



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1413

income tax; subtraction; uniformed services

Purpose

Effective January 1, 2025, expands the individual income tax subtraction for active service compensation to include compensation received for active service in the U.S. Uniformed Services, rather than the U.S. Armed Forces.

Background

Uniformed Services include the Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service. *Armed Forces* includes the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard ([U.S.C. § 37-101](#)).

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. To the extent not already excluded from Arizona gross income under the U.S. Internal Revenue Code, compensation received for active service as a member of the Reserves, the National Guard or the Armed Forces of the United States, including compensation for service in a combat zone as determined under the U.S. Internal Revenue Code, is subtracted from Arizona gross income when computing Arizona adjusted gross income ([A.R.S. § 43-1022](#)).

If allowing members of the U.S. Uniformed Services, rather than only the U.S. Armed Services, to subtract active service compensation received from Arizona gross income results in a change to individual income tax collections, there may be an impact to the state General Fund.

Provisions

1. Expands the individual income tax subtraction for active service compensation to include compensation received for active service in the U.S. Uniformed Services, rather than only the U.S. Armed Forces.
2. Becomes effective on January 1, 2025.

Prepared by Senate Research
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