



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

HB 2900: omnibus; taxation.

Sponsor: Representative Toma, LD 22
Committee on Appropriations

Overview

Increases the additional state aid for education effective January 1, 2021.

Establishes the following tax credits:

1. Affordable Housing Premium Tax Credit;
2. Affordable Housing Tax Credit (individual and corporate income tax); and
3. Healthy Forest Production Tax Credit (individual and corporate income tax).

Repeals the Affordable Housing Premium Tax Credit and the Affordable Housing Tax Credit effective January 1, 2026.

Establishes the Affordable Housing Tax Credit Review Committee and requires the committee to review the impact of the credit every three years and repeals this committee on January 1, 2026.

Modifies, for unemployment compensation purposes, the definition of wages, the maximum weekly benefit amount and the duration of benefits. Additionally, it requires the Department of Economic Security to prepare an annual report that details the any unemployment insurance fraud for the prior fiscal year.

Extends the individual income tax credit for investment in a qualified small business and allows the Commerce Authority to certify credits through June 30, 2031.

Includes, as a deduction from the retail transaction privilege tax base and the use tax base, containment structures that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. Applies this retroactively to January 1, 2016 and limits the aggregate refund amount to \$10,000.

Reduces the assessed valuation of Class 1 property from 18% to 17% in .5% increments over two years beginning January 1, 2022.

Establishes the Revenue Sharing Stabilization Fund and requires the Department of Revenue to determine if a city or town is entitled to an additional distribution and provide the information to the State Treasurer's Office.

Creates a two-tier individual income tax rate structure for Taxable Year (TY) 2022 and a flat 2.5% tax rate beginning in TY 2023. Creates an aggregate income tax rate cap of 4.5% beginning in TY 2022, increases the dependent credit, indexes the allowed charitable deduction percentage in accordance with changes in the metropolitan Phoenix consumer price index (CPI), clarifies that payment of estimated taxes only applies to the state individual income tax and exempts the full pension of a retired member of the uniformed services of the United States.

Creates a corporate income tax subtraction for the contribution in aid of construction for water and wastewater utilities to the extent they were included in federal taxable income.

Increases the limit for corporate credits for contributions to school tuition organizations beginning in FY 2022.

Increases the tax a county fire district can levy on the assessed value in TY 2022 and TY 2023 and each year thereafter.

History

The current additional state aid for education is established in [A.R.S. § 15-972](#) and calculated using 47.19%.

The amount of current unemployment compensation benefits is established in [A.R.S. § 23-779](#) and the duration of benefits in [A.R.S. § 23-780](#).

The current authority for the Commerce Authority to authorize credits for qualified investments made in a qualified small business is in [A.R.S. § 41-1518](#) and the individual income tax credit is in [A.R.S. § 43-1074.02](#).

The deductions for pollution control equipment from the retail transaction privilege tax base and the use tax base are found in [A.R.S. § 42-5061.B.18](#) and [A.R.S. § 42-5159.B.18](#).

Class 1 property consists of properties of mining, telecommunication companies, utilities, standing timber, airport fuel delivery, oil and gas production, pipelines, shopping centers, golf courses and most other commercial uses (A.R.S. § 42-12001). The assessed valuation of class 1 property is currently 18 percent of its full cash value or limited valuation, as applicable ([A.R.S. § 42-15001](#)).

Current law provides for the levy and collection of individual income tax for each taxable year on the entire taxable income of every resident of Arizona and on the entire taxable income of every nonresident that is derived from sources within Arizona based on a four-tier system with tax rates of 2.59%, 3.34%, 4.17% and 4.5% depending on the taxable income of a taxpayer. ([A.R.S. § 43-1011](#)) The payment of estimated individual income taxes is found in [A.R.S. § 43-581](#). The subtraction from Arizona gross income for benefits, annuities and pensions received as a retired member of the uniformed services of the United States is in [A.R.S. § 43-1022.27](#). The calculation of the optional standard deduction for a taxpayer's charitable deductions is in [A.R.S. § 43-1041.I](#). The current dependent tax credit is detailed in [A.R.S. § 43-1073.01](#).

The individual income tax credit for public school fees and contributions is in [A.R.S. § 43-1089.01](#), the allowed fiscal year limit for credits for contributions to school tuition organizations is detailed in [A.R.S. § 43-1184](#) and the special provisions for corporate donations for low-income scholarships is in [A.R.S. § 43-1504](#). The operational requirements for school tuition organizations, including the required notice, are in [A.R.S. § 43-1603](#).

The county fire district assistance tax rate limit is set in [A.R.S. § 48-807.G](#).

Provisions

1. Increases the additional state aid for education from 47.19% to 50% effective January 1, 2021. (Sec. 1)
2. Allows an insurer to claim a premium tax credit if the insurer qualifies for a credit under the Affordable Housing Premium Tax Credit (AHPTC). (Sec. 2)
3. Includes the AHPTC to the annual report the Department of Insurance and Financial Institutions (DIFI) must file with the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (Sec. 2)
4. Establishes the AHPTC at an amount equal to at least 50% of the Federal Low-Income Housing Credit. (Sec. 3)

5. Requires the taxpayer to submit an eligibility statement provided by the Department of Housing (DOH) to the DIFI with the taxpayer's premium tax return to claim the AHPTC. (Sec. 3)
6. Provides statutory guidance for allocating the AHPTC among partners, members or shareholders and allows for a carry-forward of the AHPTC for no more than five consecutive years. (Sec. 3)
7. States a taxpayer that claims the AHPTC is not required to pay any additional retaliatory tax. (Sec. 3)
8. Requires DIFI, with the help of the Department of Revenue (DOR) and DOH, to adopt rules to administer the AHPTC. (Sec. 3)
9. Repeals the AHPTC effective January 1, 2026. (Sec. 4)
10. Modifies, for unemployment compensation purposes, the definition of wages to not include the first \$8,000, from \$7,000, beginning in calendar year 2023. (Sec. 5)
11. Increases the maximum weekly unemployment benefit amount from \$240 to \$320 beginning July 1, 2022. (Sec. 7)
12. Increases, from \$30 to \$160, the amount an individual may earn without a reduction to their weekly unemployment benefit amount. (Sec. 7)
13. Modifies the duration of unemployment benefits from 26 weeks to 24 weeks if the unemployment rate in the prior calendar quarter is less than five percent. (Sec. 8)
14. Defines "*unemployment rate in the prior calendar quarter*." (Sec. 8)
15. Requires the Department of Economic Security to prepare an annual report, on or before December 31 of each year, that details unemployment insurance fraud for the prior fiscal year and to submit the report to the Governor, Senate President, Speaker of the House and to the Secretary of State. (Sec. 9)
16. Extends the authorization of the credit for investment in qualified small business from June 30, 2021 to June 30, 2031 and allows the Commerce Authority to certify credits up to \$2,500,000 each fiscal year through June 30, 2031. (Sec. 10)
17. Establishes and provides statutory guidelines to administer the Affordable Housing Tax Credit (AHTC), administered by the DOH, in an amount equal to at least 50% of the amount of the federal credit allowed in each taxable year and allows a total of \$4,000,000 to be allocated in a calendar year. (Sec. 11)
18. Requires DOH to submit an annual report, on or before December 31, to the Senate president and Speaker of the House that addresses whether the credits produced a significant number of additional affordable housing units. (Sec. 11)
19. Defines "*internal revenue code*," "*qualified project*" and "*taxpayer*." (Sec. 11)
20. Repeals the AHTC January 1, 2026. (Sec. 12)
21. Includes, as a deduction from the retail transaction privilege tax base and the use tax base, "containment structures" that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. (Sec. 13, 14, 15)
22. Reduces the assessed valuation of Class 1 property to seventeen and one-half percent of its full cash value or limited valuation beginning January 1, 2022 through December 31, 2022. (Sec. 16)

23. Reduces the assessed valuation of Class 1 property to seventeen percent of its full cash value or limited valuation beginning January 1, 2023. (Sec. 16)
24. Establishes the Revenue Sharing Stabilization Fund consisting of monies received from the state General Fund. (Sec. 17)
25. Requires DOR to calculate revenue sharing distributions, before September 1, 2025 and 2026, for each city and town to determine if a city or town is entitled to an additional distribution and provide this information to the State Treasurer's Office for distribution. (Sec. 17)
26. Prohibits a city or town from receiving an additional distribution if they reduced their law enforcement operating budget below the previous fiscal year budget. (Sec. 17)
27. Defines, for revenue sharing stabilization fund purposes, "*law enforcement agency*" and "*state shared revenue*." (Sec. 17)
28. Adds the healthy forest production credit to the income tax review schedule. (Sec. 18)
29. Establishes the affordable housing tax credit review committee, who are not eligible for compensation, consisting of three members appointed by the Governor, three members appointed by the Senate President and three members appointed by the Speaker of the House. (Sec. 19)
30. Requires the affordable housing tax credit review committee to review the impact of the credit every three years and report, by December 15 of the review year, to the Governor, Senate President and Speaker of the House and provide the report to the Secretary of State. (Sec 19)
31. Contains a delayed repeal of the affordable housing tax credit review committee of January 1, 2026. (Sec. 20)
32. Clarifies that the payment of estimated taxes only applies to the state individual income tax. (Sec. 21)
33. Creates, for individual income tax, a two-tier tax rate structure for TY 2022 of:
 - a) 2.55% for single/married filing separately taxpayers with taxable income less than or equal to \$27,272 and for married filing joint/head of household with taxable income less than or equal to \$54,544; and
 - b) 2.98% for single/married filing separately taxpayers with taxable income \$27,273 or more and for married filing joint/head of household with taxable \$54,545 or more. (Sec. 22)
34. Creates, for individual income tax, a flat 2.5% tax rate for TYs beginning 2023. (Sec. 22)
35. Removes the indexing of the individual income tax brackets beginning January 1, 2022. (Sec. 22)
36. Creates an aggregate individual income tax rate cap of 4.5% for TYs beginning 2022 and permits DOR to adopt rules to implement this provision. (Sec. 22)
37. Exempts from individual income tax, beginning with TY 21, the full amount of a benefit, annuity and pension received as a retired member of the uniformed services of the United States. (Sec. 23)
38. Adjusts the 25% of allowed charitable deductions in accordance with the average annual change in the metropolitan Phoenix CPI beginning in TY 2022 with the following requirements:
 - a) The adjusted percentage may not exceed 100%;
 - b) The revised percentage be raised to the nearest whole percent; and
 - c) The revised percent may not be lowered below the prior taxable year. (Sec. 24)

39. Increases the dependent tax credit, beginning with TY 2022, to \$150 for each dependent who is under 17 years old at the end of the taxable year and to \$75 for each dependent who is at least 17 years old at the end of the taxable year. (Sec. 25)
40. Reduces, beginning with TY 2022, the dependent tax credit for taxpayers whose federal adjusted gross income exceeds the \$200,000 limit for a single person, a married filing separate person or a head of household or the \$400,000 limit for a married couple filing jointly. (Sec. 25)
41. Extends the individual income tax credit for investment in a qualified small business from December 31, 2024 to December 31, 2034. (Sec. 26)
42. Creates the affordable housing tax credit, for individual and corporate income tax, in an amount equal to at least 50% of the federal low-income housing credit for a qualified project. (Sec. 27, 32)
43. Provides statutory guidance to become eligible for the affordable housing tax credit and to claim the credit. (Sec. 27, 32)
44. Requires DOR to adopt rules and publish forms and procedures as necessary to administer the credit. (Sec. 27)
45. Repeals the affordable housing tax credit on January 1, 2026. (Sec. 28, 33)
46. Creates the healthy forest production tax credit for individual and corporate income tax, beginning January 1, 2021, and provides guidelines to determining eligibility, calculating the amount of the credit and claiming the credit. (Sec. 29, 32)
47. Defines "processing," "processed," "qualifying forest products" and "qualifying project" for purposes of administering the healthy forest production tax credit. (Sec. 29, 32)
48. Limits the aggregated individual and corporate income tax credit to \$2,000,000 for any calendar year. (Sec. 29, 32)
49. Extends the individual income tax credit for specific fees paid or contributions made to public schools from June 30, 2022 to June 30, 2024. (Sec. 30)
50. Creates a corporate income tax subtraction for the contribution in aid of construction for water and wastewater utilities to the extent the amount was included in federal taxable income. (Sec. 31)
51. Increases the limit for corporate credits for contributions to school tuition organizations from \$5,000,000 to \$6,000,000 in any FY beginning in FY 2022. (Sec. 34)
52. Creates additional special provisions for corporate donations for low-income scholarships. (Sec. 35)
53. Adds further information requirements in a school tuition organization's notice in any printed materials soliciting donations, applications for scholarships and on their website. (Sec. 36)
54. Increases the tax a county fire district can levy from \$3.25 per \$100 of assessed value to \$3.375 per \$100 of assessed value in TY 2022 and \$3.50 per \$100 of assessed value for TY 2023 and each year thereafter. (Sec. 37)
55. Allows the qualified electors of a county fire district to authorize a permanent override based on the tax amounts in Provision 54. (Sec. 37)

56. Exempts DOR from the rulemaking requirements for one year after the effective date of this act. (Sec. 38)
57. Contains a refund clause limiting the aggregate refund amount to \$10,000 and requiring claims to be filed beginning January 1, 2021 through December 31, 2021 for transaction privilege and use tax amounts paid on containment structures that are used directly to meet or exceed rules or regulations adopted by the federal or state government to prevent, monitor, control or reduce land, water or air pollution. (Sec. 39)
58. Requires the DOH to implement and administer the AHTC. (Sec. 40)
59. Modifies the urban revenue sharing formula for FY 2024 to consist of the sum of the following amounts:
 - a) An amount equal to fifteen percent of the state income tax net proceeds for FY 2022; and
 - b) A positive amount equal to fifteen percent of the reduction in state income tax net proceeds pursuant to state law for FY 2022. (Sec. 41)
60. Requires, for the individual income renewable energy production tax credit, a taxpayer to apply to DOR before February 7 of the following the calendar year for which the credit is requested and applies this retroactively to January 1, 2021. (Sec. 42)
61. Contains a purpose clause. (Sec. 43)
62. Contains retroactivity clauses. (Sec. 44)
63. Contains a savings clause. (Sec. 45)
64. Contains a conditional enactment clause. (Sec. 46, 47)
65. Contains technical and conforming changes.

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
--	--	---	--------------------------------------