either of the following requirements ~~in the~~



1 ~~taxable year~~ for each location of the business ~~for which~~ BEFORE it claims a  
2 first year tax credit FOR THE LOCATION:

3 1. Invest at least five million dollars of capital investment and  
4 create at least twenty-five new qualified employment positions at a location  
5 within the exterior boundaries of a city or town that has a population of  
6 fifty thousand persons or more and that is located in a county that has a  
7 population of eight hundred thousand persons or more.

8 2. Invest at least one million dollars of capital investment and  
9 create at least five qualified employment positions in any other location.

10 C. THE CAPITAL INVESTMENT AND THE NEW QUALIFIED EMPLOYMENT POSITIONS  
11 REQUIREMENTS OF SUBSECTION B OF THIS SECTION MUST BE ACCOMPLISHED WITHIN  
12 TWELVE MONTHS AFTER THE START OF THE REQUIRED CAPITAL INVESTMENT. NO CREDIT  
13 MAY BE CLAIMED UNTIL BOTH REQUIREMENTS ARE MET. A BUSINESS THAT MEETS THE  
14 REQUIREMENTS OF SUBSECTION B OF THIS SECTION FOR A LOCATION IS ELIGIBLE TO  
15 CLAIM FIRST YEAR CREDITS FOR THREE YEARS BEGINNING WITH THE TAXABLE YEAR IN  
16 WHICH THOSE REQUIREMENTS ARE COMPLETED. EMPLOYEES HIRED AT THE LOCATION  
17 BEFORE THE BEGINNING OF THE TAXABLE YEAR BUT DURING THE TWELVE-MONTH PERIOD  
18 ALLOWED IN THIS SUBSECTION ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE  
19 YEAR IN WHICH ALL OF THOSE REQUIREMENTS ARE COMPLETED. THE EMPLOYEES THAT  
20 ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE YEAR UNDER THIS SUBSECTION  
21 SHALL NOT BE INCLUDED IN THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE  
22 IMMEDIATELY PRECEDING TAXABLE YEAR UNTIL THE TAXABLE YEAR IN WHICH ALL OF THE  
23 REQUIREMENTS OF SUBSECTION B OF THIS SECTION ARE COMPLETED. AN EMPLOYEE  
24 WORKING AT A TEMPORARY WORK SITE IN THIS STATE WHILE THE DESIGNATED LOCATION  
25 IS UNDER CONSTRUCTION IS CONSIDERED TO BE WORKING AT THE DESIGNATED LOCATION  
26 IF ALL OF THE FOLLOWING OCCUR:

27 1. THE EMPLOYEE IS HIRED AFTER THE START OF THE REQUIRED INVESTMENT AT  
28 THE DESIGNATED LOCATION.

29 2. THE EMPLOYEE IS HIRED TO WORK AT THE DESIGNATED LOCATION AFTER IT  
30 IS COMPLETED.

31 3. THE PAYROLL FOR THE EMPLOYEES DESTINED FOR THE DESIGNATED LOCATION  
32 IS SEGREGATED FROM OTHER EMPLOYEES.

33 4. THE EMPLOYEE IS MOVED TO THE DESIGNATED LOCATION WITHIN THIRTY DAYS  
34 AFTER ITS COMPLETION.

35 ~~C.~~ D. No more than ~~four hundred new jobs per employer qualify for~~  
36 ~~first year credits each year, and no more than~~ ten thousand new jobs for all  
37 employers qualify for first year credits each year.

38 ~~D.~~ E. To claim a tax credit, the business must:

39 1. OBTAIN PREAPPROVAL FROM THE AUTHORITY AT A TIME, ON A FORM AND IN A  
40 MANNER PRESCRIBED BY THE AUTHORITY. PREAPPROVAL SHALL COVER ALL FIRST YEAR  
41 CREDITS INTENDED TO BE CLAIMED FOR THE DESIGNATED LOCATION AND ALL SECOND AND  
42 THIRD YEAR CREDITS ASSOCIATED WITH THOSE FIRST YEAR CREDITS.

43 ~~1.~~ 2. Certify to the department of revenue or the department of  
44 insurance, as applicable, on or before the due date of the tax return,  
45 including any extensions for the year for which the credit is claimed, in a  
46 form prescribed by the department, including electronic media, information

1 that the department may require, including the ownership interests of  
2 co-owners of the business if the business is a partnership, limited liability  
3 company or an S corporation, and the following information for each employee  
4 in the DESIGNATED location:

- 5 (a) The date of initial employment.
- 6 (b) The number of hours worked during the year.
- 7 (c) Whether the position was full-time.
- 8 (d) The employee's annual compensation.
- 9 (e) The total cost of health insurance for the employee and the cost  
10 paid by the employer.
- 11 (f) Other information required by the department.

12 ~~2-~~ 3. Report and certify to the authority the following information,  
13 and provide supporting documentation, on a form and in a manner approved by  
14 the authority, and as specified in subsection ~~E- F~~ of this section, for each  
15 year in which the taxpayer earned and claimed or used credits or is carrying  
16 forward amounts from previously earned and claimed credits:

- 17 (a) The business name and mailing address and any other contact  
18 information requested by the authority.
- 19 (b) The physical address of the business location OR LOCATIONS AND THE  
20 NUMBER OF EMPLOYEES QUALIFIED FOR THE CREDIT AT EACH LOCATION.
- 21 (c) The average hourly wage and the total amount of compensation paid  
22 to employees qualified for the credit and for all employees.
- 23 (d) The total number of qualified employment positions and the amount  
24 of income tax or premium tax credits qualified for in the taxable year.
- 25 (e) The estimated amount of tax credits to be used in the taxable year  
26 to offset tax liability.
- 27 (f) The estimated amount of tax credits to be available for  
28 carryforward in the taxable year and the year in which the credits expire.
- 29 (g) The number of jobs and the amount of credits earned and claimed on  
30 the prior year's tax return.
- 31 (h) The amount of credits used to offset tax liabilities on the prior  
32 year's tax return.
- 33 (i) The amount of credits available for carryforward as reported on  
34 the prior year's tax return and the year the credits expire.
- 35 (j) Capital investment made during the taxable year and the preceding  
36 taxable year.
- 37 (k) Other information necessary for the management and reporting of  
38 the incentives under this section.

39 ~~3-~~ 4. For any year in which the taxpayer is claiming first year  
40 credits, report and certify the following additional information and provide  
41 supporting documentation to the authority on a form and in a manner approved  
42 by the authority, and as specified in subsection ~~E- F~~ of this section:

43 (a) That the net increase in the number of qualified employment  
44 positions for which credit is sought is the least of:

- 45 (i) The total number of filled qualified employment positions created  
46 at the ~~business~~ DESIGNATED location OR LOCATIONS during the taxable year.

1 (ii) The difference between the average number of full-time employees  
2 in this state in the current taxable year and the average number of full-time  
3 employees in this state during the immediately preceding taxable year.

4 ~~(iii) Four hundred qualified employment positions per taxpayer each~~  
5 ~~year.~~

6 (b) That all employees filling a qualified employment position were  
7 employed for at least ninety days during the first taxable year. Employees  
8 hired in the last ninety days of the taxable year are excluded for that  
9 taxable year and are considered to be new employees in the following taxable  
10 year, ~~but qualified employment positions are considered to be created for the~~  
11 ~~purposes of subsection B of this section in the taxable year the employee is~~  
12 ~~actually hired.~~

13 (c) That none of the employees filling qualified employment positions  
14 were employed by the taxpayer during the twelve months before the current  
15 date of hire except for those relocating to this state.

16 (d) That all employees for whom second and third year credits are  
17 claimed are in qualified employment positions for which first year credits  
18 were allowed and claimed by the taxpayer on the original first and second  
19 year tax returns.

20 (e) That all employees for whom credits are taken performed their job  
21 duties primarily at the designated locations of the business.

22 ~~E.~~ F. To qualify for first year credits, the report and certification  
23 prescribed by subsection ~~D~~ E, paragraphs ~~2 and 3~~ AND 4 of this section must  
24 be filed with the authority by the earlier of six months after the end of the  
25 taxable year in which the qualified employment positions were created or by  
26 the date the tax return is filed for the taxable year in which the qualified  
27 employment positions were created. To qualify for second year credits, the  
28 report and certification prescribed by subsection ~~D~~ E, paragraph ~~2~~ 3 of  
29 this section must be filed with the authority by the earlier of six months  
30 after the end of the taxable year or the date the tax return is filed for the  
31 taxable year in which the second year credits are allowable. To qualify for  
32 third year credits, the report and certification prescribed by subsection ~~D~~  
33 E, paragraph ~~2~~ 3 of this section must be filed with the authority by the  
34 earlier of six months after the end of the taxable year or the date the tax  
35 return is filed for the taxable year in which the third year credits are  
36 allowable.

37 ~~F.~~ G. Any information submitted to the authority under subsection ~~D~~  
38 E, paragraph ~~2~~ 3, subdivisions (e) through (j) of this section is exempt  
39 from title 39, chapter 1, article 2 and considered to be confidential and is  
40 not subject to disclosure except:

41 1. To the extent that the person or organization that provided the  
42 information consents to the disclosure.

43 2. To the department of revenue for use in tax administration.

44 ~~G.~~ H. Documents filed with the authority, the department of insurance  
45 and the department of revenue under subsection ~~D~~ E of this section shall  
46 contain either a sworn statement or certification, signed by an officer of

1 the company under penalty of perjury, that the information contained is true  
2 and correct according to the best belief and knowledge of the person  
3 submitting the information after a reasonable investigation of the facts. If  
4 the document contains information that is materially false, the taxpayer is  
5 ineligible for the tax credits described under subsection A of this section  
6 and is subject to recovery of the amount of tax credits allowed in preceding  
7 taxable years based on the false information, plus penalties and interest.

8 ~~H.~~ I. The authority may make site visits to a taxpayer's facilities  
9 if it is necessary to further document or clarify reported information. The  
10 taxpayer must freely provide the access.

11 ~~I.~~ J. The authority by rule ~~may~~ SHALL prescribe preapproval  
12 requirements and additional reporting requirements for taxpayers who claim  
13 tax credits pursuant to this section.

14 ~~J.~~ K. On or before September 30 of each year, the authority shall  
15 transmit a report to the governor, the president of the senate, the speaker  
16 of the house of representatives and the chairpersons of the senate finance  
17 committee and the house of representatives ways and means committee and  
18 provide a copy of the report to the secretary of state. The report shall  
19 include the following information:

20 1. The business names, locations, number of employees and amount of  
21 compensation paid to employees qualifying for income tax credits as reported  
22 to the authority.

23 2. The amount of capital investment, made during the preceding fiscal  
24 year and cumulatively.

25 3. The total amount of income tax credits allowed for the preceding  
26 taxable year and the number of qualified employment positions for which  
27 credits were claimed pursuant to sections 43-1074 and 43-1161.

28 ~~K.~~ L. For the purposes of this section:

29 1. "Capital investment" means an expenditure to acquire, lease or  
30 improve property that is used in operating a business, including:

31 (a) Land, buildings, machinery and fixtures.

32 (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER JUNE 30, 2011,  
33 EQUIPMENT.

34 2. "DESIGNATED LOCATION" MEANS THE LOCATION AT WHICH THE REQUIRED  
35 CAPITAL INVESTMENT IS MADE UNDER SUBSECTION B OF THIS SECTION.

36 ~~L.~~ 3. "Location" means a single parcel or contiguous parcels of owned  
37 or leased land in this state, the structures and personal property contained  
38 on the land or any part of the structures occupied by the owner. Parcels  
39 that are separated only by a public thoroughfare or right-of-way are  
40 considered to be contiguous but parcels that are in locations respectively  
41 described by subsection B, paragraphs 1 and 2 of this section are not  
42 considered to be contiguous.

43 ~~M.~~ 4. "Qualified employment position" means employment that meets the  
44 following requirements:

45 (a) The position consists of at least one thousand seven hundred fifty  
46 hours per year of full-time permanent employment.

1 (b) The job duties are performed primarily at the location or  
2 locations of the business in this state.

3 (c) The employment provides health insurance coverage for the employee  
4 for which the employer pays at least sixty-five per cent of the premium or  
5 membership cost. If the business is self-insured, the employer pays at least  
6 sixty-five per cent of a predetermined fixed cost per employee for an  
7 insurance program that is payable whether or not the employee has filed  
8 claims.

9 (d) The employer pays compensation at least equal to the median wage  
10 by county as computed annually by the authority.

11 Sec. 5. Section 42-2003, Arizona Revised Statutes, as amended by Laws  
12 2012, chapter 170, section 39, is amended to read:

13 42-2003. Authorized disclosure of confidential information

14 A. Confidential information relating to:

15 1. A taxpayer may be disclosed to the taxpayer, its successor in  
16 interest or a designee of the taxpayer who is authorized in writing by the  
17 taxpayer. A principal corporate officer of a parent corporation may execute  
18 a written authorization for a controlled subsidiary.

19 2. A corporate taxpayer may be disclosed to any principal officer, any  
20 person designated by a principal officer or any person designated in a  
21 resolution by the corporate board of directors or other similar governing  
22 body.

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

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

31 5. A trust may be disclosed to the trustee or trustees, jointly or  
32 separately, and to the grantor or any beneficiary of the trust if the  
33 department finds that the grantor or beneficiary has a material interest  
34 ~~which~~ THAT will be affected by the confidential information.

35 6. Any taxpayer may be disclosed if the taxpayer has waived any rights  
36 to confidentiality either in writing or on the record in any administrative  
37 or judicial proceeding.

38 7. The name and taxpayer identification numbers of persons issued  
39 direct payment permits may be publicly disclosed.

40 B. Confidential information may be disclosed to:

41 1. Any employee of the department whose official duties involve tax  
42 administration.

43 2. The office of the attorney general solely for its use in  
44 preparation for, or in an investigation ~~which~~ THAT may result in, any  
45 proceeding involving tax administration before the department or any other

1 agency or board of this state, or before any grand jury or any state or  
2 federal court.

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

9 4. Other state tax officials whose official duties require the  
10 disclosure for proper tax administration purposes if the information is  
11 sought in connection with an investigation or any other proceeding conducted  
12 by the official. Any disclosure is limited to information of a taxpayer who  
13 is being investigated or who is a party to a proceeding conducted by the  
14 official.

15 5. The following agencies, officials and organizations, if they grant  
16 substantially similar privileges to the department for the type of  
17 information being sought, pursuant to statute and a written agreement between  
18 the department and the foreign country, agency, state, Indian tribe or  
19 organization:

20 (a) The United States internal revenue service, alcohol and tobacco  
21 tax and trade bureau of the United States treasury, United States bureau of  
22 alcohol, tobacco, firearms and explosives of the United States department of  
23 justice, United States drug enforcement agency and federal bureau of  
24 investigation.

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

26 (c) An organization of states, federation of tax administrators or  
27 multistate tax commission that operates an information exchange for tax  
28 administration purposes.

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

32 (e) An agency, official or organization of an Indian tribal government  
33 with responsibilities comparable to the responsibilities of the agencies,  
34 officials or organizations identified in subdivision (a), (b) or (c) of this  
35 paragraph.

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

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

40 (a) The processing, storage, transmission, destruction and  
41 reproduction of the information.

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

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

1           8. The office of administrative hearings relating to taxes  
2 administered by the department pursuant to section 42-1101, but the  
3 department shall not disclose any confidential information:

4           (a) Regarding income tax, ~~OR~~ withholding tax ~~or estate tax~~.

5           (b) On any tax issue relating to information associated with the  
6 reporting of income tax, ~~OR~~ withholding tax ~~or estate tax~~.

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

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

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

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

17           (a) Qualifying renewable energy operations for the tax incentives  
18 under sections 42-12006, 43-1083.01 and 43-1164.01.

19           (b) **QUALIFYING BUSINESSES WITH A QUALIFIED FACILITY FOR INCOME TAX**  
20 **CREDITS UNDER SECTIONS 43-1083.03 AND 43-1164.04.**

21           ~~(b)~~ (c) Fulfilling its annual reporting responsibility pursuant to  
22 section 41-1511, subsections U and V **AND SECTION 41-1512, SUBSECTIONS U**  
23 **AND V.**

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

25           14. The state fire marshal for use in determining compliance with and  
26 enforcing title 41, chapter 16, article 3.1.

27           15. The department of transportation for its use in administering taxes  
28 and surcharges prescribed by title 28.

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

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

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

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

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

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

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

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

4 E. The department, ~~upon~~ ON the request of any person, shall provide  
5 the names and addresses of bingo licensees as defined in section 5-401,  
6 verify whether or not a person has a privilege license and number, a  
7 distributor's license and number or a withholding license and number or  
8 disclose the information to be posted on the department's website or  
9 otherwise publicly accessible pursuant to section 42-1124, subsection F and  
10 section 42-3201, subsection A.

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

18 G. If an organization is exempt from this state's income tax as  
19 provided in section 43-1201 for any taxable year, the name and address of the  
20 organization and the application filed by the organization ~~upon~~ ON which the  
21 department made its determination for exemption together with any papers  
22 submitted in support of the application and any letter or document issued by  
23 the department concerning the application are open to public inspection.

24 H. Confidential information relating to transaction privilege tax, use  
25 tax, severance tax, jet fuel excise and use tax and ~~rental-occupancy tax~~ ANY  
26 OTHER TAX COLLECTED BY THE DEPARTMENT ON BEHALF OF THE COUNTY may be  
27 disclosed to any county, city or town tax official if the information relates  
28 to a taxpayer who is or may be taxable by the county, city or town. Any  
29 taxpayer information released by the department to the county, city or town:

30 1. May only be used for internal purposes.

31 2. May not be disclosed to the public in any manner that does not  
32 comply with confidentiality standards established by the department. The  
33 county, city or town shall agree in writing with the department that any  
34 release of confidential information that violates the confidentiality  
35 standards adopted by the department will result in the immediate suspension  
36 of any rights of the county, city or town to receive taxpayer information  
37 under this subsection.

38 I. The department may disclose statistical information gathered from  
39 confidential information if it does not disclose confidential information  
40 attributable to any one taxpayer. The department may disclose statistical  
41 information gathered from confidential information, even if it discloses  
42 confidential information attributable to a taxpayer, to:

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



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

4           J. The department may disclose the aggregate amounts of any tax  
5 credit, tax deduction or tax exemption enacted after January 1, 1994.  
6 Information subject to disclosure under this subsection shall not be  
7 disclosed if a taxpayer demonstrates to the department that such information  
8 would give an unfair advantage to competitors.

9           K. Except as provided in section 42-2002, subsection C, confidential  
10 information, described in section 42-2001, paragraph ~~2-1~~, subdivision (a),  
11 item ~~(iii)~~ (ii), may be disclosed to law enforcement agencies for law  
12 enforcement purposes.

13           L. The department may provide transaction privilege tax license  
14 information to property tax officials in a county for the purpose of  
15 identification and verification of the tax status of commercial property.

16           M. The department may provide transaction privilege tax, luxury tax,  
17 use tax, property tax and severance tax information to the ombudsman-citizens  
18 aide pursuant to title 41, chapter 8, article 5.

19           N. Except as provided in section 42-2002, subsection D, a court may  
20 order the department to disclose confidential information pertaining to a  
21 party to an action. An order shall be made only upon a showing of good cause  
22 and that the party seeking the information has made demand upon the taxpayer  
23 for the information.

24           O. This section does not prohibit the disclosure by the department of  
25 any information or documents submitted to the department by a bingo licensee.  
26 Before disclosing the information the department shall obtain the name and  
27 address of the person requesting the information.

28           P. If the department is required or permitted to disclose confidential  
29 information, it may charge the person or agency requesting the information  
30 for the reasonable cost of its services.

31           Q. Except as provided in section 42-2002, subsection D, the department  
32 of revenue shall release confidential information as requested by the  
33 department of economic security pursuant to section 42-1122 or 46-291.  
34 Information disclosed under this subsection is limited to the same type of  
35 information that the United States internal revenue service is authorized to  
36 disclose under section 6103(1)(6) of the internal revenue code.

37           R. Except as provided in section 42-2002, subsection D, the department  
38 of revenue shall release confidential information as requested by the courts  
39 and clerks of the court pursuant to section 42-1122.

40           S. To comply with the requirements of section 42-5031, the department  
41 may disclose to the state treasurer, to the county stadium district board of  
42 directors and to any city or town tax official that is part of the county  
43 stadium district confidential information attributable to a taxpayer's  
44 business activity conducted in the county stadium district.

45           T. The department shall release confidential information as requested  
46 by the attorney general for purposes of determining compliance with and

1 enforcing section 44-7101, the master settlement agreement referred to  
2 therein and subsequent agreements to which the state is a party that amend or  
3 implement the master settlement agreement. Information disclosed under this  
4 subsection is limited to luxury tax information relating to tobacco  
5 manufacturers, distributors, wholesalers and retailers and information  
6 collected by the department pursuant to section 44-7101(2)(j).

7 U. For proceedings before the department, the office of administrative  
8 hearings, the board of tax appeals or any state or federal court involving  
9 penalties that were assessed against a return preparer, an electronic return  
10 preparer or a payroll service company pursuant to section 42-1103.02,  
11 42-1125.01 or 43-419, confidential information may be disclosed only before  
12 the judge or administrative law judge adjudicating the proceeding, the  
13 parties to the proceeding and the parties' representatives in the proceeding  
14 prior to its introduction into evidence in the proceeding. The confidential  
15 information may be introduced as evidence in the proceeding only if the  
16 taxpayer's name, the names of any dependents listed on the return, all social  
17 security numbers, the taxpayer's address, the taxpayer's signature and any  
18 attachments containing any of the foregoing information are redacted and if  
19 either:

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

22 2. Such return or return information relates or may relate to a  
23 transactional relationship between a person who is a party to the proceeding  
24 and the taxpayer which directly affects the resolution of an issue in the  
25 proceeding.

26 3. The method of payment of the taxpayer's withholding tax liability  
27 or the method of filing the taxpayer's withholding tax return is an issue for  
28 the period.

29 V. The department may disclose to the attorney general confidential  
30 information received under section 44-7111 and requested by the attorney  
31 general for purposes of determining compliance with and enforcing section  
32 44-7111. The department and attorney general shall share with each other the  
33 information received under section 44-7111, and may share the information  
34 with other federal, state or local agencies only for the purposes of  
35 enforcement of section 44-7101, section 44-7111 or corresponding laws of  
36 other states.

37 W. The department may provide the name and address of qualifying  
38 hospitals and qualifying health care organizations, as defined in section  
39 42-5001, to a business classified and reporting transaction privilege tax  
40 under the utilities classification.

41 Sec. 6. Repeal

42 Section 42-2003, Arizona Revised Statutes, as amended by Laws 2012,  
43 chapter 3, section 19, is repealed.

44 Sec. 7. Section 42-11127, Arizona Revised Statutes, is amended to  
45 read:

46 42-11127. Exempt personal property

1 A. Pursuant to article IX, section 2, subsection (6), Constitution of  
2 Arizona, personal property that is class two property pursuant to section  
3 42-12002, paragraph 2, subdivision (a) or (b) that is used for agricultural  
4 purposes or personal property that is class one property pursuant to section  
5 42-12001 that is used in a trade or business as described in section  
6 42-12001, paragraphs 8 through 11 or 13 is exempt from taxation up to a  
7 maximum amount of fifty thousand dollars of full cash value for each  
8 taxpayer.

9 ~~B. On or before December 31 of each year through 2010, the department  
10 shall increase the maximum amount of the exemption for the following tax year  
11 through 2011 based on the average annual percentage increase, if any, in the  
12 GDP price deflator in the two most recent complete state fiscal years. For  
13 the purposes of this subsection, "GDP price deflator" means the average of  
14 the four implicit price deflators for the gross domestic product reported by  
15 the United States department of commerce or its successor for the four  
16 quarters of the state fiscal year.~~

17 ~~C.~~ B. On or before December 31 of each year ~~beginning in 2011~~, the  
18 department shall increase the maximum amount of the exemption for the  
19 following tax year ~~beginning in 2012~~ based on the ~~average annual~~ percentage  
20 increase, if any, in the employment cost index **FOR TOTAL COMPENSATION FOR**  
21 **PRIVATE INDUSTRY WORKERS** in the two most recent complete state fiscal years.  
22 For the purposes of this subsection, "employment cost index" means the  
23 average of the ~~four~~ employment cost indices reported by the bureau of labor  
24 statistics of the United States department of labor or its successor for the  
25 ~~four~~ **EIGHT** quarters of the **TWO MOST RECENT** state fiscal ~~year~~ **YEARS**.

26 Sec. 8. Section 43-222, Arizona Revised Statutes, is amended to read:  
27 **43-222. Income tax credit review schedule**

28 The joint legislative income tax credit review committee shall review  
29 the following income tax credits:

30 1. For years ending in 0 and 5, sections 43-1075, 43-1075.01,  
31 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01,  
32 43-1175 and 43-1182.

33 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,  
34 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

35 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,  
36 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1164, 43-1167,  
37 43-1169, 43-1176 and 43-1181.

38 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,  
39 43-1170 and 43-1178.

40 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,  
41 43-1083.01, 43-1084, 43-1162, 43-1164.01, 43-1170.01 and 43-1184 **AND,**  
42 **BEGINNING IN 2019, SECTIONS 43-1082.01 AND 43-1171.**

43 Sec. 9. Section 43-1022, Arizona Revised Statutes, is amended to read:  
44 **43-1022. Subtractions from Arizona gross income**

45 In computing Arizona adjusted gross income, the following amounts shall  
46 be subtracted from Arizona gross income:

- 1           1. The amount of exemptions allowed by section 43-1023.
- 2           2. Benefits, annuities and pensions in an amount totaling not more  
3 than two thousand five hundred dollars received from one or more of the  
4 following:
  - 5           (a) The United States government service retirement and disability  
6 fund, retired or retainer pay of the uniformed services of the United States,  
7 the United States foreign service retirement and disability system and any  
8 other retirement system or plan established by federal law.
  - 9           (b) The Arizona state retirement system, the corrections officer  
10 retirement plan, the public safety personnel retirement system, the elected  
11 officials' retirement plan, an optional retirement program established by the  
12 Arizona board of regents under section 15-1628, an optional retirement  
13 program established by a community college district board under section  
14 15-1451 or a retirement plan established for employees of a county, city or  
15 town in this state.
- 16           3. A beneficiary's share of the fiduciary adjustment to the extent  
17 that the amount determined by section 43-1333 decreases the beneficiary's  
18 Arizona gross income.
- 19           4. The amount of any distributions from an individual retirement  
20 account as provided for in section 408 of the internal revenue code or from a  
21 qualified retirement plan of a self-employed individual as provided for in  
22 section 401 of the internal revenue code to the extent that total adjustments  
23 made pursuant to this paragraph in all tax years do not exceed the total of  
24 all contributions made by the taxpayer to such plans ~~prior to~~ BEFORE December  
25 31, 1975, which were included in computing Arizona taxable income.
- 26           5. The amount of income on an installment receivable ~~which~~ THAT is  
27 recognized pursuant to the internal revenue code and ~~which~~ THAT has already  
28 been recognized on the death of the taxpayer for purposes of this title for  
29 tax years ending before January 1, 1990.
- 30           6. Interest income received on obligations of the United States, less  
31 any interest on indebtedness, or other related expenses, and deducted in  
32 arriving at Arizona gross income, which were incurred or continued to  
33 purchase or carry such obligations.
- 34           7. The amount of any income tax refunds ~~which~~ THAT were received from  
35 states other than Arizona and ~~which~~ THAT were included as income in computing  
36 federal adjusted gross income.
- 37           8. Annuity income included in federal adjusted gross income pursuant  
38 to section 72 of the internal revenue code if the first payment with respect  
39 to such annuity was received ~~prior to~~ BEFORE December 31, 1978.
- 40           9. The excess of a partner's share of income required to be included  
41 under section 702(a)(8) of the internal revenue code over the income required  
42 to be included under chapter 14, article 2 of this title.
- 43           10. The excess of a partner's share of partnership losses determined  
44 pursuant to chapter 14, article 2 of this title over the losses allowable  
45 under section 702(a)(8) of the internal revenue code.

1           11. The amount by which the adjusted basis of property described in  
2 this paragraph and computed pursuant to this title and the income tax act of  
3 1954, as amended, exceeds the adjusted basis of such property computed  
4 pursuant to the internal revenue code. This paragraph shall apply to all  
5 property ~~which~~ THAT is held for the production of income and ~~which~~ THAT is  
6 sold or otherwise disposed of during the taxable year other than depreciable  
7 property used in a trade or business.

8           12. The amount allowed by section 43-1024 for amortization, by a  
9 qualified defense contractor certified by the Arizona commerce authority  
10 under section 41-1508, of a capital investment for private commercial  
11 activities.

12           13. The amount of gain included in federal adjusted gross income on the  
13 sale or other disposition of a capital investment that a qualified defense  
14 contractor has elected to amortize pursuant to section 43-1024.

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

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

23           16. The amount of prizes or winnings less than five thousand dollars in  
24 a single taxable year from any of the state lotteries established and  
25 operated pursuant to title 5, chapter 5, article 1, except that all such  
26 winnings before March 22, 1983, including periodic distributions from such  
27 winnings made after March 22, 1983, may be subtracted.

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

34           18. The amount included in federal adjusted gross income pursuant to  
35 section 86 of the internal revenue code, relating to taxation of social  
36 security and railroad retirement benefits.

37           19. To the extent not already excluded from Arizona gross income under  
38 the internal revenue code, compensation received for active service as a  
39 member of the reserves, the national guard or the armed forces of the United  
40 States, including compensation for service in a combat zone as determined  
41 under section 112 of the internal revenue code.

42           20. The amount of unreimbursed medical and hospital costs, adoption  
43 counseling, legal and agency fees and other nonrecurring costs of adoption  
44 not to exceed three thousand dollars. In the case of a husband and wife who  
45 file separate returns, the subtraction may be taken by either taxpayer or may  
46 be divided between them, but the total subtractions allowed both husband and

1 wife shall not exceed three thousand dollars. The subtraction under this  
2 paragraph may be taken for the costs that are described in this paragraph and  
3 that are incurred in prior years, but the subtraction may be taken only in  
4 the year during which the final adoption order is granted.

5 21. The amount authorized by section 43-1027 for the taxable year  
6 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

7 22. With respect to a medical savings account established pursuant to  
8 section 43-1028:

9 (a) An eligible individual may subtract:

10 (i) The amount of contributions made by the individual's employer  
11 during the taxable year to the individual's medical savings account pursuant  
12 to section 43-1028 to the extent that the employer contributions are included  
13 in the individual's federal adjusted gross income.

14 (ii) The amount deposited by the individual in the account during the  
15 taxable year to the extent that the individual's contributions are included  
16 in the individual's federal adjusted gross income.

17 (b) The individual's employer may subtract the amount of contributions  
18 made by the employer to a medical savings account established on the  
19 individual's behalf to the extent that the contributions are not deductible  
20 under the internal revenue code.

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

25 24. Any amount of qualified educational expenses that is distributed  
26 from a qualified state tuition program determined pursuant to section 529 of  
27 the internal revenue code and that is included in income in computing federal  
28 adjusted gross income.

29 25. Any item of income resulting from an installment sale that has been  
30 properly subjected to income tax in another state in a previous taxable year  
31 and that is included in Arizona gross income in the current taxable year.

32 26. The amount authorized by section 43-1030 relating to holocaust  
33 survivors.

34 27. The amount authorized by section 43-1031 for constructing an energy  
35 efficient residence.

36 28. **FOR PROPERTY PLACED IN SERVICE:**

37 (a) **IN TAXABLE YEARS ENDING THROUGH DECEMBER 31, 2012,** an amount equal  
38 to the depreciation allowable pursuant to section 167(a) of the internal  
39 revenue code for the taxable year computed as if the election described in  
40 section 168(k)(2)(D)(iii) of the internal revenue code had been made for each  
41 applicable class of property in the year the property was placed in service.

42 (b) **IN TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012**  
43 **THROUGH DECEMBER 31, 2013, AN AMOUNT DETERMINED IN THE YEAR THE ASSET WAS**  
44 **PLACED IN SERVICE BASED ON THE CALCULATION IN SUBDIVISION (a) OF THIS**  
45 **PARAGRAPH. IN THE FIRST TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31,**  
46 **2013, THE AMOUNT NECESSARY TO MAKE THE DEPRECIATION CLAIMED TO DATE FOR THE**

1 PURPOSES OF THIS TITLE THE SAME AS IT WOULD HAVE BEEN IF SUBDIVISION (c) OF  
2 THIS PARAGRAPH HAD APPLIED FOR THE ENTIRE TIME THE ASSET WAS IN SERVICE.  
3 SUBDIVISION (c) OF THIS PARAGRAPH APPLIES FOR THE REMAINDER OF THE ASSET'S  
4 LIFE.

5 (c) IN TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013, AN  
6 AMOUNT EQUAL TO THE DEPRECIATION ALLOWABLE PURSUANT TO SECTION 167(a) OF THE  
7 INTERNAL REVENUE CODE FOR THE TAXABLE YEAR AS COMPUTED AS IF THE ADDITIONAL  
8 ALLOWANCE FOR DEPRECIATION HAD BEEN TEN PER CENT OF THE AMOUNT ALLOWED  
9 PURSUANT TO SECTION 168(k) OF THE INTERNAL REVENUE CODE.

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

16 30. With respect to property for which an adjustment was made under  
17 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of  
18 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which  
19 the amount was adjusted under section 43-1021, paragraph 27 and in each of  
20 the following four years.

21 31. For taxable years beginning from and after December 31, 2007  
22 through December 31, 2012, the amount contributed during the taxable year to  
23 college savings plans established pursuant to section 529 of the internal  
24 revenue code to the extent that the contributions were not deducted in  
25 computing federal adjusted gross income. The amount subtracted shall not  
26 exceed:

27 (a) Seven hundred fifty dollars for a single individual or a head of  
28 household.

29 (b) One thousand five hundred dollars for a married couple filing a  
30 joint return. In the case of a husband and wife who file separate returns,  
31 the subtraction may be taken by either taxpayer or may be divided between  
32 them, but the total subtractions allowed both husband and wife shall not  
33 exceed one thousand five hundred dollars.

34 32. To the extent not already excluded from Arizona gross income under  
35 the internal revenue code, the amount authorized by section 43-1032 for  
36 displaced pupils choice grants.

37 33. The amount of any original issue discount that was deferred and not  
38 allowed to be deducted in computing federal adjusted gross income or federal  
39 taxable income in the current taxable year pursuant to section 108(i) of the  
40 internal revenue code as added by section 1231 of the American recovery and  
41 reinvestment act of 2009 (P.L. 111-5).

42 34. The amount of previously deferred discharge of indebtedness income  
43 that is included in the computation of federal adjusted gross income or  
44 federal taxable income in the current taxable year pursuant to section 108(i)  
45 of the internal revenue code as added by section 1231 of the American  
46 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the



1 amount was previously added to Arizona gross income pursuant to section  
2 43-1021, paragraph 33.

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

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

17 37. AN AMOUNT OF ANY NET LONG-TERM CAPITAL GAIN INCLUDED IN FEDERAL  
18 ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM AN INVESTMENT  
19 IN AN ASSET ACQUIRED AFTER DECEMBER 31, 2011, AS FOLLOWS:

20 (a) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012  
21 THROUGH DECEMBER 31, 2013, TEN PER CENT OF THE NET LONG-TERM CAPITAL GAIN  
22 INCLUDED IN FEDERAL ADJUSTED GROSS INCOME.

23 (b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013  
24 THROUGH DECEMBER 31, 2014, TWENTY PER CENT OF THE NET LONG-TERM CAPITAL GAIN  
25 INCLUDED IN FEDERAL ADJUSTED GROSS INCOME.

26 (c) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014,  
27 TWENTY-FIVE PER CENT OF THE NET LONG-TERM CAPITAL GAIN INCLUDED IN FEDERAL  
28 ADJUSTED GROSS INCOME.

29 Sec. 10. Section 43-1074, Arizona Revised Statutes, as amended by Laws  
30 2012, chapter 3, section 45, is amended to read:

31 43-1074. Credit for new employment

32 A. For taxable years beginning from and after June 30, 2011, a credit  
33 is allowed against the taxes imposed by this title for net increases in  
34 full-time employees residing in this state and hired in qualified employment  
35 positions in this state as computed and certified by the Arizona commerce  
36 authority pursuant to section 41-1525.

37 B. Subject to subsection ~~E~~ F of this section, the amount of the  
38 credit is equal to:

39 1. Three thousand dollars for each full-time employee hired in a  
40 qualified employment position in the first year or partial year of  
41 employment, ~~but not more than four hundred employees in any taxable year.~~  
42 Employees hired in the last ninety days of the taxable year are excluded for  
43 that taxable year and are considered to be new employees in the following  
44 taxable year.



1           2. Three thousand dollars for each full-time employee in a qualified  
2 employment position for the full taxable year in the second year of  
3 continuous employment.

4           3. Three thousand dollars for each full-time employee in a qualified  
5 employment position for the full taxable year in the third year of continuous  
6 employment.

7           C. THE CAPITAL INVESTMENT AND THE NEW QUALIFIED EMPLOYMENT POSITIONS  
8 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B MUST BE ACCOMPLISHED WITHIN  
9 TWELVE MONTHS AFTER THE START OF THE REQUIRED CAPITAL INVESTMENT. NO CREDIT  
10 MAY BE CLAIMED UNTIL BOTH REQUIREMENTS ARE MET. A BUSINESS THAT MEETS THE  
11 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B FOR A LOCATION IS ELIGIBLE TO  
12 CLAIM FIRST YEAR CREDITS FOR THREE YEARS BEGINNING WITH THE TAXABLE YEAR IN  
13 WHICH THOSE REQUIREMENTS ARE COMPLETED. EMPLOYEES HIRED AT THE LOCATION  
14 BEFORE THE BEGINNING OF THE TAXABLE YEAR BUT DURING THE TWELVE-MONTH PERIOD  
15 ALLOWED IN THIS SUBSECTION ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE  
16 YEAR IN WHICH ALL OF THOSE REQUIREMENTS ARE COMPLETED. THE EMPLOYEES THAT  
17 ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE YEAR UNDER THIS SUBSECTION  
18 SHALL NOT BE INCLUDED IN THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE  
19 IMMEDIATELY PRECEDING TAXABLE YEAR UNTIL THE TAXABLE YEAR IN WHICH ALL OF THE  
20 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B ARE COMPLETED. AN EMPLOYEE  
21 WORKING AT A TEMPORARY WORK SITE IN THIS STATE WHILE THE DESIGNATED LOCATION  
22 IS UNDER CONSTRUCTION IS CONSIDERED TO BE WORKING AT THE DESIGNATED LOCATION  
23 IF ALL OF THE FOLLOWING OCCUR:

24           1. THE EMPLOYEE IS HIRED AFTER THE START OF THE REQUIRED INVESTMENT AT  
25 THE DESIGNATED LOCATION.

26           2. THE EMPLOYEE IS HIRED TO WORK AT THE DESIGNATED LOCATION AFTER IT  
27 IS COMPLETED.

28           3. THE PAYROLL FOR THE EMPLOYEES DESTINED FOR THE DESIGNATED LOCATION  
29 IS SEGREGATED FROM OTHER EMPLOYEES.

30           4. THE EMPLOYEE IS MOVED TO THE DESIGNATED LOCATION WITHIN THIRTY DAYS  
31 AFTER ITS COMPLETION.

32           ~~D.~~ D. To qualify for a credit under this section, the taxpayer and  
33 the employment positions must meet the requirements prescribed by section  
34 41-1525.

35           ~~D.~~ E. A credit is allowed for employment in the second and third year  
36 only for qualified employment positions for which a credit was claimed and  
37 allowed in the first year.

38           ~~E.~~ F. The net increase in the number of qualified employment  
39 positions is the lesser of the total number of filled qualified employment  
40 positions created at the ~~business~~ DESIGNATED location OR LOCATIONS during the  
41 taxable year or the difference between the average number of full-time  
42 employees in this state in the current taxable year and the average number of  
43 full-time employees in this state during the immediately preceding taxable  
44 year. The net increase in the number of qualified employment positions  
45 computed under this subsection may not exceed ~~either four hundred qualified~~  
46 ~~employment positions per taxpayer each year or~~ the difference between the

1 average number of full-time employees in this state in the current taxable  
2 year and the average number of full-time employees in this state during the  
3 immediately preceding taxable year.

4 ~~F.~~ G. A taxpayer who claims a credit under section 43-1077, 43-1079  
5 or 43-1083.01 shall not claim a credit under this section with respect to the  
6 same employment positions.

7 ~~G.~~ H. If the allowable tax credit exceeds the income taxes otherwise  
8 due on the claimant's income, or if there are no state income taxes due on  
9 the claimant's income, the amount of the claim not used as an offset against  
10 the income taxes may be carried forward as a tax credit against subsequent  
11 years' income tax liability for a period not exceeding five taxable years.

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

18 ~~I.~~ J. If the business is sold or changes ownership through  
19 reorganization, stock purchase or merger, the new taxpayer may claim first  
20 year credits only for the qualified employment positions that it created and  
21 filled with an eligible employee after the purchase or reorganization was  
22 complete. If a person purchases a taxpayer that had qualified for first or  
23 second year credits or changes ownership through reorganization, stock  
24 purchase or merger, the new taxpayer may claim the second or third year  
25 credits if it meets other eligibility requirements of this section. Credits  
26 for which a taxpayer qualified before the changes described in this  
27 subsection are terminated and lost at the time the changes are implemented.

28 ~~J.~~ K. A failure to timely report and certify to the Arizona commerce  
29 authority the information prescribed by section 41-1525, subsection ~~D~~- E, and  
30 in the manner prescribed by section 41-1525, subsection ~~E~~- F disqualifies the  
31 taxpayer from the credit under this section. The department shall require  
32 written evidence of the timely report to the Arizona commerce authority.

33 ~~K.~~ L. A tax credit under this section is subject to recovery for a  
34 violation described in section 41-1525, subsection ~~G~~- H.

35 Sec. 11. Section 43-1083.01, Arizona Revised Statutes, is amended to  
36 read:

37 43-1083.01. Credit for renewable energy industry

38 A. For taxable years beginning from and after December 31, 2009  
39 through December 31, ~~2014~~ 2019, a credit is allowed against the taxes imposed  
40 by this title for qualified investment and employment in expanding or  
41 locating qualified renewable energy operations in this state. To qualify for  
42 the credit, the taxpayer must invest in renewable energy manufacturing, or in  
43 new regional, national or global renewable energy business headquarters, in  
44 this state and produce new full-time employment positions where the job  
45 duties are performed at the location of the qualifying investment. The

1 taxpayer must meet the employee compensation and employee health benefit  
2 requirements prescribed by section 41-1511.

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

4 1. Ten per cent of the taxpayer's total capital investment in projects  
5 meeting the following minimum employment requirements:

6 (a) For qualifying renewable energy manufacturing operations, at least  
7 one and one-half new full-time employment positions for each five hundred  
8 thousand dollar increment of capital investment.

9 (b) For qualifying renewable energy business headquarters, at least  
10 one new full-time employment position for each two hundred thousand dollar  
11 increment of capital investment.

12 2. For other qualifying renewable energy investment, ten per cent of  
13 the amount computed as follows:

14 (a) Five hundred thousand dollars for each one and one-half new  
15 full-time employment positions in new renewable energy manufacturing  
16 operations.

17 (b) Two hundred thousand dollars for each new full-time employment  
18 position at a new renewable energy business headquarters.

19 (c) The amount of credit under this paragraph shall not exceed ten per  
20 cent of the amount of the taxpayer's total capital investment.

21 3. The amount of the credit shall not exceed the postapproval amount  
22 determined by the Arizona commerce authority under section 41-1511,  
23 subsection P.

24 4. The credit amount computed under paragraph 1 or 2 of this  
25 subsection is apportioned, and the taxpayer shall claim the credit in five  
26 equal annual installments in each of five consecutive taxable years.

27 C. To claim the credit the taxpayer must:

28 1. Conduct a business that qualifies under section 41-1511.

29 2. Receive preapproval and postapproval from the Arizona commerce  
30 authority pursuant to section 41-1511.

31 3. Submit a copy of a current and valid certification of qualification  
32 issued to the taxpayer by the Arizona commerce authority.

33 D. To be counted for the purposes of the credit, an employee must have  
34 been employed at the qualifying facility for at least ninety days during the  
35 taxable year in a permanent full-time employment position of at least one  
36 thousand seven hundred fifty hours per year. An employee who is hired during  
37 the last ninety days of the taxable year shall be considered a new employee  
38 during the next taxable year. To be counted for the purposes of the credit  
39 during the first taxable year of employment, the employee must not have been  
40 previously employed by the taxpayer within twelve months before the current  
41 date of hire. The terms of employment must comply in all cases with the  
42 requirements of section 41-1511 and certification by the Arizona commerce  
43 authority.

44 E. Co-owners of a business, including partners in a partnership,  
45 members of a limited liability company and shareholders of an S corporation,  
46 as defined in section 1361 of the internal revenue code, may each claim only

1 the pro rata share of the credit allowed under this section based on the  
2 ownership interest. The total of the credits allowed all owners of the  
3 business may not exceed the amount that would have been allowed for a sole  
4 owner of the business.

5 F. If the allowable tax credit for a taxable year exceeds the income  
6 taxes otherwise due on the claimant's income, or if there are no state income  
7 taxes due on the claimant's income, the amount of the claim not used as an  
8 offset against income taxes shall be paid to the taxpayer in the same manner  
9 as a refund under section 42-1118. Refunds made pursuant to this subsection  
10 are subject to setoff under section 42-1122. If the department determines  
11 that a refund is incorrect or invalid, the excess refund may be treated as a  
12 tax deficiency pursuant to section 42-1108.

13 G. Except as provided by subsection H of this section, if, within five  
14 taxable years after first receiving a credit pursuant to this section, the  
15 certification of qualification of a business is terminated or revoked under  
16 section 41-1511, other than for reasons beyond the control of the business as  
17 determined by the Arizona commerce authority, the taxpayer is disqualified  
18 from credits under this section in subsequent taxable years. On a  
19 determination that the taxpayer has committed fraud or relocated outside of  
20 this state within five taxable years of first receiving a credit pursuant to  
21 this section, the credits allowed the taxpayer in all taxable years pursuant  
22 to this section are subject to recapture pursuant to this subsection. This  
23 subsection applies only in the case of the termination or revocation of a  
24 certification of qualification under section 41-1511. This subsection does  
25 not apply if, in any taxable year, a taxpayer otherwise does not qualify for  
26 or fails to claim the credit under this section. The recapture of credits is  
27 computed by increasing the amount of taxes imposed in the year following the  
28 year of termination or revocation by the full amount of all credits  
29 previously allowed under this section.

30 H. A taxpayer who claims a credit under section 43-1074, 43-1077 or  
31 43-1079 may not claim a credit under this section with respect to the same  
32 full-time employment positions.

33 I. The department of revenue shall adopt rules and prescribe forms and  
34 procedures as necessary for the purposes of this section. The department of  
35 revenue and the Arizona commerce authority shall collaborate in adopting  
36 rules as necessary to avoid duplication and contradictory requirements while  
37 accomplishing the intent and purposes of this section.

38 J. For the purposes of this section, renewable energy operations are  
39 limited to manufacturers of, and headquarters for, systems and components  
40 that are used or useful in manufacturing renewable energy equipment for the  
41 generation, storage, testing and research and development, transmission or  
42 distribution of electricity from renewable resources, including specialized  
43 crates necessary to package the renewable energy equipment manufactured at  
44 the facility.

45 Sec. 12. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
46 amended by adding section 43-1083.03, to read:

1           43-1083.03. Credit for qualified facilities

2           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011  
3 THROUGH DECEMBER 31, 2019, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY  
4 THIS TITLE FOR QUALIFYING INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING  
5 A QUALIFIED FACILITY IN THIS STATE. TO QUALIFY FOR THE CREDIT, AFTER JUNE  
6 30, 2012 THE TAXPAYER MUST INVEST IN A NEW QUALIFIED FACILITY OR EXPAND AN  
7 EXISTING QUALIFIED FACILITY IN THIS STATE AND PRODUCE NEW FULL-TIME  
8 EMPLOYMENT POSITIONS WHERE THE JOB DUTIES ARE PERFORMED AT THE LOCATION OF  
9 THE QUALIFYING INVESTMENT. THE TAXPAYER MUST MEET THE EMPLOYEE COMPENSATION  
10 AND EMPLOYEE HEALTH BENEFIT REQUIREMENTS PRESCRIBED BY SECTION 41-1512.

11           B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

12           1. TEN PER CENT OF THE LESSER OF:

13           (a) THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN THE QUALIFIED FACILITY.

14           (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NET NEW FULL-TIME EMPLOYMENT  
15 POSITION AT THE QUALIFIED FACILITY.

16           2. THE AMOUNT OF THE CREDIT SHALL NOT EXCEED THE POSTAPPROVAL AMOUNT  
17 DETERMINED BY THE ARIZONA COMMERCE AUTHORITY UNDER SECTION 41-1512,  
18 SUBSECTION P.

19           3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OF THIS SUBSECTION IS  
20 APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE EQUAL ANNUAL  
21 INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

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 COMMERCE  
28 AUTHORITY.

29           D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE  
30 BEEN EMPLOYED AT THE QUALIFIED FACILITY FOR AT LEAST NINETY DAYS DURING THE  
31 TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT LEAST ONE  
32 THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS HIRED DURING  
33 THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A NEW EMPLOYEE  
34 DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT  
35 DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT HAVE BEEN  
36 PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE CURRENT  
37 DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH THE  
38 REQUIREMENTS OF SECTION 41-1512 AND BE CERTIFIED BY THE ARIZONA COMMERCE  
39 AUTHORITY.

40           E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP,  
41 MEMBERS OF A LIMITED LIABILITY COMPANY AND SHAREHOLDERS OF AN S CORPORATION,  
42 AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY EACH CLAIM ONLY  
43 THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON THE  
44 OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL OWNERS OF THE  
45 BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE  
46 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 INCOME  
3 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN  
4 OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER IN THE SAME MANNER  
5 AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS SUBSECTION  
6 ARE SUBJECT TO SETOFF UNDER SECTION 42-1122. IF THE DEPARTMENT DETERMINES  
7 THAT A REFUND IS INCORRECT OR INVALID, THE EXCESS REFUND MAY BE TREATED AS A  
8 TAX DEFICIENCY PURSUANT TO SECTION 42-1108.

9 G. EXCEPT AS PROVIDED BY SUBSECTION H OF THIS SECTION, IF, WITHIN FIVE  
10 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE  
11 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER  
12 SECTION 41-1512, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS AS  
13 DETERMINED BY THE ARIZONA COMMERCE AUTHORITY, THE TAXPAYER IS DISQUALIFIED  
14 FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS. ON A  
15 DETERMINATION THAT THE TAXPAYER HAS COMMITTED FRAUD OR RELOCATED OUTSIDE OF  
16 THIS STATE WITHIN FIVE TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT  
17 TO THIS SECTION, THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS  
18 PURSUANT TO THIS SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS  
19 SUBSECTION. THIS SUBSECTION APPLIES ONLY IN THE CASE OF THE TERMINATION OR  
20 REVOCATION OF A CERTIFICATION OF QUALIFICATION UNDER SECTION 41-1512. THIS  
21 SUBSECTION DOES NOT APPLY IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES  
22 NOT QUALIFY FOR OR FAILS TO CLAIM THE CREDIT UNDER THIS SECTION. THE  
23 RECAPTURE OF CREDITS IS COMPUTED BY INCREASING THE AMOUNT OF TAXES IMPOSED IN  
24 THE YEAR FOLLOWING THE YEAR OF TERMINATION OR REVOCATION BY THE FULL AMOUNT  
25 OF ALL CREDITS PREVIOUSLY ALLOWED UNDER THIS SECTION.

26 H. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1074 OR 43-1079 MAY  
27 NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME FULL-TIME  
28 EMPLOYMENT POSITIONS.

29 I. THE DEPARTMENT OF REVENUE SHALL ADOPT RULES AND PRESCRIBE FORMS AND  
30 PROCEDURES AS NECESSARY FOR THE PURPOSES OF THIS SECTION. THE DEPARTMENT OF  
31 REVENUE AND THE ARIZONA COMMERCE AUTHORITY SHALL COLLABORATE IN ADOPTING  
32 RULES AS NECESSARY TO AVOID DUPLICATION AND CONTRADICTORY REQUIREMENTS WHILE  
33 ACCOMPLISHING THE INTENT AND PURPOSES OF THIS SECTION.

34 Sec. 13. Section 43-1122, Arizona Revised Statutes, is amended to  
35 read:

36 43-1122. Subtractions from Arizona gross income; corporations

37 In computing Arizona taxable income for a corporation, the following  
38 amounts shall be subtracted from Arizona gross income:

39 1. The amounts computed pursuant to section 43-1022, paragraphs 8  
40 through 15, ~~28~~, 29, 30, 33 and 34. For the purposes of this paragraph,  
41 "federal adjusted gross income" as used in section 43-1022 means "federal  
42 taxable income".

43 2. The amount of Arizona capital loss carryover as defined in section  
44 43-1124 in an amount not to exceed one thousand dollars.

1           3. With respect to a financial institution as defined in section  
2 6-101, expenses and interest relating to tax-exempt income disallowed  
3 pursuant to section 265 of the internal revenue code.

4           4. Dividends received from another corporation owned or controlled  
5 directly or indirectly by a recipient corporation. For the purposes of this  
6 paragraph, "control" means direct or indirect ownership or control of fifty  
7 per cent or more of the voting stock of the payor corporation by the  
8 recipient corporation. Dividends shall have the meaning provided in section  
9 316 of the internal revenue code. This subtraction shall apply without  
10 regard to the provisions of section 43-961, paragraph 2 and article 4 of this  
11 chapter. A corporation that has its commercial domicile, as defined in  
12 section 43-1131, in this state may subtract the full amount of the dividends.  
13 A corporation that does not have its commercial domicile in this state may  
14 subtract:

15           (a) For its taxable year beginning in 1990, an amount equal to  
16 one-half of the dividends.

17           (b) For taxable years beginning in 1991 and thereafter, the full  
18 amount of the dividends.

19           5. Interest income received on obligations of the United States.

20           6. The amount of dividend income from foreign corporations.

21           7. The amount of net operating loss allowed by section 43-1123.

22           8. The amount of any state income tax refunds received which were  
23 included as income in computing federal taxable income.

24           9. The amount of expense recapture included in income pursuant to  
25 section 617 of the internal revenue code for mine exploration expenses.

26           10. The amount of deferred exploration expenses allowed by section  
27 43-1127.

28           11. The amount of exploration expenses related to the exploration of  
29 oil, gas or geothermal resources, computed in the same manner and on the same  
30 basis as a deduction for mine exploration pursuant to section 617 of the  
31 internal revenue code. This computation is subject to the adjustments  
32 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this  
33 section relating to exploration expenses.

34           12. The amortization of pollution control devices allowed by section  
35 43-1129.

36           13. The amount of amortization of the cost of child care facilities  
37 pursuant to section 43-1130.

38           14. The amount of income from a domestic international sales  
39 corporation required to be included in the income of its shareholders  
40 pursuant to section 995 of the internal revenue code.

41           15. The income of an insurance company that is exempt under section  
42 43-1201 to the extent that it is included in computing Arizona gross income  
43 on a consolidated return pursuant to section 43-947.

44           16. The amount of contributions by the taxpayer during the taxable year  
45 to medical savings accounts established on behalf of the taxpayer's employees

1 as provided by section 43-1028, to the extent that the contributions are not  
2 deductible under the internal revenue code.

3 17. The amount by which a capital loss carryover allowable pursuant to  
4 section 43-1130.01, subsection F exceeds the capital loss carryover allowable  
5 pursuant to section 1341(b)(5) of the internal revenue code.

6 18. AN AMOUNT EQUAL TO THE DEPRECIATION ALLOWABLE PURSUANT TO SECTION  
7 167(a) OF THE INTERNAL REVENUE CODE FOR THE TAXABLE YEAR COMPUTED AS IF THE  
8 ELECTION DESCRIBED IN SECTION 168(k)(2)(D)(iii) OF THE INTERNAL REVENUE CODE  
9 HAD BEEN MADE FOR EACH APPLICABLE CLASS OF PROPERTY IN THE YEAR THE PROPERTY  
10 WAS PLACED IN SERVICE.

11 Sec. 14. Section 43-1123, Arizona Revised Statutes, is amended to  
12 read:

13 43-1123. Net operating loss; definition

14 A. ~~As used in~~ FOR THE PURPOSES OF this section, "net operating loss"  
15 means:

16 1. In the case of a taxpayer who has a net operating loss for the  
17 taxable year within the meaning of section 172(c) of the internal revenue  
18 code, the amount of the net operating loss increased by the subtractions  
19 specified in section 43-1122, except the ~~deduction~~ SUBTRACTION allowed in  
20 section 43-1122, paragraph 7, and reduced by the additions specified in  
21 section 43-1121.

22 2. In the case of a taxpayer not described in paragraph 1 of this  
23 subsection, any excess of the subtractions specified in section 43-1122,  
24 except the ~~deduction~~ SUBTRACTION allowed in section 43-1122, paragraph 7,  
25 over the sum of the Arizona gross income plus the additions specified in  
26 section 43-1121.

27 B. If for any taxable year the taxpayer has a net operating loss: ~~—~~

28 1. Such net operating loss shall be a net operating loss carryover  
29 for:

30 (a) Each of the five succeeding taxable years, ~~except that~~ FOR NET  
31 OPERATING LOSSES ARISING IN TAXABLE PERIODS THROUGH DECEMBER 31, 2011.

32 (b) EACH OF THE TWENTY SUCCEEDING TAXABLE YEARS FOR NET OPERATING  
33 LOSSES ARISING IN TAXABLE PERIODS BEGINNING FROM AND AFTER DECEMBER 31, 2011.

34 2. The carryover in the case of each such succeeding taxable year,  
35 other than the first succeeding taxable year, shall be the excess, if any, of  
36 the amount of such net operating loss over the sum of the taxable income for  
37 each of the intervening years computed by determining the net operating loss  
38 ~~deduction~~ SUBTRACTION for each intervening taxable year, without regard to  
39 such net operating loss or to the net operating loss for any succeeding  
40 taxable year.

41 C. The amount of the net operating loss ~~deduction~~ SUBTRACTION shall be  
42 the aggregate of the net operating loss carryovers to the taxable year.

43 Sec. 15. Section 43-1161, Arizona Revised Statutes, as amended by Laws  
44 2012, chapter 3, section 52, is amended to read:

45 43-1161. Credit for new employment



1           A. For taxable years beginning from and after June 30, 2011, a credit  
2 is allowed against the taxes imposed by this title for net increases in  
3 full-time employees residing in this state and hired in qualified employment  
4 positions in this state as computed and certified by the Arizona commerce  
5 authority pursuant to section 41-1525.

6           B. Subject to subsection ~~E~~ F of this section, the amount of the  
7 credit is equal to:

8           1. Three thousand dollars for each full-time employee hired in a  
9 qualified employment position in the first year or partial year of  
10 employment, ~~but not more than four hundred employees in any taxable year.~~  
11 Employees hired in the last ninety days of the taxable year are excluded for  
12 that taxable year and are considered to be new employees in the following  
13 taxable year.

14           2. Three thousand dollars for each full-time employee in a qualified  
15 employment position for the full taxable year in the second year of  
16 continuous employment.

17           3. Three thousand dollars for each full-time employee in a qualified  
18 employment position for the full taxable year in the third year of continuous  
19 employment.

20           C. THE CAPITAL INVESTMENT AND THE NEW QUALIFIED EMPLOYMENT POSITIONS  
21 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B MUST BE ACCOMPLISHED WITHIN  
22 TWELVE MONTHS AFTER THE START OF THE REQUIRED CAPITAL INVESTMENT. NO CREDIT  
23 MAY BE CLAIMED UNTIL BOTH REQUIREMENTS ARE MET. A BUSINESS THAT MEETS THE  
24 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B FOR A LOCATION IS ELIGIBLE TO  
25 CLAIM FIRST YEAR CREDITS FOR THREE YEARS BEGINNING WITH THE TAXABLE YEAR IN  
26 WHICH THOSE REQUIREMENTS ARE COMPLETED. EMPLOYEES HIRED AT THE LOCATION  
27 BEFORE THE BEGINNING OF THE TAXABLE YEAR BUT DURING THE TWELVE-MONTH PERIOD  
28 ALLOWED IN THIS SUBSECTION ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE  
29 YEAR IN WHICH ALL OF THOSE REQUIREMENTS ARE COMPLETED. THE EMPLOYEES THAT  
30 ARE CONSIDERED TO BE NEW EMPLOYEES FOR THE TAXABLE YEAR UNDER THIS SUBSECTION  
31 SHALL NOT BE INCLUDED IN THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE  
32 IMMEDIATELY PRECEDING TAXABLE YEAR UNTIL THE TAXABLE YEAR IN WHICH ALL OF THE  
33 REQUIREMENTS OF SECTION 41-1525, SUBSECTION B ARE COMPLETED. AN EMPLOYEE  
34 WORKING AT A TEMPORARY WORK SITE IN THIS STATE WHILE THE DESIGNATED LOCATION  
35 IS UNDER CONSTRUCTION IS CONSIDERED TO BE WORKING AT THE DESIGNATED LOCATION  
36 IF ALL OF THE FOLLOWING OCCUR:

37           1. THE EMPLOYEE IS HIRED AFTER THE START OF THE REQUIRED INVESTMENT AT  
38 THE DESIGNATED LOCATION.

39           2. THE EMPLOYEE IS HIRED TO WORK AT THE DESIGNATED LOCATION AFTER IT  
40 IS COMPLETED.

41           3. THE PAYROLL FOR THE EMPLOYEES DESTINED FOR THE DESIGNATED LOCATION  
42 IS SEGREGATED FROM OTHER EMPLOYEES.

43           4. THE EMPLOYEE IS MOVED TO THE DESIGNATED LOCATION WITHIN THIRTY DAYS  
44 AFTER ITS COMPLETION.

1           ~~C~~. D. To qualify for a credit under this section, the taxpayer and  
2 the employment positions must meet the requirements prescribed by section  
3 41-1525.

4           ~~D~~. E. A credit is allowed for employment in the second and third year  
5 only for qualified employment positions for which a credit was claimed and  
6 allowed in the first year.

7           ~~E~~. F. The net increase in the number of qualified employment  
8 positions is the lesser of the total number of filled qualified employment  
9 positions created at the ~~business~~ DESIGNATED location OR LOCATIONS during the  
10 taxable year or the difference between the average number of full-time  
11 employees in this state in the current taxable year and the average number of  
12 full-time employees in this state during the immediately preceding taxable  
13 year. The net increase in the number of qualified employment positions  
14 computed under this subsection may not exceed ~~either four hundred qualified~~  
15 ~~employment positions per taxpayer each year or~~ the difference between the  
16 average number of full-time employees in this state in the current taxable  
17 year and the average number of full-time employees in this state during the  
18 immediately preceding taxable year.

19           ~~F~~. G. A taxpayer who claims a credit under section 43-1164.01,  
20 43-1165 or 43-1167 shall not claim a credit under this section with respect  
21 to the same employment positions.

22           ~~G~~. H. If the allowable tax credit exceeds the income taxes otherwise  
23 due on the claimant's income, or if there are no state income taxes due on  
24 the claimant's income, the amount of the claim not used as an offset against  
25 the income taxes may be carried forward as a tax credit against subsequent  
26 years' income tax liability for a period not exceeding five taxable years.

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

32           ~~I~~. J. If the business is sold or changes ownership through  
33 reorganization, stock purchase or merger, the new taxpayer may claim first  
34 year credits only for the qualified employment positions that it created and  
35 filled with an eligible employee after the purchase or reorganization was  
36 complete. If a person purchases a taxpayer that had qualified for first or  
37 second year credits or changes ownership through reorganization, stock  
38 purchase or merger, the new taxpayer may claim the second or third year  
39 credits if it meets other eligibility requirements of this section. Credits  
40 for which a taxpayer qualified before the changes described in this  
41 subsection are terminated and lost at the time the changes are implemented.

42           ~~J~~. K. A failure to timely report and certify to the Arizona commerce  
43 authority the information prescribed by section 41-1525, subsection ~~D~~ E, and  
44 in the manner prescribed by section 41-1525, subsection ~~E~~ F disqualifies the  
45 taxpayer from the credit under this section. The department shall require  
46 written evidence of the timely report to the Arizona commerce authority.

1           ~~K~~ L. A tax credit under this section is subject to recovery for a  
2 violation described in section 41-1525, subsection ~~G~~ H.

3           Sec. 16. Section 43-1164.01, Arizona Revised Statutes, is amended to  
4 read:

5           43-1164.01. Credit for renewable energy industry

6           A. For taxable years beginning from and after December 31, 2009  
7 through December 31, ~~2014~~ 2019, a credit is allowed against the taxes imposed  
8 by this title for qualified investment and employment in expanding or  
9 locating qualified renewable energy operations in this state. To qualify for  
10 the credit, the taxpayer must invest in renewable energy manufacturing, or in  
11 new regional, national or global renewable energy business headquarters, in  
12 this state and produce new full-time employment positions where the job  
13 duties are performed at the location of the qualifying investment. The  
14 taxpayer must meet the employee compensation and employee health benefit  
15 requirements prescribed by section 41-1511.

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

17           1. Ten per cent of the taxpayer's total capital investment in projects  
18 meeting the following minimum employment requirements:

19           (a) For qualifying renewable energy manufacturing operations, at least  
20 one and one-half new full-time employment positions for each five hundred  
21 thousand dollar increment of capital investment.

22           (b) For qualifying renewable energy business headquarters, at least  
23 one new full-time employment position for each two hundred thousand dollar  
24 increment of capital investment.

25           2. For other qualifying renewable energy investment, ten per cent of  
26 the amount computed as follows:

27           (a) Five hundred thousand dollars for each one and one-half new  
28 full-time employment positions in new renewable energy manufacturing  
29 operations.

30           (b) Two hundred thousand dollars for each new full-time employment  
31 position at a new renewable energy business headquarters.

32           (c) The amount of credit under this paragraph shall not exceed ten per  
33 cent of the amount of the taxpayer's total capital investment.

34           3. The amount of the credit shall not exceed the postapproval amount  
35 determined by the Arizona commerce authority under section 41-1511,  
36 subsection P.

37           4. The credit amount computed under paragraph 1 or 2 of this  
38 subsection is apportioned, and the taxpayer shall claim the credit in five  
39 equal annual installments in each of five consecutive taxable years.

40           C. To claim the credit the taxpayer must:

41           1. Conduct a business that qualifies under section 41-1511.

42           2. Receive preapproval and postapproval from the Arizona commerce  
43 authority pursuant to section 41-1511.

44           3. Submit a copy of a current and valid certification of qualification  
45 issued to the taxpayer by the Arizona commerce authority.

1           D. To be counted for the purposes of the credit, an employee must have  
2 been employed at the qualifying facility for at least ninety days during the  
3 taxable year in a permanent full-time employment position of at least one  
4 thousand seven hundred fifty hours per year. An employee who is hired during  
5 the last ninety days of the taxable year shall be considered a new employee  
6 during the next taxable year. To be counted for the purposes of the credit  
7 during the first taxable year of employment, the employee must not have been  
8 previously employed by the taxpayer within twelve months before the current  
9 date of hire. The terms of employment must comply in all cases with the  
10 requirements of section 41-1511 and certification by the Arizona commerce  
11 authority.

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

18           F. If the allowable tax credit for a taxable year exceeds the income  
19 taxes otherwise due on the claimant's income, or if there are no state income  
20 taxes due on the claimant's income, the amount of the claim not used as an  
21 offset against income taxes shall be paid to the taxpayer in the same manner  
22 as a refund under section 42-1118. Refunds made pursuant to this subsection  
23 are subject to setoff under section 42-1122. If the department determines  
24 that a refund is incorrect or invalid, the excess refund may be treated as a  
25 tax deficiency pursuant to section 42-1108.

26           G. Except as provided by subsection H of this section, if, within five  
27 taxable years after first receiving a credit pursuant to this section, the  
28 certification of qualification of a business is terminated or revoked under  
29 section 41-1511, other than for reasons beyond the control of the business as  
30 determined by the Arizona commerce authority, the taxpayer is disqualified  
31 from credits under this section in subsequent taxable years. On a  
32 determination that the taxpayer has committed fraud or relocated outside of  
33 this state within five taxable years of first receiving a credit pursuant to  
34 this section, the credits allowed the taxpayer in all taxable years pursuant  
35 to this section are subject to recapture pursuant to this subsection. This  
36 subsection applies only in the case of the termination or revocation of a  
37 certification of qualification under section 41-1511. This subsection does  
38 not apply if, in any taxable year, a taxpayer otherwise does not qualify for  
39 or fails to claim the credit under this section. The recapture of credits is  
40 computed by increasing the amount of taxes imposed in the year following the  
41 year of termination or revocation by the full amount of all credits  
42 previously allowed under this section.

43           H. A taxpayer who claims a credit under section 43-1161, 43-1165 or  
44 43-1167 may not claim a credit under this section with respect to the same  
45 full-time employment positions.

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

6 J. For the purposes of this section, renewable energy operations are  
7 limited to manufacturers of, and headquarters for, systems and components  
8 that are used or useful in manufacturing renewable energy equipment for the  
9 generation, storage, testing and research and development, transmission or  
10 distribution of electricity from renewable resources, including specialized  
11 crates necessary to package the renewable energy equipment manufactured at  
12 the facility.

13 Sec. 17. Title 43, chapter 11, article 6, Arizona Revised Statutes, is  
14 amended by adding section 43-1164.04, to read:

15 43-1164.04. Credit for qualified facilities

16 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011  
17 THROUGH DECEMBER 31, 2019, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY  
18 THIS TITLE FOR QUALIFYING INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING  
19 A QUALIFIED FACILITY IN THIS STATE. TO QUALIFY FOR THE CREDIT, AFTER JUNE  
20 30, 2012 THE TAXPAYER MUST INVEST IN A NEW QUALIFIED FACILITY OR EXPAND AN  
21 EXISTING QUALIFIED FACILITY IN THIS STATE AND PRODUCE NEW FULL-TIME  
22 EMPLOYMENT POSITIONS WHERE THE JOB DUTIES ARE PERFORMED AT THE LOCATION OF  
23 THE QUALIFYING INVESTMENT. THE TAXPAYER MUST MEET THE EMPLOYEE COMPENSATION  
24 AND EMPLOYEE HEALTH BENEFIT REQUIREMENTS PRESCRIBED BY SECTION 41-1512.

25 B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

26 1. TEN PER CENT OF THE LESSER OF:

27 (a) THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN THE QUALIFIED FACILITY.

28 (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NET NEW FULL-TIME EMPLOYMENT  
29 POSITION AT THE QUALIFIED FACILITY.

30 2. THE AMOUNT OF THE CREDIT SHALL NOT EXCEED THE POSTAPPROVAL AMOUNT  
31 DETERMINED BY THE ARIZONA COMMERCE AUTHORITY UNDER SECTION 41-1512,  
32 SUBSECTION P.

33 3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OF THIS SUBSECTION IS  
34 APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE EQUAL ANNUAL  
35 INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

36 C. TO CLAIM THE CREDIT THE TAXPAYER MUST:

37 1. CONDUCT A BUSINESS THAT QUALIFIES UNDER SECTION 41-1512.

38 2. RECEIVE PREAPPROVAL AND POSTAPPROVAL FROM THE ARIZONA COMMERCE  
39 AUTHORITY PURSUANT TO SECTION 41-1512.

40 3. SUBMIT TO THE DEPARTMENT A COPY OF A CURRENT AND VALID  
41 CERTIFICATION OF QUALIFICATION ISSUED TO THE TAXPAYER BY THE ARIZONA COMMERCE  
42 AUTHORITY.

43 D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE  
44 BEEN EMPLOYED AT THE QUALIFIED FACILITY FOR AT LEAST NINETY DAYS DURING THE  
45 TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT LEAST ONE  
46 THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS HIRED DURING

1 THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A NEW EMPLOYEE  
2 DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT  
3 DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT HAVE BEEN  
4 PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE CURRENT  
5 DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH THE  
6 REQUIREMENTS OF SECTION 41-1512 AND BE CERTIFIED BY THE ARIZONA COMMERCE  
7 AUTHORITY.

8 E. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A  
9 PARTNERSHIP AND MEMBERS OF A LIMITED LIABILITY COMPANY, MAY EACH CLAIM ONLY  
10 THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON THE  
11 OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL OWNERS OF THE  
12 BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE  
13 OWNER OF THE BUSINESS.

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 INCOME  
16 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN  
17 OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER IN THE SAME MANNER  
18 AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS SUBSECTION  
19 ARE SUBJECT TO SETOFF UNDER SECTION 42-1122. IF THE DEPARTMENT DETERMINES  
20 THAT A REFUND IS INCORRECT OR INVALID, THE EXCESS REFUND MAY BE TREATED AS A  
21 TAX DEFICIENCY PURSUANT TO SECTION 42-1108.

22 G. EXCEPT AS PROVIDED BY SUBSECTION H OF THIS SECTION, IF, WITHIN FIVE  
23 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE  
24 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER  
25 SECTION 41-1512, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS AS  
26 DETERMINED BY THE ARIZONA COMMERCE AUTHORITY, THE TAXPAYER IS DISQUALIFIED  
27 FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS. ON A  
28 DETERMINATION THAT THE TAXPAYER HAS COMMITTED FRAUD OR RELOCATED OUTSIDE OF  
29 THIS STATE WITHIN FIVE TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT  
30 TO THIS SECTION, THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS  
31 PURSUANT TO THIS SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS  
32 SUBSECTION. THIS SUBSECTION APPLIES ONLY IN THE CASE OF THE TERMINATION OR  
33 REVOCATION OF A CERTIFICATION OF QUALIFICATION UNDER SECTION 41-1512. THIS  
34 SUBSECTION DOES NOT APPLY IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES  
35 NOT QUALIFY FOR OR FAILS TO CLAIM THE CREDIT UNDER THIS SECTION. THE  
36 RECAPTURE OF CREDITS IS COMPUTED BY INCREASING THE AMOUNT OF TAXES IMPOSED IN  
37 THE YEAR FOLLOWING THE YEAR OF TERMINATION OR REVOCATION BY THE FULL AMOUNT  
38 OF ALL CREDITS PREVIOUSLY ALLOWED UNDER THIS SECTION.

39 H. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1074 OR 43-1079 MAY  
40 NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME FULL-TIME  
41 EMPLOYMENT POSITIONS.

42 I. THE DEPARTMENT OF REVENUE SHALL ADOPT RULES AND PRESCRIBE FORMS AND  
43 PROCEDURES AS NECESSARY FOR THE PURPOSES OF THIS SECTION. THE DEPARTMENT OF  
44 REVENUE AND THE ARIZONA COMMERCE AUTHORITY SHALL COLLABORATE IN ADOPTING  
45 RULES AS NECESSARY TO AVOID DUPLICATION AND CONTRADICTIONARY REQUIREMENTS WHILE  
46 ACCOMPLISHING THE INTENT AND PURPOSES OF THIS SECTION.



1 subsection B, Arizona Revised Statutes, as amended by this act, as if the  
2 amendment had been continuously in effect since 1997. Section 42-11127,  
3 Arizona Revised Statutes, as amended by this act, does not apply to any tax  
4 year before tax year 2013.

5 Sec. 21. Purpose

6 Pursuant to section 43-223, Arizona Revised Statutes, the income tax  
7 credits enacted in sections 43-1083.03 and 43-1164.04, Arizona Revised  
8 Statutes, as added by this act, are intended to encourage business investment  
9 that will produce high quality employment opportunities for citizens of this  
10 state and enhance the position of this state as a center for corporate  
11 headquarters, commercial research and manufacturing.

12 Sec. 22. Effective date; retroactivity; applicability

13 A. Sections 41-1511, 41-1512, 43-1083.01, 43-1083.03, 43-1164.01 and  
14 43-1164.04, Arizona Revised Statutes, as added or amended by this act, are  
15 effective retroactively to from and after June 30, 2012.

16 B. Except as provided by section 41-1525, subsection L, paragraph 1,  
17 subdivision (b), Arizona Revised Statutes, as added by this act, sections  
18 20-224.03, 41-1525, 43-1074 and 43-1161, Arizona Revised Statutes, as amended  
19 by this act, and sections 41-1512, 43-1083.03 and 43-1164.04, Arizona Revised  
20 Statutes, as added by this act, apply to taxable years beginning from and  
21 after December 31, 2012.

APPROVED BY THE GOVERNOR MAY 11, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 14, 2012.