



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

REVISED
FACT SHEET FOR S.B. 1092

income tax; currency transactions; effect

Purpose

Allows, beginning TY 2025, individual and corporate taxpayers to subtract capital gains, and add capital losses, that are derived from a foreign currency or virtual currency transaction to the individual's or corporation's gross income calculation.

Background

Individual income tax is levied on Arizona residents' taxable income. The tax base begins with Arizona gross income, which is equivalent to the taxpayer's federal adjusted gross income. Statute authorizes various amounts to be added or subtracted when computing an individual's Arizona adjusted gross income, which is further reduced by standard or itemized deductions to arrive at Arizona taxable income. An individual may subtract, to the extent not already excluded from Arizona gross income under the U.S. Internal Revenue Code, the value of virtual currency received through an airdrop, at the time of the airdrop. A taxpayer who included a gain or loss on the sale of virtual currency in their Arizona gross income may subtract gas fees from the taxpayer's Arizona gross income, if the taxpayer did not include any gas fees paid on the purchase of the virtual currency or did not otherwise deduct the gas fees. A *gas fee* is a fee paid to the operator of a virtual network for the use of the network to facilitate a virtual currency or non-fungible token transaction ([A.R.S. Title 43, Chapter 10](#)).

Arizona gross income for a corporation is the same as the corporation's federal taxable income for the taxable year. To determine a corporation's Arizona taxable income, Arizona gross income is statutorily adjusted by additions and subtractions of certain expenses and income ([A.R.S. Title 43, Chapter 11](#)).

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account and a store of value other than a representation of the U.S. dollar or a foreign currency ([A.R.S. § 43-1028](#)). According to the U.S. Internal Revenue Service, *virtual currency* may be used as payment for goods or services or held for investment purposes. For federal tax purposes, virtual currency is treated as property and the general tax principles that apply to property transactions apply to virtual currency transactions ([U.S. IRS Notice 2014-21](#)).

The Joint Legislative Budget Committee (JLBC) fiscal note on S.B. 1092 estimates that the fiscal impact is unquantifiable due to a lack of specific data on foreign currency and virtual currency transactions. JLBC expects that S.B. 1092 will reduce Arizona taxable income beginning in TY 2025 resulting in annual state General Fund revenue losses beginning in FY 2026 ([JLBC fiscal note](#)).

Provisions

1. Requires, beginning TY 2025, an individual taxpayer to add any net capital loss included in Arizona gross income for the taxable year that is derived from a foreign currency or virtual currency transaction when computing Arizona adjusted gross income.
2. Requires, beginning TY 2025, an individual taxpayer to subtract any net capital gain included in Arizona gross income for the taxable year that is derived from a foreign currency or virtual currency transaction when computing Arizona adjusted gross income.
3. Requires, beginning TY 2025, a corporate taxpayer to add any net capital loss included in Arizona gross income for the taxable year that is derived from a foreign currency or virtual currency transaction when computing Arizona adjusted gross income.
4. Requires, beginning TY 2025, a corporate taxpayer to subtract any net capital gain included in Arizona gross income for the taxable year that is derived from a foreign currency or virtual currency transaction when computing Arizona adjusted gross income.
5. Defines *foreign currency* as the coin and paper money of a country other than the United States that is designated as legal tender, that circulates and that is customarily used and accepted as a medium of exchange in the country of issuance.
6. Becomes effective on the general effective date.

Revisions

- Updates the fiscal impact statement.

Prepared by Senate Research

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