

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

HOUSE BILL 2250

AN ACT

PROVIDING FOR THE DELAYED REPEAL OF SECTION 15-994, ARIZONA REVISED STATUTES; AMENDING SECTION 20-224.03, ARIZONA REVISED STATUTES; REPEALING SECTION 23-730.02, ARIZONA REVISED STATUTES; REPEALING TITLE 23, CHAPTER 4, ARTICLE 5.2, ARIZONA REVISED STATUTES; AMENDING SECTIONS 35-701 AND 41-1276, ARIZONA REVISED STATUTES; CHANGING THE DESIGNATION OF TITLE 41, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, TO "ARIZONA ENTERPRISE DEVELOPMENT PROGRAM"; REPEALING SECTIONS 41-1521, 41-1522, 41-1523 AND 41-1524, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1525, 41-1525.01, 41-1526 AND 41-1527, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1528, ARIZONA REVISED STATUTES; REPEALING TITLE 41, CHAPTER 10, ARTICLE 4, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING A NEW ARTICLE 4 AND ARTICLES 5 AND 5.1; AMENDING SECTIONS 41-1554.01, 41-1554.02, 41-1554.03, 41-1554.06, 42-1116, 42-2003, 42-12006, 42-12009, 42-15001, 42-15006, 43-206 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-409; AMENDING SECTIONS 43-1011, 43-1074, 43-1111, 43-1139 AND 43-1161, ARIZONA REVISED STATUTES; AMENDING LAWS 1996, CHAPTER 344, SECTION 12, AS AMENDED BY LAWS 2001, CHAPTER 370, SECTION 8 AND LAWS 2006, CHAPTER 387, SECTION 5; RELATING TO EMPLOYMENT INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Delayed repeal

3 Section 15-994, Arizona Revised Statutes, is repealed from and after
4 June 30, 2014.

5 Sec. 2. Section 20-224.03, Arizona Revised Statutes, is amended to
6 read:

7 20-224.03. Premium tax credit for increased employment in
8 enterprise zones; definition

9 A. A tax credit is allowed against the premium tax liability incurred
10 by an insurer pursuant to section 20-224, 20-837, 20-1010, 20-1060 or
11 20-1097.07 for net increases in qualified employment positions of residents
12 of this state by an insurer ~~that is located in an enterprise zone established~~
13 ~~under title 41, chapter 10, article 2 AS CERTIFIED BY THE DEPARTMENT OF~~
14 ~~COMMERCE PURSUANT TO SECTION 41-1525.~~ A tax credit is not allowed for the
15 portion of the tax payable to the fire fighters' relief and pension fund
16 pursuant to section 20-224 or the portion of the tax payable to the public
17 safety personnel retirement system pursuant to section 20-224.01. Subject to
18 subsection D of this section, the amount of the tax credit is equal to:

19 1. One-fourth of the taxable wages paid to an employee in a qualified
20 employment position, not to exceed five hundred dollars, in the first year or
21 partial year of employment.

22 2. One-third of the taxable wages paid to an employee in a qualified
23 employment position, not to exceed one thousand dollars per qualified
24 employment position, in the second year of continuous employment.

25 3. One-half of the taxable wages paid to an employee in a qualified
26 employment position, not to exceed one thousand five hundred dollars per
27 qualified employment position, in the third year of continuous employment.

28 B. To qualify for a credit under this section:

29 1. AN INSURER MUST:

30 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN
31 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

32 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
33 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT
34 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

35 ~~1-~~ 2. All of the employees with respect to whom a credit is claimed
36 must reside in this state.

37 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
38 credit is claimed for the first year of employment must reside on the date of
39 hire ~~in an enterprise zone that is located~~ in the same county in which the
40 insurer is located. If an employee for whom a credit was allowed in the
41 first year of employment leaves employment during the second or third year,
42 the taxpayer may substitute another employee who meets the requirements of
43 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
44 the original employee. ~~If the original employee was counted toward the~~

1 ~~residency requirement under this paragraph, the substitute employee must also~~
2 ~~have resided in a zone at the time the substitute was hired.~~

3 ~~3-~~ 4. A qualified employment position must meet all of the following
4 requirements:

5 (a) The position must be a minimum of one thousand seven hundred fifty
6 hours per year of full-time and permanent employment.

7 (b) The job duties must be performed primarily at the ~~zone locations~~
8 ~~of the~~ business LOCATION. If an eligible employee in a qualified employment
9 position is transferred or assigned to work in the taxpayer's workplace at a
10 different location ~~that is also located in an enterprise zone and qualifies~~
11 ~~as a zone location~~, it may be considered to be continuous employment if it
12 continues to meet all qualified employment position requirements.

13 (c) The employment must include health insurance coverage for the
14 employee for which the employer pays at least fifty per cent of the premium
15 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
16 at least fifty per cent of a predetermined fixed cost per employee for an
17 insurance program that is payable whether or not the employee has filed
18 claims.

19 (d) The employer must pay compensation at least equal to ONE HUNDRED
20 SEVENTY-FIVE PER CENT OF the wage offer by county as computed annually by the
21 department of economic security research administration division OR SUCCESSOR
22 ADMINISTRATION.

23 (e) The employee must have been employed for at least ninety days
24 during the first taxable year. An employee who is hired during the last
25 ninety days of the taxable year shall be considered a new employee during the
26 next taxable year. A qualified employment position that is filled during the
27 last ninety days of the taxable year is considered to be a new qualified
28 employment position for the next taxable year.

29 (f) The employee has not been previously employed by the taxpayer
30 within twelve months before the current date of hire.

31 C. A credit is allowed for employment in the second and third year
32 only for qualified employment positions for which a credit was allowed in the
33 first year.

34 D. The net increase in the number of qualified employment positions is
35 the lesser of the total number of filled qualified employment positions
36 created ~~in the zone~~ during the tax year or the difference between the average
37 number of full-time employees ~~in the zone~~ in the current tax year and the
38 average number of full-time employees during the immediately preceding
39 taxable year. The net increase in the number of qualified employment
40 positions computed under this subsection may not exceed two hundred qualified
41 employment positions per taxpayer each year.

42 E. A taxpayer who claims a credit under section 20-224.04 shall not
43 claim a credit under this section with respect to the same employees.

44 F. Pursuant to subsection A of this section, if the allowable tax
45 credit exceeds the state premium tax liability, the amount of the claim not

1 used as an offset against the state premium tax liability may be carried
2 forward as a tax credit against subsequent years' state premium tax liability
3 for the period, not to exceed five taxable years. ~~, provided that the insurer
4 remains in an enterprise zone.~~

5 G. If a person purchases an insurance business ~~in a zone~~ or if an
6 insurance business ~~in a zone~~ changes ownership through reorganization, stock
7 purchase or merger, the new taxpayer may claim first year credits only for
8 one or more qualified employment positions that it created and filled with an
9 eligible employee after the purchase or reorganization was complete. If a
10 person purchases a taxpayer that had qualified for first or second year
11 credits or if an insurance business changes ownership through reorganization,
12 stock purchase or merger, the new taxpayer may claim the second or third year
13 credits if it meets other eligibility requirements of this section. Credits
14 for which a taxpayer qualified before the changes described in this
15 subsection are terminated and lost at the time the changes are implemented.

16 H. An insurer that claims a tax credit against state premium tax
17 liability is not required to pay any additional retaliatory tax imposed
18 pursuant to section 20-230 as a result of claiming that tax credit.

19 I. A failure to timely report and certify to the department of
20 commerce the information prescribed by section 41-1525, subsection ~~B- C~~,
21 paragraphs 1, 2 and 3 and in the manner prescribed by section 41-1525,
22 subsection ~~C- D~~, disqualifies the insurer from the credit under this section.
23 The department of insurance shall require written evidence of the timely
24 report to the department of commerce.

25 ~~J. The termination of an enterprise zone does not affect the credit
26 under this section with respect to:~~

27 ~~1. Insurers that have employees in the second and third years of
28 employment in qualified employment positions under subsection A, paragraphs 2
29 and 3 of this section if the business remains in the location that was in the
30 enterprise zone.~~

31 ~~2. Amounts carried forward into subsequent taxable years under
32 subsection F of this section.~~

33 ~~K. J.~~ The department may adopt rules necessary for the administration
34 of this section.

35 ~~L.~~ K. For the purposes of this section, "insurer" means any entity
36 that is subject to premium tax liability pursuant to section 20-224, 20-837,
37 20-1010, 20-1060 or 20-1097.07.

38 Sec. 3. Repeal

39 A. Section 23-730.02, Arizona Revised Statutes, is repealed.

40 B. Title 23, chapter 4, article 5.2, Arizona Revised Statutes, is
41 repealed.

42 Sec. 4. Section 35-701, Arizona Revised Statutes, is amended to read:

43 35-701. Definitions

44 In this chapter, unless the context otherwise requires:

- 1 1. "Corporation" means any corporation organized as an authority as
2 provided in this chapter.
- 3 2. "Designated area" means any area of this state which is either
4 designated pursuant to section 36-1479 as a slum or blighted area as defined
5 in section 36-1471, designated by regulation as a pocket of poverty or a
6 neighborhood strategy area by the United States department of housing and
7 urban development pursuant to title I of the housing and community
8 development act of 1977 (P.L. 95-128; 42 United States Code sections 5301
9 through 5320), as amended, and the department of housing and urban
10 development act (P.L. 89-174; 42 United States Code section 3535(d)) or
11 designated by the United States department of housing and urban development
12 as an empowerment or enterprise zone pursuant to the federal omnibus budget
13 reconciliation act of 1993 (P.L. 103-66; 26 United States Code section
14 1391(g)) ~~or an area certified as an enterprise zone pursuant to section~~
15 ~~41-1524, subsection B.~~
- 16 3. "Governing body" means:
17 (a) The board or body in which the general legislative powers of the
18 municipality or the county are vested.
19 (b) The Arizona board of regents with respect to a corporation formed
20 with the permission of the Arizona board of regents.
- 21 4. "Income" means gross earnings from wages, salary, commissions,
22 bonuses or tips from all jobs, net earnings from such person's or family's
23 own nonfarm business, professional practice or partnership, and net earnings
24 from such person's or family's own farm. Income includes income, other than
25 earnings, that consists of amounts received from social security or railroad
26 retirement, interest, dividends, veterans payments, pensions and other
27 regular payments, public assistance or welfare payments, including aid for
28 dependent children, old age assistance and aid to the blind or totally
29 disabled, but excluding separate payments for hospital or other medical care.
- 30 5. "Manufactured house" means a structure that is manufactured in a
31 factory after June 15, 1976, that is delivered to a homesite in more than one
32 section and that is placed on a permanent foundation. The dimensions of the
33 completed house shall not be less than twenty feet by forty feet, the roof
34 must be sloping, the siding and roofing must be the same as those found in
35 site-built houses and the house must be eligible for thirty year real estate
36 mortgage financing.
- 37 6. "Municipality" or "county" means the Arizona board of regents or
38 any incorporated city or town, including charter cities, or any county in
39 this state in which a corporation may be organized and in which it is
40 contemplated the corporation will function.
- 41 7. "Persons of low and moderate income" means, for the purposes of
42 financing owner-occupied single family dwelling units in areas which the
43 municipality has found, pursuant to section 36-1479, to be slum or blighted
44 areas, as defined in section 36-1471, persons and families whose income does
45 not exceed two and one-half times the median family income of this state. In

1 all other areas it means persons and families whose income does not exceed
2 one and one-half times the median family income of this state.

3 8. "Project" means any land, any building or any other improvement and
4 all real and personal properties, including machinery and equipment whether
5 or not now in existence or under construction and whether located within or
6 without this state or the municipality or county approving the formation of
7 the corporation, that are suitable for any of the following:

8 (a) With respect to a corporation formed with the permission of a
9 municipality or county other than the Arizona board of regents:

10 (i) Any enterprise for the manufacturing, processing or assembling of
11 any agricultural or manufactured products.

12 (ii) Any commercial enterprise for the storing, warehousing,
13 distributing or selling of products of agriculture, mining or industry, or of
14 processes related thereto, including research and development.

15 (iii) Any office building or buildings for use as corporate or company
16 headquarters or regional offices or the adaptive use for offices of any
17 building within this state that is on the national register of historic
18 places or rehabilitation of residential buildings located in registered
19 historic neighborhoods.

20 (iv) A health care institution as defined in section 36-401.

21 (v) Residential real property for dwelling units located within the
22 municipality or county approving the formation of the corporation and, in the
23 case of a county, whether or not also within a municipality that is within
24 the county.

25 (vi) Repairing or rehabilitating single family dwelling units or
26 constructing or repairing residential fences and walls.

27 (vii) Convention or trade show facilities.

28 (viii) Airports, docks, wharves, mass commuting facilities, parking
29 facilities or storage or training facilities directly related to any of the
30 facilities as provided in this item.

31 (ix) Sewage or solid waste disposal facilities or facilities for the
32 furnishing of electric energy, gas or water.

33 (x) Industrial park facilities.

34 (xi) Air or water pollution control facilities.

35 (xii) Any educational institution that is operated by a nonprofit
36 educational organization that is exempt from taxation under section 501(c)(3)
37 of the United States internal revenue code and that is not otherwise funded
38 by state monies, any educational institution or organization that is
39 established under title 15, chapter 1, article 8 and that is owned by a
40 nonprofit organization, any private nonsectarian school or any private
41 nonsectarian organization established for the purpose of funding a joint
42 technological education school district.

1 (xiii) Research and development facilities.

2 (xiv) Commercial enterprises, including facilities for office,
3 recreational, hotel, motel and service uses if the facilities authorized by
4 this item are to be located in a designated area.

5 (xv) A child welfare agency, as defined in section 8-501, owned and
6 operated by a nonprofit organization.

7 (xvi) A transportation facility constructed or operated pursuant to
8 title 28, chapter 22.

9 (xvii) A museum operated by a nonprofit organization.

10 (xviii) Facilities owned or operated by a nonprofit organization
11 described in section 501(c) of the United States internal revenue code of
12 1986.

13 (xix) New or existing correctional facilities within this state.

14 (b) With respect to a corporation formed with the permission of the
15 Arizona board of regents, any facility consisting of classrooms, lecture
16 halls or conference centers or any facility for research and development or
17 for manufacturing, processing, assembling, marketing, storing and
18 transferring items developed through or connected with research and
19 development or in which the results of such research and development are
20 utilized, but only if the facility is located in an area designated as a
21 research park by the Arizona board of regents.

22 9. "Property" means any land, improvements thereon, buildings and any
23 improvements thereto, machinery and equipment of any and all kinds necessary
24 to a project and any other personal properties deemed necessary in connection
25 with a project.

26 10. "Research park" means an area of land that has been designated by
27 the Arizona board of regents as a research park for a university and that, at
28 the date of designation, is owned by this state or by the Arizona board of
29 regents.

30 11. "Single family dwelling unit" includes any new, used or
31 manufactured house that meets the insuring requirements of the federal
32 housing administration, the veterans administration or any other insuring
33 entity of the United States government or any private mortgage insurance or
34 surety company that is approved by the federal home loan mortgage corporation
35 or the federal national mortgage association.

36 Sec. 5. Section 41-1276, Arizona Revised Statutes, is amended to read:
37 41-1276. Truth in taxation levy for equalization assistance to
38 school districts

39 A. On or before February 15 of each year, the joint legislative budget
40 committee shall compute and transmit the truth in taxation rates for
41 equalization assistance for school districts for the following fiscal year
42 to:

43 1. The chairmen of the house of representatives ways and means
44 committee and the senate finance committee or their successor committees.

1 2. The chairmen of the appropriations committees of the senate and the
2 house of representatives or their successor committees.

3 B. The truth in taxation rates consist of the qualifying tax rate for
4 a high school district or a common school district within a high school
5 district that does not offer instruction in high school subjects pursuant to
6 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
7 unified district, a common school district not within a high school district
8 or a common school district within a high school district that offers
9 instruction in high school subjects pursuant to section 15-971, subsection B,
10 paragraph 2 and a state equalization assistance property tax rate pursuant to
11 section 15-994 that will offset the change in net assessed valuation of
12 property that was subject to tax in the prior year.

13 C. The joint legislative budget committee shall compute the truth in
14 taxation rates as follows:

15 1. Determine the statewide primary net assessed value for the
16 preceding tax year as provided in section 42-17151, subsection A,
17 paragraph 3.

18 2. Determine the statewide primary net assessed value for the current
19 tax year, excluding the net assessed value of property that was not subject
20 to tax in the preceding year.

21 3. Divide the amount determined in paragraph 1 of this subsection by
22 the amount determined in paragraph 2 of this subsection.

23 4. Adjust the qualifying tax rates and the state equalization
24 assistance property tax rate for the current fiscal year by the percentage
25 determined in paragraph 3 of this subsection in order to offset the change in
26 net assessed value.

27 D. Except as provided in subsections E and G of this section, the
28 qualifying tax rate for a high school district or a common school district
29 within a high school district that does not offer instruction in high school
30 subjects, the qualifying tax rate for a unified school district, a common
31 school district not within a high school district or a common school district
32 within a high school district that offers instruction in high school subjects
33 and the state equalization assistance property tax rate for the following
34 fiscal year shall be the rate determined by the joint legislative budget
35 committee pursuant to subsection C of this section. The committee shall
36 transmit the rates to the superintendent of public instruction and the county
37 boards of supervisors by March 15 each year.

38 E. If the legislature proposes either qualifying tax rates or a state
39 equalization assistance property tax rate that exceeds the truth in taxation
40 rate:

41 1. The house of representatives ways and means committee and the
42 senate finance committee or their successor committees shall hold a joint
43 hearing on or before February 28 and publish a notice of a truth in taxation
44 hearing that meets the following requirements:

1 (a) The notice shall be published twice in a newspaper of general
2 circulation in this state that is published at the state capital. The first
3 publication shall be at least fourteen but not more than twenty days before
4 the date of the hearing. The second publication shall be at least seven but
5 not more than ten days before the date of the hearing.

6 (b) The notice shall be published in a location other than the
7 classified or legal advertising section of the newspaper.

8 (c) The notice shall be at least one-fourth page in size and shall be
9 surrounded by a solid black border at least one-eighth inch in width.

10 (d) The notice shall be in the following form, with the "truth in
11 taxation hearing - notice of tax increase" headline in at least eighteen
12 point type:

13 Truth in Taxation Hearing

14 Notice of Tax Increase

15 In compliance with section 41-1276, Arizona Revised
16 Statutes, the state legislature is notifying property taxpayers
17 in Arizona of the legislature's intention to raise the property
18 tax levy over last year's level.

19 The proposed tax increase will cause the taxes on a
20 \$100,000 home to increase by \$_____.

21 All interested citizens are invited to attend a public
22 hearing on the tax increase that is scheduled to be held
23 _____ (date and time) at _____ (location).

24 (e) For purposes of computing the tax increase on a one hundred
25 thousand dollar home as required by the notice, the joint meeting of the
26 house of representatives ways and means committee and the senate finance
27 committee or their successor committees shall consider the difference between
28 the truth in taxation rate and the proposed increased rate.

29 2. The joint meeting of the house of representatives ways and means
30 committee and the senate finance committee or their successor committees
31 shall consider any motion to recommend the proposed tax rates to the full
32 legislature by roll call vote.

33 F. In addition to publishing the truth in taxation notice under
34 subsection E, paragraph 1 of this section, the joint meeting of the house of
35 representatives ways and means committee and the senate finance committee or
36 their successor committees shall issue a press release containing the truth
37 in taxation notice.

38 G. Notwithstanding any other law, the legislature shall not adopt a
39 state budget that provides for either qualifying tax rates pursuant to
40 section 15-971 or a state equalization assistance property tax rate pursuant
41 to section 15-994 that exceeds the truth in taxation rates computed pursuant
42 to subsection A of this section unless the rates are adopted by a concurrent
43 resolution approved by an affirmative roll call vote of two-thirds of the
44 members of each house of the legislature before the legislature enacts the
45 general appropriations bill. If the resolution is not approved by two-thirds

1 of the members of each house of the legislature, the rates for the following
2 fiscal year shall be the truth in taxation rates determined pursuant to
3 subsection C of this section and shall be transmitted to the superintendent
4 of public instruction and the county boards of supervisors.

5 H. Notwithstanding subsection C of this section and if approved by the
6 qualified electors voting at a statewide general election, the legislature
7 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
8 school district or \$4.253 for a unified school district. The legislature
9 shall not set a county equalization assistance for education rate that
10 exceeds \$0.5123.

11 I. Pursuant to subsection C of this section, the qualifying tax rate
12 in tax year 2008 for a high school district or a common school district
13 within a high school district that does not offer instruction in high school
14 subjects as provided in section 15-447 is \$1.4622 and for a unified school
15 district, a common school district not within a high school district or a
16 common school district within a high school district that offers instruction
17 in high school subjects as provided in section 15-447 is \$2.9244. The state
18 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is
19 zero. The state equalization assistance property tax rate in:

20 1. Tax ~~year~~ YEARS 2009 AND 2010 shall be computed by annually
21 adjusting the tax year 2005 rate of \$0.4358 as provided by this section
22 through tax ~~year~~ YEARS 2009 AND 2010, RESPECTIVELY.

23 2. TAX YEAR 2011 SHALL BE SEVENTY-FIVE PER CENT OF THE RATE COMPUTED
24 FOR TAX YEAR 2010.

25 3. TAX YEAR 2012 SHALL BE FIFTY PER CENT OF THE RATE COMPUTED FOR TAX
26 YEAR 2010.

27 4. TAX YEAR 2013 SHALL BE TWENTY-FIVE PER CENT OF THE RATE COMPUTED
28 FOR TAX YEAR 2010.

29 5. TAX YEARS FOLLOWING 2013 SHALL BE ZERO.

30 Sec. 6. Heading change

31 The article heading of title 41, chapter 10, article 2, Arizona Revised
32 Statutes, is changed from "ENTERPRISE ZONES" to "ARIZONA ENTERPRISE
33 DEVELOPMENT PROGRAM".

34 Sec. 7. Repeal

35 Sections 41-1521, 41-1522, 41-1523 and 41-1524, Arizona Revised
36 Statutes, are repealed.

37 Sec. 8. Section 41-1525, Arizona Revised Statutes, is amended to read:
38 41-1525. Tax incentives; definitions

39 A. The owner of a business or an insurer ~~located in an enterprise zone~~
40 ~~before July 1, 2011~~ AND QUALIFYING UNDER THIS SECTION is eligible for an
41 income tax credit under section 43-1074 or 43-1161 or a premium tax credit
42 under section 20-224.03 for net increases in qualified employment positions,
43 except employment positions at a ~~zone~~ location where more than ten per cent
44 of the business conducted at the location consists of retail sales of
45 tangible personal property, measured either by the number of employees

1 assigned to retail sales or the square footage of the facility used for
2 retail sales activities at the location ~~in the zone~~. Retail sales and retail
3 sales activities do not include:

4 1. Food and beverage for consumption on the premises solely by
5 employees and occasional guests of employees at the location.

6 2. Promotional products not available for sale and displaying the
7 company logo or trademark.

8 3. Products sold to company employees.

9 B. TO QUALIFY UNDER THIS SECTION A BUSINESS OR INSURER MUST:

10 1. RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN
11 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

12 2. CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN A
13 CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT LEAST
14 FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

15 3. COMPENSATE FULL-TIME EMPLOYEES AT THE ZONE LOCATION AT LEAST EQUAL
16 TO ONE HUNDRED SEVENTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
17 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
18 DIVISION OR SUCCESSOR ADMINISTRATION.

19 4. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES FOR WHICH
20 THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST
21 OR, IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST FIFTY PER
22 CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN INSURANCE PROGRAM THAT
23 IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED CLAIMS.

24 5. OBTAIN AND SUBMIT TO THE DEPARTMENT A RESOLUTION OF THE GOVERNING
25 BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE
26 COUNTY IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR TOWN. THE RESOLUTION
27 MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE REQUIREMENTS OF THIS
28 SECTION AND LIST ANY INCENTIVES OFFERED TO THE BUSINESS BY THE CITY, TOWN OR
29 COUNTY.

30 ~~B.~~ C. To ~~qualify for~~ CLAIM a tax credit, the owner must:

31 1. Certify to the department of revenue or the department of
32 insurance, as applicable, on or before the due date of the tax return,
33 including any extensions for the year for which the credit is claimed, in a
34 form prescribed by the department of revenue including electronic media,
35 information that the department of revenue may require, including the
36 ownership interests of co-owners of the business if the business is a
37 partnership, limited liability company or an S corporation, and the following
38 information for each employee in the ~~zone~~ location:

39 (a) The date of initial employment.

40 (b) The number of hours worked during the year.

41 ~~(c) Whether the position was full-time.~~

42 ~~(d) The residence of the employee.~~

43 ~~(e) Whether the residence was in or outside the zone.~~

44 ~~(f)~~ (c) If the residence was in the zone, where in the zone it is
45 located.

- 1 ~~(g)~~ (d) The employee's annual compensation.
- 2 ~~(h)~~ (e) The total cost of health insurance for the employee and the
3 cost paid by the employer.
- 4 ~~(i)~~ (f) If the employee had been previously employed, the last date
5 of previous employment.
- 6 2. Report and certify to the department of commerce the following
7 information, and provide supporting documentation, on a form and in a manner
8 approved by the department of commerce and, as specified in subsection ~~E~~ D
9 of this section, for each year in which the taxpayer earned and claimed or
10 used credits or is carrying forward amounts from previously earned and
11 claimed credits:
- 12 (a) The business name and mailing address and any other contact
13 information requested by the department of commerce.
- 14 (b) The business location ~~and the name of the zone in which the~~
15 ~~business is located.~~
- 16 (c) The average hourly wage and the total amount of compensation paid
17 to employees qualified for the credit and for all employees at the ~~zone~~
18 location.
- 19 (d) The total number of qualified employment positions and the amount
20 of income tax or premium tax credits qualified for in the tax year.
- 21 (e) The estimated amount of tax credits to be used in the tax year to
22 offset tax liability.
- 23 (f) The estimated amount of tax credits to be available for
24 carryforward in the tax year and the tax year in which the credits expire.
- 25 (g) The number of jobs and the amount of credits earned and claimed on
26 the prior year's income tax or insurance premium tax returns.
- 27 (h) The amount of credits used to offset tax liabilities on the prior
28 year's income tax or insurance premium tax return.
- 29 (i) The amount of credits available for carryforward as reported on
30 the prior year's tax return and the tax year the credits expire.
- 31 (j) Capital investment made ~~in the zone~~ AT THE LOCATION during the tax
32 year and the preceding tax year.
- 33 (k) That each qualified employment position meets all of the following
34 requirements:
- 35 (i) The position is at least one thousand seven hundred fifty hours
36 per year of full-time permanent employment.
- 37 (ii) All credits that are being claimed are for wages for job duties
38 performed primarily at the ~~zone~~ DESIGNATED locations of the business.
- 39 (iii) The employment includes health insurance coverage for the
40 employee for which the employer pays at least fifty per cent of the premium
41 or membership cost. If the taxpayer is self-insured, the employer pays at
42 least fifty per cent of a predetermined fixed cost per employee for an
43 insurance program that is payable whether or not the employee has filed
44 claims.

1 (iv) The employer pays compensation at least equal to ONE HUNDRED
2 SEVENTY-FIVE PER CENT OF the wage offer by county as computed annually by the
3 department of economic security research administration division OR SUCCESSOR
4 ADMINISTRATION.

5 (l) That the only retail sales activities engaged in at the zone
6 location were as specified in subsection A of this section.

7 (m) Other information necessary for the management and reporting of
8 the incentives under this section.

9 3. For any year in which the taxpayer is claiming first year credits,
10 report and certify the following additional information and provide
11 supporting documentation to the department of commerce on a form and in a
12 manner approved by the department, and as specified in subsection ~~C~~ D of
13 this section:

14 ~~(a) That thirty-five per cent of the employees with respect to whom a~~
15 ~~credit is claimed for the first year of employment resided on the date of~~
16 ~~employment in an enterprise zone that is located in the same county in which~~
17 ~~the business is located.~~

18 ~~(b)~~ (a) That the increase in the number of qualified employment
19 positions for which credit is sought is the least of:

20 (i) The total number of filled qualified employment positions created
21 at the zone location during the tax year.

22 (ii) The difference between the average number of full-time employees
23 ~~at a zone location~~ in the current tax year and the average number of
24 full-time employees during the immediately preceding tax year.

25 (iii) Two hundred qualified employment positions per taxpayer each
26 year.

27 ~~(c)~~ (b) That all employees filling a qualified employment position
28 were employed for at least ninety days during the first taxable year.

29 ~~(d)~~ (c) That none of the employees filling qualified employment
30 positions were employed by the taxpayer during the twelve months before the
31 current date of hire.

32 ~~(e)~~ (d) That all employees for whom second and third year credits are
33 claimed are in qualified employment positions for which first year credits
34 were allowed and claimed by the taxpayer on the original first and second
35 year tax returns. For the purposes of this subsection, the requirement to
36 claim the credit on the original tax return does not apply to qualified
37 employment positions created before January 1, 2002 and certified to the
38 department of commerce.

39 ~~(f)~~ (e) That all employees for whom credits are taken performed their
40 job duties primarily at the zone DESIGNATED locations of the business.

41 ~~C~~ D. To qualify for first year credits, the report and certification
42 prescribed by subsection ~~B~~ C, paragraphs 2 and 3 of this section must be
43 filed with the department of commerce by the earlier of six months after the
44 end of the tax year in which the qualified employment positions were created
45 or by the date the tax return is filed for the tax year in which the

1 qualified employment positions were created. To qualify for second year
2 credits, the report and certification prescribed by subsection ~~B- C~~,
3 paragraph 2 of this section must be filed with the department of commerce by
4 the earlier of six months after the end of the taxable year or the date the
5 tax return is filed for the tax year in which the second year credits are
6 allowable. To qualify for third year credits, the report and certification
7 prescribed by subsection ~~B- C~~, paragraph 2 of this section must be filed with
8 the department of commerce by the earlier of six months after the end of the
9 tax year or the date the tax return is filed for the tax year in which the
10 third year credits are allowable.

11 ~~D-~~ E. Any information submitted to the department of commerce under
12 subsection ~~B- C~~, paragraph 2, subdivisions (e) through (i) of this section is
13 exempt from the provisions of title 39, chapter 1, article 2 and considered
14 to be confidential and is not subject to disclosure except:

15 1. To the extent that the person or organization that provided the
16 information consents to the disclosure.

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

18 ~~E. Real and personal property within an enterprise zone which is owned
19 or used by a small manufacturing business that is certified by the department
20 pursuant to section 41-1525.01 before July 1, 2011 shall be assessed as class
21 six property as provided by section 42-12006.~~

22 F. THE FOLLOWING PROPERTY THAT IS OWNED OR USED BY A QUALIFYING
23 BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT PURSUANT TO SECTION 41-1525.01
24 SHALL BE ASSESSED AS CLASS SIX PROPERTY AS PROVIDED BY SECTION 42-12006 OR AS
25 CLASS NINE PROPERTY AS PROVIDED BY SECTION 42-12009:

26 1. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO
27 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016.

28 2. REAL PROPERTY THAT IS OWNED BY THE QUALIFYING BUSINESS ON WHICH THE
29 PERSONAL PROPERTY AND IMPROVEMENTS DESCRIBED IN PARAGRAPH 1 OF THIS
30 SUBSECTION ARE LOCATED.

31 ~~F-~~ G. Documents filed with the department of commerce, the department
32 of insurance and the department of revenue under subsection ~~B- C~~ of this
33 section shall contain either a sworn statement or certification, signed by an
34 officer of the company under penalty of perjury, that the information
35 contained is true and correct according to the best belief and knowledge of
36 the person submitting the information after a reasonable investigation of the
37 facts. If the document contains information that is materially false, the
38 taxpayer is ineligible for the tax incentives under subsection A of this
39 section and is subject to recovery of the amount of tax incentives allowed in
40 preceding taxable years based on the false information, plus penalties and
41 interest.

42 ~~G-~~ H. The department of commerce may make site visits to a taxpayer's
43 facilities if it is necessary to further document or clarify reported
44 information. The taxpayer must freely provide the access.

1 ~~H.~~ I. The department by rule may prescribe additional reporting
2 requirements for taxpayers who claim tax benefits pursuant to this section.

3 ~~I.~~ J. For the purposes of this section:

4 1. "Assigned to retail" means working more than twenty-five per cent
5 of an employee's time in one or more retail sales activities.

6 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR
7 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR
8 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

9 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
10 an ultimate consumer.

11 ~~3.~~ 4. "Retail sales activities" means all activities persons
12 operating a retail business normally engage in, including taking orders,
13 filling orders, billing orders, receiving and processing payment and
14 shipping, stocking and delivering tangible personal property to the ultimate
15 consumer, except drop shipments by a company acting on behalf of an unrelated
16 company that has made a sale to a final consumer.

17 ~~4. "Zone location" means a single parcel or contiguous parcels of
18 owned or leased land, the structures and personal property contained on the
19 land or any part of the structures occupied by a taxpayer.~~

20 Sec. 9. Section 41-1525.01, Arizona Revised Statutes, is amended to
21 read:

22 41-1525.01. Certification of business property for property tax
23 classification; definitions

24 A. Through June 30, ~~2011~~ 2016, the department of commerce shall
25 annually certify ~~small manufacturing or small commercial printing~~ businesses
26 that qualify for property tax incentives under THIS section ~~41-1525,~~
27 ~~subsection E.~~ To qualify under this section:

28 1. THE BUSINESS MUST MEET THE REQUIREMENTS OF SECTION 41-1525,
29 SUBSECTION B.

30 ~~1.~~ 2. A ~~small manufacturing or small commercial printing~~ business
31 must meet the minimum CAPITAL investment requirements WITHIN THREE YEARS
32 AFTER FIRST BECOMING CERTIFIED AS prescribed by this paragraph. THE AMOUNT
33 OF CAPITAL INVESTMENT DETERMINES THE TAX CLASSIFICATION AND THE NUMBER OF
34 YEARS THE PROPERTY QUALIFIES FOR PROPERTY TAX INCENTIVES AS PRESCRIBED BY
35 SECTIONS 42-12006 AND 42-12009. The investments may be cumulative. A ~~small~~
36 ~~manufacturing or small commercial printing~~ business shall not include fixed
37 assets purchased from ~~an enterprise zone manufacturing or small commercial~~
38 ~~printing company~~ ANOTHER BUSINESS already certified under this section.
39 Subject to subsection E of this section, certification is effective on
40 January 1 of the valuation year, as defined in section 42-11001, following
41 completion of the required investment. QUALIFYING PROPERTY UNDER THIS
42 PARAGRAPH MAY INCLUDE PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED
43 OR UNDERGO A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30,
44 2016, NEWLY CONSTRUCTED IMPROVEMENTS TO REAL ESTATE OR NEWLY OCCUPIED
45 IMPROVEMENTS THAT WERE FORMERLY VACANT AND REAL PROPERTY THAT IS OWNED BY THE

1 QUALIFYING BUSINESS ON WHICH QUALIFYING PERSONAL PROPERTY AND IMPROVEMENTS
2 ARE LOCATED. To qualify, the ~~small manufacturing or small commercial~~
3 ~~printing~~ business must invest at least the following amount, as applicable,
4 in fixed assets ~~in the zone~~ after December 31, ~~2000~~ 2010:

5 (a) IN A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR
6 MORE, AT LEAST FIVE MILLION DOLLARS OF CAPITAL INVESTMENT WITHIN THREE YEARS
7 AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

8 (b) IN ANY OTHER LOCATION, AT LEAST TWO MILLION DOLLARS OF CAPITAL
9 INVESTMENT WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

10 (c) IN ANY LOCATION, A CAPITAL INVESTMENT OF AT LEAST TWO HUNDRED
11 FIFTY MILLION DOLLARS AND AT LEAST ONE HUNDRED FIFTY NEW FULL-TIME EMPLOYMENT
12 POSITIONS QUALIFY THE PROPERTY FOR CLASSIFICATION AS CLASS NINE PURSUANT TO
13 SECTION 42-12009.

14 ~~(a) In counties with a population of two hundred fifty thousand~~
15 ~~persons or more, two million dollars, except as provided in subdivision (b)~~
16 ~~of this paragraph.~~

17 ~~(b) In all other counties, and for cities and towns located in~~
18 ~~counties with a population of two hundred fifty thousand persons or more and~~
19 ~~that have no portion of the corporate boundaries located within twenty-five~~
20 ~~air miles from the exterior corporate boundary of the largest city in the~~
21 ~~county.~~

22 ~~(i) Cities with a population of eighty thousand persons or more, two~~
23 ~~million dollars.~~

24 ~~(ii) Cities and towns with a population of at least fifteen thousand~~
25 ~~but less than eighty thousand persons and in unincorporated areas of the~~
26 ~~county, one million dollars.~~

27 ~~(iii) Cities and towns with a population of less than fifteen thousand~~
28 ~~persons, five hundred thousand dollars.~~

29 ~~2.~~ 3. A business initially applying for certification under this
30 section must report the following with supporting documentation to the
31 department of commerce on a form and in a manner prescribed by the
32 department:

33 (a) Business name and mailing address and any other contact
34 information requested by the department.

35 (b) Business location ~~and the enterprise zone in which the business is~~
36 ~~located.~~

37 (c) The number of full-time employees at the time of application and
38 the benefits provided to employees.

39 (d) The assessor's parcel number of real property to which class six
40 OR CLASS NINE assessment classification will apply.

41 (e) If available, the assessor's account number for personal property
42 to which class six OR CLASS NINE assessment classification will apply.

43 (f) For the ~~zone~~ location, the gross receipts, gross payroll and
44 average hourly wage paid to employees for the preceding taxable year.

1 (g) A statement of the ownership and description of operations of the
2 ~~zone~~ business.

3 (h) Documentation of the required investment in fixed assets that
4 identifies the fixed assets and establishes the cost of the fixed assets and
5 the time of investment.

6 (i) Documentation that establishes the type and amount of
7 ~~manufacturing or printing~~ BUSINESS activity conducted at the ~~zone~~ location.

8 (j) Ownership and full cash value of real and personal property to be
9 certified.

10 (k) Other information necessary for the management and reporting of
11 this program as determined by the department.

12 B. The department shall not certify any business for qualification for
13 property tax incentives after June 30, ~~2011~~ 2016. However, certification
14 under this section is valid for five years subject to annual recertification
15 ~~regardless of whether under changing circumstances the business grows beyond~~
16 ~~ninety-nine full-time employees at the zone location or gross annual receipts~~
17 ~~of more than four million dollars and regardless of whether the enterprise~~
18 ~~zone continues in existence~~ if it continues to meet the other eligibility
19 requirements.

20 C. In order to be annually recertified pursuant to subsection B of
21 this section, a ~~small manufacturing or small commercial printing~~ business
22 must continue to meet all the eligibility requirements of this section and
23 must annually report the following and provide supporting documentation to
24 the department of commerce on a form and in a manner approved by the
25 department:

26 1. Information required by subsection A, paragraph ~~2- 3~~, subdivisions
27 (a), (b), (d), (e), (f), (i), (j) and (k) of this section.

28 2. Changes in location, ownership and operations of the business in
29 the immediately preceding year.

30 3. The average number of full-time employees at the ~~zone~~ location for
31 the immediately preceding year.

32 D. To ~~qualify for~~ RECEIVE classification as class six OR CLASS NINE
33 property for tax purposes, the certified business must submit a copy of the
34 department's initial certification, and each annual recertification, with a
35 written request to reclassify the property to the county assessor of the
36 county in which the property is located by December 10 OF each year.

37 E. A ~~manufacturer or commercial printer~~ BUSINESS shall submit its
38 application for initial certification or annual recertification to the
39 department not later than October 1 of each year. The department shall
40 notify the appropriate county assessors of all qualified ~~enterprise zone~~
41 properties located within their county not later than December 1 of each
42 year.

43 F. If a ~~manufacturer or commercial printer~~ BUSINESS moves from the
44 originally certified location, it loses its eligibility. The ~~manufacturer or~~
45 ~~commercial printer~~ BUSINESS may apply for certification at a new ~~zone~~

1 location for the remainder of its five years if it meets the minimum
2 investment requirements in fixed assets that were not moved from the prior
3 ~~zone~~ location, meets all other eligibility requirements of this section and
4 has not reached the five year eligibility limit.

5 G. Once a ~~manufacturer or commercial printer~~ BUSINESS establishes the
6 basis for eligibility and the department certifies the ~~manufacturer or~~
7 ~~commercial printer~~ BUSINESS, the business may change its basis of eligibility
8 during the four remaining years of potential eligibility as long as the
9 ~~manufacturer or commercial printer~~ BUSINESS meets the requirements for the
10 new basis of eligibility.

11 H. If a certified ~~manufacturing or commercial printer~~ business is
12 purchased by another entity or changes by more than twenty per cent of the
13 ownership interest through reorganization, stock purchase or merger, the
14 certification is terminated. The new ~~manufacturer or small commercial~~
15 ~~printer~~ BUSINESS may apply for certification according to eligibility
16 requirements of this section.

17 ~~I. A small business that was originally certified for a ten year~~
18 ~~period of property reclassification loses eligibility for any year in which~~
19 ~~the size limits are exceeded or the business is no longer independently owned~~
20 ~~and operated.~~

21 ~~J. I.~~ The department of commerce shall notify the department of
22 revenue and the county assessor if a certified ~~small manufacturing or small~~
23 ~~commercial printing~~ business closes, moves ~~from the enterprise zone~~ or fails
24 to maintain its eligibility, and the assessor shall make the appropriate
25 changes to the tax roll.

26 ~~K. J.~~ The department of commerce may make site visits to a taxpayer's
27 facilities if it is necessary to further document or clarify reported
28 information. The taxpayer must freely provide the access.

29 ~~L. K.~~ Documents filed with the department of commerce pursuant to
30 this section shall contain either a sworn statement or certification, signed
31 by an officer of the company under penalty of perjury, that the information
32 contained is true and correct according to the best belief and knowledge of
33 the person submitting the information after a reasonable investigation of the
34 facts. If the document contains information that is materially false, the
35 taxpayer is ineligible for the tax benefits under this section and is subject
36 to recovery of the amount of tax benefits allowed in preceding years based on
37 the false information, including penalties and interest.

38 ~~M. L.~~ The department by rule may prescribe additional reporting
39 requirements for persons who claim a tax benefit pursuant to this section.

40 ~~N. M.~~ For the purposes of this section:

41 ~~1. "Closely held" means five or fewer individuals own more than fifty~~
42 ~~per cent of the ownership interest in the company, corporation or~~
43 ~~partnership.~~

44 ~~2. "Commercial printing" means producing printed product through a~~
45 ~~lithographic or flexographic process, from material cut to press size on the~~

1 ~~premises, transferred with pressure and finished with a process that may~~
2 ~~include scoring, folding, die cutting, gluing, stamping, embossing or~~
3 ~~packaging. Commercial printing does not include businesses regulated~~
4 ~~pursuant to section 42-5065.~~

5 ~~3. "Family owned" means more than fifty per cent of the ownership~~
6 ~~interest in the company, corporation or partnership is owned by members of~~
7 ~~the same family.~~

8 ~~4.~~ 1. "Fixed assets" means property that is used in operating a
9 business, such as furniture, land, buildings and machinery, and that is not
10 ordinarily converted into cash after they are declared fixed assets.

11 ~~5. "Independently owned and operated" means not more than fifty per~~
12 ~~cent of the ownership interest in the small manufacturing or small commercial~~
13 ~~printer business is held by another entity unless the final ownership of the~~
14 ~~entity is family owned or closely held.~~

15 ~~6. "Manufacturing" means fabricating, producing or manufacturing~~
16 ~~products, wares or articles for use from raw or prepared materials and~~
17 ~~imparting to those materials new forms, qualities, properties and~~
18 ~~combinations. Manufacturing does not include generating electricity at a~~
19 ~~facility assessed pursuant to title 42, chapter 14, article 4.~~

20 ~~7. "Minority owned business" means an independently owned and operated~~
21 ~~business of which a majority of the business is owned by African Americans,~~
22 ~~persons of Hispanic or Latin American ancestry and persons of Native~~
23 ~~American, Asian or other minority origin or descent.~~

24 ~~8. "Small commercial printing business" means a minority owned~~
25 ~~business or a woman owned business or a concern, that is independently owned~~
26 ~~and operated and employs less than one hundred full time employees at the~~
27 ~~location in the enterprise zone when certified by the department of commerce~~
28 ~~or had gross annual receipts of less than four million dollars in its last~~
29 ~~fiscal year.~~

30 ~~9. "Small manufacturing business" means a minority owned business or a~~
31 ~~woman owned business or a concern, that is independently owned and operated~~
32 ~~and employs less than one hundred full time employees at the location in the~~
33 ~~enterprise zone when certified by the department of commerce or had gross~~
34 ~~annual receipts of less than four million dollars in its last fiscal year.~~

35 ~~10. "Woman owned business" means an independently owned and operated~~
36 ~~business of which a majority of the business is owned by one or more women.~~

37 ~~11.~~ 2. "Zone Location" has the same meaning prescribed in section
38 41-1525.

39 Sec. 10. Section 41-1526, Arizona Revised Statutes, is amended to
40 read:

41 41-1526. Duties of department

42 The department shall administer this article and shall:

43 1. Monitor the implementation and operation of this article and
44 continually evaluate the progress made in ~~the enterprise zones~~ ATTRACTING NEW
45 BUSINESSES.

1 ~~zone~~ and the assessed valuation of that property if it was not classified as
2 class six.

3 2. THE FULL CASH VALUE AND ASSESSED VALUATION OF PROPERTY CLASSIFIED
4 AS CLASS NINE PURSUANT TO SECTION 42-12009, SUBSECTION A, PARAGRAPH 6 AND THE
5 ASSESSED VALUATION OF THAT PROPERTY IF IT WAS NOT CLASSIFIED AS CLASS NINE.

6 ~~2-~~ 3. The fiscal impact on each taxing jurisdiction for the current
7 tax year of classifying property ~~in enterprise zones~~ as class six OR CLASS
8 NINE rather than in the classification in which it would otherwise be
9 classified.

10 ~~3-~~ 4. The total DOLLAR amount of income tax credits allowed for the
11 preceding taxable year pursuant to sections 43-1074 and 43-1161.

12 Sec. 12. Repeal

13 A. Section ~~41-1528~~, Arizona Revised Statutes, is repealed.

14 B. Title 41, chapter 10, article 4, Arizona Revised Statutes, is
15 repealed.

16 Sec. 13. Title 41, chapter 10, Arizona Revised Statutes, is amended by
17 adding a new article 4 and articles 5 and 5.1, to read:

18 ARTICLE 4. ARIZONA JOB TRAINING

19 ~~41-1541~~. Definitions

20 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

21 1. "AGREEMENT" MEANS THE AGREEMENT AMONG AN EMPLOYER, AN EDUCATIONAL
22 INSTITUTION AND THE DIRECTOR CONCERNING AN IMPACT PROJECT.

23 2. "ARIZONA BASIC ENTERPRISE" MEANS ANY ENTERPRISE THAT IS LOCATED OR
24 PRINCIPALLY BASED IN THIS STATE AND THAT CAN PROVIDE DEMONSTRABLE EVIDENCE
25 THAT IT MEETS ONE OR MORE OF THE FOLLOWING:

26 (a) IT IS PRIMARILY ENGAGED IN ONE OR MORE OF THE ARIZONA BASIC
27 INDUSTRIES.

28 (b) IT IS THE NATIONAL OR REGIONAL CORPORATE HEADQUARTERS OF AN
29 ARIZONA BASIC INDUSTRY.

30 (c) IT IS PRIMARILY ENGAGED IN DEVELOPING OR PRODUCING GOODS OR
31 PROVIDING SERVICES FOR OUT-OF STATE SALE.

32 (d) IT IS THE CORPORATE OR REGIONAL HEADQUARTERS OF A MULTISTATE
33 ENTERPRISE THAT IS PRIMARILY ENGAGED IN OUT-OF-STATE INDUSTRIAL ACTIVITIES.

34 3. "ARIZONA BASIC INDUSTRY" MEANS:

35 (a) MINING.

36 (b) MANUFACTURING.

37 (c) PRODUCING GOODS OR SERVICES THAT DERIVE AT LEAST SIXTY-FIVE PER
38 CENT OF REVENUE FROM OUT-OF-STATE SALES.

39 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
40 TECHNOLOGIES.

41 (e) INDUSTRIES IDENTIFIED BY NORTH AMERICAN INDUSTRY CLASSIFICATION
42 SYSTEM CODE SECTORS 31, 32 AND 33.

43 4. "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.

44 5. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.

- 1 6. "EDUCATIONAL INSTITUTION" MEANS A STATE UNIVERSITY UNDER THE
2 JURISDICTION OF THE ARIZONA BOARD OF REGENTS, A COMMUNITY COLLEGE IN THIS
3 STATE, A PRIVATE POSTSECONDARY EDUCATIONAL INSTITUTION LICENSED BY THIS STATE
4 OR A VOCATIONAL POSTSECONDARY SCHOOL WITH A CAMPUS IN THIS STATE.
5 7. "EMPLOYEE" MEANS A PERSON EMPLOYED IN A NEW JOB.
6 8. "EMPLOYER" MEANS AN ARIZONA BASIC ENTERPRISE PROVIDING NEW JOBS IN
7 CONJUNCTION WITH A PROJECT, EXCEPT THAT THE FOLLOWING DO NOT QUALIFY FOR THE
8 PURPOSES OF THIS ARTICLE:
9 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY IDENTIFIED BY ANY OF
10 THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE GROUPS,
11 SECTORS OR SUBSECTORS:
12 (i) INDUSTRY GROUP 7132 OR 8131.
13 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.
14 (iii) SUBSECTOR 722.
15 (b) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT IS DELINQUENT IN
16 THE PAYMENT OF ANY UNPROTESTED TAXES OR OTHER AMOUNTS DUE TO THE FEDERAL
17 GOVERNMENT, THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS STATE.
18 (c) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT HAS FILED FOR OR
19 HAS PUBLICLY ANNOUNCED ITS INTENTION TO FILE FOR BANKRUPTCY PROTECTION.
20 9. "FULL-TIME" MEANS PERMANENT EMPLOYMENT FOR AT LEAST ONE THOUSAND
21 SEVEN HUNDRED FIFTY HOURS PER YEAR.
22 10. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE
23 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,
24 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR
25 BUSINESS FUNCTIONS ARE PERFORMED.
26 11. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY THE
27 DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC
28 ENTERPRISE.
29 12. "IMPACT PROJECT" OR "PROJECT" MEANS A TRAINING ARRANGEMENT THAT IS
30 THE SUBJECT OF AN AGREEMENT AS PROVIDED BY THIS ARTICLE AND ENTERED INTO
31 BETWEEN AN EDUCATIONAL INSTITUTION AND AN EMPLOYER TO PROVIDE PROGRAM
32 SERVICES.
33 13. "NEW JOB" MEANS FULL-TIME EMPLOYMENT IN A NEW OR EXPANDING ARIZONA
34 BASIC ENTERPRISE THAT PAYS AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED
35 THIRTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE
36 DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR
37 ADMINISTRATION AND INCLUDES HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE
38 EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, BUT
39 NOT INCLUDING JOBS OF RECALLED WORKERS OR EXISTING JOBS THAT ARE VACANT OR
40 OTHER JOBS THAT FORMERLY EXISTED IN THE ENTERPRISE IN THIS STATE.
41 14. "PRIMARILY ENGAGED" MEANS AT LEAST ONE-HALF OF THE GROSS INCOME OF
42 THE ENTERPRISE IS DERIVED FROM THE ENGAGEMENT.
43 15. "PROGRAM COSTS" MEANS ALL NECESSARY AND INCIDENTAL COSTS OF
44 PROVIDING PROGRAM SERVICES EXCEPT FOR:

- 1 (a) ANY WAGES PAID TO PERSONS RECEIVING EDUCATION OR TRAINING UNDER A
2 PROJECT.
- 3 (b) ANY COSTS FOR PURCHASE OR LEASE OF TRAINING EQUIPMENT THAT EXCEED
4 ONE-HALF OF TOTAL PROGRAM COSTS FOR THE PROJECT.
- 5 (c) ANY COSTS FOR ADMINISTRATIVE EXPENSES THAT EXCEED TEN PER CENT OF
6 TOTAL PROGRAM COSTS FOR THE PROJECT.
- 7 (d) ANY COSTS FOR DIRECT INVESTMENTS IN EDUCATION AND RELATED
8 WORKFORCE DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE
9 DEVELOPMENT, HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE THAT EXCEED
10 TEN PER CENT OF TOTAL PROGRAM COSTS.
- 11 16. "PROGRAM SERVICES" MEANS:
- 12 (a) NEW JOBS TRAINING, INCLUDING TRAINING DEVELOPMENT COSTS, FOR AN
13 ACTUAL TRAINING PERIOD OF UP TO TWELVE MONTHS FROM THE DATE THE JOB IS FIRST
14 FILLED BY AN EMPLOYEE.
- 15 (b) ADULT-BASED EDUCATION AND JOB-RELATED INSTRUCTION.
- 16 (c) VOCATIONAL AND SKILL-ASSESSMENT SERVICES AND TESTING.
- 17 (d) TRAINING EQUIPMENT AND ADMINISTRATIVE EXPENSES OF EDUCATIONAL
18 INSTITUTIONS FOR NEW JOBS TRAINING PROGRAMS.
- 19 (e) MATERIALS AND SUPPLIES.
- 20 (f) SUBCONTRACTED SERVICES WITH EDUCATIONAL INSTITUTIONS OR FEDERAL,
21 STATE OR LOCAL AGENCIES.
- 22 (g) CONTRACTED OR PROFESSIONAL SERVICE.
- 23 (h) DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
24 DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE DEVELOPMENT, HUMAN
25 CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.
- 26 41-1541.01. Administration
- 27 A. THE DIRECTOR SHALL ADMINISTER THIS ARTICLE AND THE IMPACT PROGRAM.
- 28 B. THE DIRECTOR SHALL:
- 29 1. ENCOURAGE ARIZONA BASIC ENTERPRISES HAVING SIMILAR TRAINING NEEDS
30 TO COOPERATE IN ESTABLISHING IMPACT PROJECTS.
- 31 2. COORDINATE THE IMPACT PROGRAM WITH OTHER JOB TRAINING PROGRAMS
32 ADMINISTERED BY THE DEPARTMENT.
- 33 3. PROVIDE OPPORTUNITIES FOR COORDINATION AND COOPERATION OF IMPACT
34 PROJECTS WITH OTHER JOB TRAINING ACTIVITIES IN THIS STATE.
- 35 4. ADOPT RULES PRESCRIBING REVIEW STANDARDS AND PRIORITIES FOR
36 APPROVAL OF PROPOSED AGREEMENTS UNDER THIS ARTICLE, INCLUDING APPROPRIATE
37 INCENTIVES FOR COOPERATION AMONG PROJECTS, IN ORDER TO MAXIMIZE THE NUMBER OF
38 NEW JOBS CREATED WITH RESPECT TO INDIVIDUAL ARIZONA BASIC ENTERPRISES THAT
39 WILL REMAIN IN THIS STATE.
- 40 5. ADOPT RULES PRESCRIBING LIMITS ON PROGRAM COSTS AND ON PROJECT AND
41 PROGRAM SIZE IN RELATION TO THE NUMBER OF NEW JOBS CREATED AND WAGES OF NEW
42 JOBS.

1 3. REQUIRING EACH EMPLOYER PARTICIPATING IN THE AGREEMENT TO SUBMIT
2 INFORMATION TO THE DIRECTOR REGARDING THE NUMBER AND WAGES OF, AND
3 WITHHOLDING TAXES PAID FROM, NEW JOBS.

4 4. ESTABLISHING ANY TUITION AND FEES TO BE PAID FROM PROGRAM COSTS.

5 5. ADDRESSING ANY ADDITIONAL ISSUES DETERMINED TO BE NECESSARY.

6 E. THE AGREEMENT SHALL SPECIFY THAT IF THE EMPLOYER FAILS TO COMPLY
7 WITH THE TERMS AND CONDITIONS IN THE AGREEMENT OR FAILS TO COMPLY WITH THIS
8 ARTICLE:

9 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

10 2. AS OF THE DATE THE AGREEMENT IS TERMINATED:

11 (a) THE EMPLOYER IS NOT ENTITLED TO ANY FURTHER INCENTIVE PAYMENTS
12 UNDER SECTION 41-1541.04.

13 (b) THE EMPLOYER MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE
14 INCENTIVE PAYMENTS ALREADY PAID TO THE EMPLOYER UNDER SECTION 41-1541.04.

15 F. ANY PAYMENT REQUIRED TO BE PAID BY AN EMPLOYER UNDER A PROJECT
16 AGREEMENT IS A LIEN ON THE EMPLOYER'S BUSINESS PROPERTY UNTIL PAID THAT HAS
17 EQUAL PRECEDENCE WITH ORDINARY TAXES AND THAT SHALL NOT BE DIVESTED BY A
18 JUDICIAL OR NONJUDICIAL SALE. PROPERTY SUBJECT TO THE LIEN MAY BE SOLD FOR
19 SUMS DUE AND DELINQUENT AT A TAX SALE, WITH THE SAME FORFEITURES, PENALTIES
20 AND CONSEQUENCES AS FOR NONPAYMENT OF TAXES. PURCHASERS AT THE SALE TAKE THE
21 PROPERTY SUBJECT TO THE REMAINING PAYMENTS.

22 G. THE PAYMENT OF PROGRAM COSTS INCURRED UNDER ANY PROJECT AGREEMENT
23 SHALL NOT BE DEFERRED FOR A PERIOD LONGER THAN TEN YEARS FROM THE DATE OF THE
24 COMMENCEMENT OF THE PROJECT.

25 41-1541.03. Review of proposed project agreement

26 A. THE DIRECTOR SHALL REVIEW APPLICATIONS FOR PROPOSED AGREEMENTS
27 SUBMITTED BY EMPLOYERS ACCORDING TO THE STANDARDS AND GUIDELINES PRESCRIBED
28 BY THIS ARTICLE AND RULES ADOPTED PURSUANT TO THIS ARTICLE. EACH APPLICATION
29 FOR APPROVAL OF A PROPOSED AGREEMENT SHALL BE ACCOMPANIED BY INFORMATION
30 ABOUT THE NUMBER AND WAGES OF THE NEW JOBS CREATED BY THE EMPLOYER,
31 DOCUMENTATION OF EXISTING TRAINING ACTIVITIES OF THE EMPLOYER AND SUCH OTHER
32 INFORMATION AS THE DIRECTOR MAY REQUIRE.

33 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT ARE
34 THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING LEVELS
35 TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA DEVELOPMENT
36 AUTHORITY.

37 41-1541.04. Payments to employers participating in project
38 agreements

39 A. AN EMPLOYER THAT PARTICIPATES IN AN IMPACT PROJECT AGREEMENT MAY
40 APPLY TO THE DIRECTOR TO RECEIVE QUARTERLY INCENTIVE PAYMENTS FOR UP TO SEVEN
41 YEARS FROM THE IMPACT PROGRAM FUND. THE AMOUNT OF PAYMENTS IS:

42 1. FOR ARIZONA BASIC ENTERPRISES THAT OWN PROPERTY QUALIFYING FOR TAX
43 CLASSIFICATION PURSUANT TO SECTION 42-12009, SUBSECTION A, PARAGRAPH 6, AN
44 AMOUNT UP TO ONE HUNDRED PER CENT OF THE STATE WITHHOLDING TAX ON

1 COMPENSATION PAID BY THE EMPLOYER WITH RESPECT TO THE NEW JOBS IN EACH
2 CALENDAR QUARTER, AS DETERMINED BY THE DIRECTOR.

3 2. FOR ALL OTHER EMPLOYERS, AN AMOUNT EQUAL TO FIFTY PER CENT OF THE
4 STATE WITHHOLDING TAX ON COMPENSATION PAID BY THE EMPLOYER WITH RESPECT TO
5 THE NEW JOBS IN EACH CALENDAR QUARTER.

6 B. THE APPLICATION MUST BE ON A FORM PRESCRIBED BY THE DIRECTOR AND
7 CONTAIN REQUIRED INFORMATION TO DETERMINE IF THE APPLICANT IS QUALIFIED.

8 C. TO QUALIFY FOR INCENTIVE PAYMENTS:

9 1. THE EMPLOYER MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW JOBS OF AT
10 LEAST TWO MILLION DOLLARS WITHIN TWELVE MONTHS OF THE FIRST COMPLETE CALENDAR
11 QUARTER AFTER THE START DATE.

12 2. THE NUMBER OF THE EMPLOYER'S FULL-TIME EQUIVALENT NEW JOBS MUST BE
13 AT LEAST SEVENTY-FIVE OR TWENTY-FIVE PER CENT OF ALL EMPLOYEE POSITIONS OF
14 THE EMPLOYER.

15 41-1541.05. Certification of program funding rates; allocation
16 of withholding tax revenues

17 A. THE DIRECTOR SHALL DETERMINE THE AMOUNT OF MONIES TO BE CREDITED
18 TO:

19 1. THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER
20 TO SATISFY ALL BOND REPAYMENT OBLIGATIONS THAT HAVE BEEN INCURRED TO FINANCE
21 THE COSTS FOR IMPACT PROGRAMS.

22 2. THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER TO
23 FINANCE PROGRAM COSTS THAT ARE NOT FINANCED BY THE GREATER ARIZONA
24 DEVELOPMENT AUTHORITY.

25 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE SHALL CERTIFY THE
26 COMBINED AMOUNTS UNDER SUBSECTION A OF THIS SECTION TO THE DIRECTOR OF THE
27 DEPARTMENT OF REVENUE. EACH MONTH, THE DIRECTOR OF THE DEPARTMENT OF REVENUE
28 SHALL TRANSFER THAT AMOUNT TO THE IMPACT PROGRAM FUND FROM THE JOB RECOVERY
29 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

30 41-1541.06. Impact program fund; program repayment account;
31 program services account

32 A. THE IMPACT PROGRAM FUND IS ESTABLISHED CONSISTING OF THE PROGRAM
33 SERVICES ACCOUNT AND THE PROGRAM REPAYMENT ACCOUNT. THE DIRECTOR SHALL
34 ADMINISTER THE FUND. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL
35 INVEST AND DIVEST MONIES IN THE RESPECTIVE ACCOUNTS IN THE FUND AS PROVIDED
36 BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE
37 STATE GENERAL FUND. MONIES IN THE FUND ARE:

38 1. CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS ARTICLE.

39 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
40 APPROPRIATIONS.

41 B. MONIES CREDITED TO THE PROGRAM SERVICES ACCOUNT SHALL BE FOR ALL OR
42 PART OF THE PROGRAM COSTS OF PROJECTS. MONIES IN THE ACCOUNT THAT ARE NOT
43 REQUIRED FOR THOSE PURPOSES MAY BE TRANSFERRED TO THE ARIZONA OPPORTUNITY
44 FUND ESTABLISHED BY SECTION 41-1545. ALL EXPENDITURES FROM THE ACCOUNT SHALL
45 BE PURSUANT TO VOUCHERS APPROVED BY THE DIRECTOR. THE DIRECTOR SHALL REMIT

1 ALL MONIES RECEIVED UNDER THIS ARTICLE, INCLUDING FINANCIAL ASSISTANCE FROM
2 THE GREATER ARIZONA DEVELOPMENT AUTHORITY FOR THE PURPOSES OF THIS ARTICLE TO
3 THE STATE TREASURER FOR CREDIT TO THE PROGRAM SERVICES ACCOUNT.

4 C. MONIES CREDITED TO THE PROGRAM REPAYMENT ACCOUNT SHALL BE FOR
5 PAYMENTS TO THE GREATER ARIZONA DEVELOPMENT AUTHORITY FOR COSTS RELATING TO
6 DEBT SERVICE ON FINANCIAL ASSISTANCE APPROVED BY THE DIRECTOR UNDER THIS
7 ARTICLE, INCLUDING PRINCIPAL, INTEREST AND ISSUANCE AND REDEMPTION COSTS.
8 ALL EXPENDITURES FROM THE ACCOUNT SHALL BE PURSUANT TO VOUCHERS APPROVED BY
9 THE DIRECTOR. AT THE END OF EACH FISCAL YEAR, ANY UNENCUMBERED BALANCE IN
10 THE PROGRAM REPAYMENT ACCOUNT SHALL BE TRANSFERRED TO THE STATE GENERAL FUND.

11 41-1541.07. Approval of impact program activities for purposes
12 of financing with greater Arizona development
13 authority bonds

14 THE ACTIVITIES OF THE DIRECTOR UNDER THIS ARTICLE AND THE COSTS OF
15 APPROVED IMPACT PROGRAMS ARE APPROVED PURPOSES FOR FINANCING THROUGH ISSUANCE
16 OF BONDS BY THE GREATER ARIZONA DEVELOPMENT AUTHORITY.

17 41-1541.08. Annual report of impact program activities

18 THE DIRECTOR SHALL ANNUALLY REPORT ON ACTIVITIES UNDER THIS ARTICLE.
19 EACH REPORT MUST CONTAIN INFORMATION REGARDING THE NUMBER AND CHARACTERISTICS
20 OF THE NEW JOBS CREATED IN THE STATE FOR WHICH PROJECTS HAVE BEEN FINANCED
21 UNDER THIS ARTICLE INCLUDING A REPORT ON ANY SUCH NEW JOBS THAT DO NOT
22 CONTINUE TO EXIST AND THE CIRCUMSTANCES AND EFFECT OF ANY SUCH
23 DISCONTINUANCES.

24 41-1541.09. Prohibiting impact program classes or training for
25 purposes of state assistance to educational
26 institutions

27 NO STATE MONIES APPROPRIATED FOR ASSISTANCE TO EDUCATIONAL
28 INSTITUTIONS, INCLUDING ASSISTANCE BASED IN WHOLE OR IN PART ON ENROLLMENT,
29 MAY BE BASED ON ANY COURSE, SUBJECT OR CLASS OF INSTRUCTION OR TRAINING THAT
30 IS THE SUBJECT OF AN AGREEMENT OR A PROJECT UNDER THIS ARTICLE. NO SUCH
31 COURSE, SUBJECT, CLASS OR TRAINING OR THE PARTICIPATING STUDENTS MAY BE
32 COUNTED IN DETERMINING THE AMOUNT OF TUITION TO BE CHARGED BY AN EDUCATIONAL
33 INSTITUTION.

34 41-1541.10. Program termination

35 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
36 TO SECTION 41-3102.

37 ARTICLE 5. ARIZONA OPPORTUNITY FUND

38 41-1545. Arizona opportunity fund

39 A. THE ARIZONA OPPORTUNITY FUND IS ESTABLISHED AS A DEDICATED ACCOUNT
40 IN THE STATE GENERAL FUND.

41 B. THE ARIZONA OPPORTUNITY FUND CONSISTS OF MONIES DERIVED FROM:

42 1. AMOUNTS APPROPRIATED BY THE LEGISLATURE TO THE FUND FOR THE
43 PURPOSES OF THIS ARTICLE.

44 2. INCOME EARNED ON THE INVESTMENT OF MONIES IN THE FUND.

1 3. GIFTS, GRANTS AND OTHER DONATIONS RECEIVED FOR THE PURPOSES OF THIS
2 ARTICLE.

3 4. ANY AVAILABLE MONIES RECEIVED FROM THE FEDERAL GOVERNMENT INCLUDING
4 MONIES FROM THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (P.L. 111-5).

5 5. FIFTY PER CENT OF WITHHOLDING TAX REVENUES DERIVED FROM NEW JOBS
6 CREATED FROM PARTICIPATION IN THE ARIZONA JOB TRAINING PROGRAM UNDER ARTICLE
7 4 OF THIS CHAPTER AND THE ARIZONA QUALITY JOBS PROGRAM UNDER ARTICLE 5.1 OF
8 THIS CHAPTER.

9 C. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE SHALL ADMINISTER THE
10 FUND. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND
11 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED
12 FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

13 D. MONIES IN THE FUND ARE:

14 1. CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS ARTICLE.

15 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
16 APPROPRIATIONS.

17 41-1545.01. Grants from the Arizona opportunity fund;
18 eligibility; grant agreements; economic and
19 fiscal impact statement

20 A. THE GOVERNOR AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY
21 NEGOTIATE ON BEHALF OF THIS STATE REGARDING AWARDING, BY GRANT, MONIES FROM
22 THE ARIZONA OPPORTUNITY FUND FOR THE PURPOSES OF ATTRACTING ARIZONA BASIC
23 ENTERPRISES, AS DEFINED IN SECTION 41-1541, ECONOMIC DEVELOPMENT,
24 INFRASTRUCTURE DEVELOPMENT AND COMMUNITY DEVELOPMENT. MONIES SHALL NOT BE
25 AWARDED FROM THE ARIZONA OPPORTUNITY FUND EXCEPT FOR THE SOLE PURPOSE OF
26 COMPETING FOR ECONOMIC DEVELOPMENT PROSPECTS THAT HAVE SIMILAR RECRUITMENT
27 OFFERS FROM OTHER STATES.

28 B. TO BE ELIGIBLE TO RECEIVE A GRANT UNDER THIS SECTION, AN APPLICANT
29 MUST:

30 1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE
31 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY
32 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS
33 PERTAINING TO ENTITIES OR OTHER ORGANIZATION FORMED UNDER THE LAWS OF THAT
34 STATE.

35 2. OWE NO DELINQUENT TAXES TO A TAXING JURISDICTION IN THIS STATE.

36 3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION
37 41-1541.

38 4. PAY AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED THIRTY-FIVE PER
39 CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF
40 ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR
41 ADMINISTRATION.

42 5. INCLUDE HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE APPLICANT PAYS
43 AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST.

44 6. DEMONSTRATE BY INDEPENDENT ANALYSES THAT ESTIMATED INCOME, PROPERTY
45 AND TRANSACTION PRIVILEGE TAX AND GOVERNMENT FEE REVENUES IN THIS STATE WILL

1 EXCEED STATE TAX CREDIT AND INCENTIVES BY A PAYBACK RATIO OF AT LEAST FOUR TO
2 ONE OVER A TEN-YEAR PERIOD.

3 C. BEFORE AWARDING A GRANT FROM THE FUND UNDER THIS SECTION, THE
4 GOVERNOR MUST ENTER INTO A WRITTEN AGREEMENT WITH THE APPLICANT SPECIFYING
5 THAT:

6 1. A REASONABLE PERCENTAGE OF THE TOTAL AMOUNT OF THE GRANT MAY BE
7 WITHHELD UNTIL THE RECIPIENT MEETS SPECIFIED PERFORMANCE TARGETS.

8 2. IF THE GOVERNOR FINDS THAT THE GRANT RECIPIENT HAS NOT MET EACH OF
9 THE PERFORMANCE TARGETS SPECIFIED IN THE AGREEMENT AS OF A DATE STATED IN THE
10 AGREEMENT:

11 (a) THE RECIPIENT MUST REPAY THE GRANT AND ANY RELATED INTEREST TO
12 THIS STATE AN AGREED RATE AND ON AGREED TERMS. THE REPAYMENT MAY BE PRORATED
13 TO REFLECT PARTIAL ATTAINMENT OF PERFORMANCE TARGETS.

14 (b) THE GOVERNOR SHALL NOT DISBURSE ANY REMAINING GRANT MONEY TO THE
15 RECIPIENT UNDER THE AGREEMENT.

16 (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT
17 FOR NONCOMPLIANCE.

18 3. IF ANY PART OF THE GRANT IS USED TO BUILD A CAPITAL IMPROVEMENT,
19 THIS STATE MAY:

20 (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN
21 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE
22 IMPROVEMENT.

23 (b) REQUIRE THE RECIPIENT, IF THE IMPROVEMENT IS SOLD, TO:

24 (i) REPAY TO THIS STATE THE GRANT MONIES USED TO PAY FOR THE
25 IMPROVEMENT, WITH INTEREST AT A RATE AND ACCORDING TO TERMS STATED IN THE
26 AGREEMENT.

27 (ii) SHARE WITH THIS STATE A PROPORTIONATE AMOUNT OF ANY PROFIT
28 REALIZED FROM THE SALE.

29 4. IF AS OF A DATE STATED IN THE AGREEMENT THE RECIPIENT HAS NOT USED
30 GRANT MONEY FOR THE PURPOSES FOR WHICH IT WAS INTENDED, THE RECIPIENT MUST
31 REPAY THAT AMOUNT AND ANY RELATED INTEREST TO THIS STATE AND THE AGREED RATE
32 AND ON AGREED TERMS.

33 D. BEFORE AWARDING GRANTS FROM THE FUND UNDER THIS SECTION, THE
34 GOVERNOR MUST TRANSMIT COPIES OF THE GRANT AGREEMENTS, ECONOMIC AND FISCAL
35 IMPACT ANALYSES FOR EACH PROPOSAL AND PROPOSED PERFORMANCE MEASURES TO:

36 1. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
37 REPRESENTATIVES.

38 2. THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR ITS REVIEW AND
39 EVALUATION.

40 E. AFTER CONSULTATION WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER
41 OF THE HOUSE OF REPRESENTATIVES, THE GOVERNOR MUST DETERMINE:

42 1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH
43 GRANT AGREEMENT.

1 2. IF THE GRANT AGREEMENT INCLUDES WITHHOLDING A PERCENTAGE OF THE
2 GRANT UNTIL THE RECIPIENT MEETS THE PERFORMANCE TARGETS, THE PERCENTAGE OF
3 THE GRANT MONEY TO BE WITHHELD.

4 F. BEFORE AWARDING GRANTS FROM THE FUND UNDER THIS SECTION, THE
5 DEPARTMENT OF COMMERCE MUST PREPARE A STATEMENT THAT, SPECIFICALLY AND IN
6 DETAIL, ASSESSES THE DIRECT ECONOMIC IMPACT THAT APPROVAL OF THE GRANT WILL
7 HAVE ON THE RESIDENTS OF THIS STATE. THE STATEMENT MUST INCLUDE:

8 1. FOR THE PERIOD COVERED BY THE GRANT:

9 (a) THE ESTIMATED NUMBER OF JOBS TO BE CREATED IN THIS STATE BY THE
10 POTENTIAL RECIPIENT EACH BIENNIUM.

11 (b) THE ESTIMATED MEDIAN WAGE OF THE JOBS TO BE CREATED IN THIS STATE
12 BY THE POTENTIAL RECIPIENT EACH BIENNIUM.

13 2. THE ADDITIONAL AMOUNT OF INCOME TAX, PROPERTY TAX, TRANSACTION
14 PRIVILEGE TAX AND USE TAX REVENUES AND FEE REVENUES PROJECTED TO BE GENERATED
15 BY TAXING JURISDICTIONS IN THIS STATE.

16 3. THE TOTAL DOLLAR AMOUNT OF TAX CREDITS AND OTHER STATE AND LOCAL
17 INCENTIVES ESTIMATED TO BE DISTRIBUTED TO THE POTENTIAL RECIPIENT BY TAXING
18 JURISDICTIONS IN THIS STATE.

19 4. ANY OTHER INFORMATION THE DEPARTMENT OF COMMERCE CONSIDERS TO BE
20 NECESSARY FOR INCLUSION IN THE STATEMENT.

21 41-1545.02. Annual report by grant recipient

22 ON OR BEFORE DECEMBER 31 OF EACH YEAR, EACH ENTITY THAT RECEIVES A
23 GRANT UNDER THIS ARTICLE SHALL SUBMIT TO THE GOVERNOR, THE PRESIDENT OF THE
24 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES A PROGRESS REPORT
25 CONTAINING THE INFORMATION COMPILED DURING THE PRECEDING CALENDAR YEAR
26 REGARDING THE ATTAINMENT OF EACH OF THE PERFORMANCE TARGETS IN THE GRANT
27 AGREEMENT.

28 41-1545.03. Report on use of monies in the Arizona opportunity
29 fund

30 A. BEFORE THE BEGINNING OF EACH REGULAR SESSION OF THE LEGISLATURE,
31 THE GOVERNOR SHALL SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF
32 THE HOUSE OF REPRESENTATIVES A REPORT ON GRANTS MADE FROM THE ARIZONA
33 OPPORTUNITY FUND UNDER THIS ARTICLE. THE GOVERNOR SHALL PROVIDE A COPY OF
34 THE REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL INCLUDE:

35 1. THE NUMBER OF DIRECT JOBS EACH RECIPIENT COMMITTED TO CREATE IN
36 THIS STATE.

37 2. THE NUMBER OF DIRECT JOBS EACH RECIPIENT CREATED IN THIS STATE.

38 3. THE MEDIAN WAGE OF THE JOBS EACH RECIPIENT CREATED IN THIS STATE.

39 4. THE AMOUNT OF CAPITAL INVESTMENT EACH RECIPIENT COMMITTED TO SPEND
40 OR ALLOCATE PER PROJECT IN THIS STATE.

41 5. THE AMOUNT OF CAPITAL INVESTMENT EACH RECIPIENT SPENT OR ALLOCATED
42 PER PROJECT IN THIS STATE.

43 6. THE TOTAL AMOUNT OF GRANTS MADE TO EACH RECIPIENT.

44 7. THE AVERAGE AMOUNT OF MONEY GRANTED FROM THE ARIZONA OPPORTUNITY
45 FUND FOR EACH JOB CREATED IN THIS STATE BY GRANT RECIPIENTS.

1 8. THE NUMBER OF JOBS CREATED IN THIS STATE BY GRANT RECIPIENTS IN
2 EACH SECTOR OF THE NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM.

3 9. OF THE NUMBER OF DIRECT JOBS EACH RECIPIENT CREATED IN THIS STATE,
4 THE NUMBER OF POSITIONS CREATED THAT PROVIDE HEALTH BENEFITS FOR EMPLOYEES.

5 B. THE REPORT SHALL NOT INCLUDE INFORMATION THAT IS MADE CONFIDENTIAL
6 BY LAW.

7 C. THE GOVERNOR MAY REQUIRE GRANT RECIPIENTS TO SUBMIT INFORMATION IN
8 A FORM REQUIRED TO COMPLETE THE REPORT.

9 41-1545.04. Program termination

10 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
11 TO SECTION 41-3102.

12 ARTICLE 5.1. ARIZONA QUALITY JOBS

13 41-1546. Definitions

14 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

15 1. "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.

16 2. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.

17 3. "NEW EMPLOYEE" MEANS A PERSON WHO IS NEWLY EMPLOYED ON A REGULAR
18 FULL-TIME BASIS BY A QUALIFIED COMPANY IN THE COMPANY'S BUSINESS OPERATING IN
19 THIS STATE DURING THE TAXABLE YEAR FOR WHICH BENEFITS ARE SOUGHT UNDER THIS
20 ARTICLE.

21 4. "QUALIFIED COMPANY" MEANS ANY CORPORATION, PARTNERSHIP OR OTHER
22 ENTITY, ORGANIZED FOR PROFIT, THAT MEETS THE REQUIREMENTS PRESCRIBED BY
23 SECTION 41-1546.01. EXCEPT AS PROVIDED BY SECTION 41-1546.01, SUBSECTION A,
24 PARAGRAPH 2, QUALIFIED COMPANY DOES NOT INCLUDE:

25 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY IDENTIFIED BY ANY OF
26 THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE GROUPS,
27 SECTORS OR SUBSECTORS:

28 (i) INDUSTRY GROUP 7132 OR 8131.

29 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.

30 (iii) SUBSECTOR 722.

31 (b) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT IS DELINQUENT IN
32 THE PAYMENT OF ANY UNPROTESTED TAXES OR OTHER AMOUNTS DUE TO THE FEDERAL
33 GOVERNMENT, THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS STATE.

34 (c) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY THAT HAS FILED FOR OR
35 HAS PUBLICLY ANNOUNCED ITS INTENTION TO FILE FOR BANKRUPTCY PROTECTION.

36 41-1546.01. Employment requirements in this state; application
37 for reimbursement of withholding taxes

38 A. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE ONE OF THE FOLLOWING
39 CONDITIONS MUST OCCUR:

40 1. A QUALIFIED COMPANY MUST RELOCATE AN EXISTING BUSINESS FACILITY,
41 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED OUTSIDE THIS STATE, WHETHER
42 LOCATED IN A FOREIGN COUNTRY OR ANOTHER STATE, AND LOCATE THE JOBS FROM THAT
43 OPERATION TO THIS STATE.

44 2. A QUALIFIED COMPANY MUST EXPAND AN EXISTING BUSINESS FACILITY,
45 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED IN THIS STATE. NOTWITHSTANDING

1 SECTION 41-1546, PARAGRAPH 5, SUBDIVISIONS (c) AND (d), A COMPANY MAY BE
2 CONSIDERED TO BE A QUALIFIED COMPANY IF ITS HEADQUARTERS OR ADMINISTRATIVE
3 OFFICES LOCATED IN THIS STATE SERVE AN INTERNATIONAL OR MULTISTATE TERRITORY
4 AND THE COMPANY OTHERWISE MEETS THE REQUIREMENTS OF THIS ARTICLE.

5 B. TO BE ELIGIBLE FOR BENEFITS UNDER THIS ARTICLE:

6 1. A QUALIFIED COMPANY MUST HIRE NEW EMPLOYEES IN POSITIONS WITH A
7 PAYROLL OF AT LEAST TWO MILLION DOLLARS WITHIN SIX MONTHS AFTER THE DATE THE
8 COMPANY ENTERS INTO AN AGREEMENT WITH THE DIRECTOR PURSUANT TO SECTION
9 41-1546.02.

10 2. THE NEW FULL-TIME EMPLOYMENT POSITIONS AT THE FACILITY MUST PAY A
11 WAGE THAT EQUALS OR EXCEEDS ONE HUNDRED THIRTY-FIVE PER CENT OF THE WAGE
12 OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY
13 RESEARCH ADMINISTRATION DIVISION.

14 3. ALL NET NEW FULL-TIME EMPLOYMENT POSITIONS MUST INCLUDE HEALTH
15 INSURANCE COVERAGE FOR THE EMPLOYEES FOR WHICH THE COMPANY PAYS AT LEAST
16 FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT PERCENTAGE
17 OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS THAT OFFER STANDARD
18 COMPREHENSIVE COVERAGE.

19 C. A QUALIFIED COMPANY THAT IS ELIGIBLE FOR BENEFITS UNDER SUBSECTION
20 B OF THIS SECTION IS ELIGIBLE FOR REIMBURSEMENT OF FIFTY PER CENT OF THE
21 COMPANY'S WITHHOLDING TAXES OF THOSE NEW EMPLOYEES FOR A PERIOD OF:

22 1. FIVE YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
23 AT LEAST TWO HUNDRED PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
24 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
25 DIVISION OR SUCCESSOR ADMINISTRATION.

26 2. SIX YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
27 AT LEAST TWO HUNDRED TEN PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
28 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
29 DIVISION OR SUCCESSOR ADMINISTRATION.

30 3. SEVEN YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
31 AT LEAST TWO HUNDRED TWENTY PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
32 ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION
33 DIVISION OR SUCCESSOR ADMINISTRATION.

34 41-1546.02. Application and agreement for benefits; Arizona
35 quality jobs fund

36 A. A QUALIFIED COMPANY THAT MEETS THE REQUIREMENTS PRESCRIBED BY
37 SECTION 41-1546.01 MAY APPLY TO THE DIRECTOR FOR BENEFITS UNDER THIS ARTICLE.
38 A QUALIFIED COMPANY THAT IS ALREADY RECEIVING BENEFITS UNDER THIS ARTICLE MAY
39 APPLY TO THE DIRECTOR FOR ADDITIONAL BENEFITS IF THE COMPANY MEETS THE
40 REQUIREMENTS PRESCRIBED BY SECTION 41-1546.01. THE AMOUNT OF BENEFIT
41 PAYMENTS IS EQUAL TO FIFTY PER CENT OF THE STATE WITHHOLDING TAX ON
42 COMPENSATION PAID BY THE QUALIFIED COMPANY WITH RESPECT TO THE NEW JOBS IN
43 EACH CALENDAR QUARTER.

44 B. THE APPLICATION MUST BE ON A FORM PRESCRIBED BY THE DIRECTOR AND
45 CONTAIN REQUIRED INFORMATION TO DETERMINE IF THE APPLICANT IS QUALIFIED.

1 C. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE:
2 1. THE QUALIFIED COMPANY MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW
3 JOBS OF AT LEAST TWO MILLION DOLLARS WITHIN TWELVE MONTHS OF THE FIRST
4 COMPLETE CALENDAR QUARTER AFTER THE START DATE.
5 2. THE NUMBER OF THE COMPANY'S FULL-TIME EQUIVALENT NEW JOBS MUST BE
6 AT LEAST TWENTY-FIVE PER CENT OF ALL OF THE COMPANY'S EMPLOYEE POSITIONS.
7 D. THE DIRECTOR SHALL EITHER APPROVE OR DISAPPROVE THE APPLICATION. A
8 QUALIFIED COMPANY WHOSE APPLICATION IS APPROVED IS ELIGIBLE FOR BENEFITS
9 UNDER THIS ARTICLE AS OF THE DATE THE QUALIFIED COMPANY ENTERS INTO AN
10 AGREEMENT WITH THE DIRECTOR PURSUANT TO THIS SECTION.
11 E. ON APPROVING AN APPLICATION, THE DIRECTOR MAY ENTER INTO AN
12 AGREEMENT WITH THE QUALIFIED COMPANY FOR PAYMENT OF BENEFITS UNDER THIS
13 ARTICLE FROM THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY THIS SECTION. THE
14 AGREEMENT SHALL COMMIT THE DIRECTOR OF THE DEPARTMENT OF COMMERCE TO CERTIFY
15 TO THE DIRECTOR OF THE DEPARTMENT OF REVENUE:
16 1. THAT THE QUALIFIED COMPANY IS ELIGIBLE TO RECEIVE BENEFITS UNDER
17 THIS ARTICLE.
18 2. THE NUMBER OF NEW EMPLOYEES HIRED BY THE QUALIFIED COMPANY.
19 3. THE AMOUNT OF GROSS WAGES BEING PAID TO EACH NEW EMPLOYEE.
20 F. THE AGREEMENT MUST BE ENTERED INTO BEFORE ANY BENEFITS MAY BE
21 PROVIDED UNDER THIS ARTICLE. THE AGREEMENT SHALL SPECIFY THAT IF THE
22 QUALIFIED COMPANY FAILS TO COMPLY WITH THE TERMS AND CONDITIONS IN THE
23 AGREEMENT OR FAILS TO COMPLY WITH THIS ARTICLE:
24 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.
25 2. AS OF THE DATE THE AGREEMENT IS TERMINATED:
26 (a) THE COMPANY IS NOT ENTITLED TO ANY FURTHER BENEFITS UNDER THIS
27 ARTICLE.
28 (b) THE COMPANY MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE
29 BENEFITS PAID TO THE COMPANY UNDER THIS ARTICLE.
30 G. THE ARIZONA QUALITY JOBS FUND IS ESTABLISHED CONSISTING OF MONIES
31 PAID TO THE FUND EACH MONTH FROM THE JOB RECOVERY WITHHOLDINGS CLEARING FUND
32 PURSUANT TO SECTION 43-409. MONIES IN THE FUND ARE:
33 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS
34 UNDER THIS ARTICLE.
35 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
36 APPROPRIATIONS.
37 H. THE DIRECTOR SHALL NOT APPROVE THE APPLICATION OF A QUALIFIED
38 COMPANY THAT IS A PARTY TO AN IMPACT PROJECT AGREEMENT PURSUANT TO ARTICLE 4
39 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION IN BOTH THE
40 IMPACT PROJECT AND THE ARIZONA QUALITY JOBS PROGRAM WOULD GENERATE, OVER THE
41 PERIOD OF THE BENEFITS UNDER THIS ARTICLE, AN ECONOMIC AND FISCAL IMPACT IN
42 EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX ALLOCATED TO BOTH
43 PROGRAMS.

1 I. THE DEPARTMENT OF COMMERCE, WITH THE COOPERATION OF THE DEPARTMENT
2 OF REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES
3 AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS ARTICLE.

4 41-1546.03. Withholding tax report to department of revenue

5 A QUALIFYING COMPANY THAT RECEIVES BENEFITS UNDER THIS ARTICLE MUST
6 COMPLETE AND SUBMIT TO THE DEPARTMENT OF REVENUE A MONTHLY REPORT OF THE
7 AMOUNT OF WITHHOLDING TAX RETAINED WITH RESPECT TO EACH NEW EMPLOYEE PURSUANT
8 TO THIS ARTICLE. THE REPORT SHALL BE SUBMITTED ON A FORM, IN A MANNER AND
9 ACCORDING TO A SCHEDULE PRESCRIBED BY THE DEPARTMENT OF REVENUE.

10 41-1546.04. Annual review of qualified company activities

11 A. THE DIRECTOR SHALL CONDUCT AN ANNUAL REVIEW OF THE ACTIVITIES
12 UNDERTAKEN BY EACH QUALIFIED COMPANY PURSUANT TO THIS ARTICLE TO ENSURE THAT
13 THE COMPANY IS IN COMPLIANCE WITH THIS ARTICLE AND RULES ADOPTED PURSUANT TO
14 THIS ARTICLE AND THE BENEFIT AGREEMENT UNDER SECTION 41-1546.02. THE
15 QUALIFIED COMPANY MUST MAKE AVAILABLE FOR INSPECTION BY THE DIRECTOR, OR THE
16 DIRECTOR'S AGENT, ITS BOOKS AND RECORDS CONCERNING EMPLOYMENT, WAGES AND
17 WITHHOLDING TAXES OF ANY EMPLOYEES FOR WHICH THE COMPANY OR THIRD PARTY HAS
18 RETAINED WITHHOLDING TAXES.

19 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE
20 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY OR THIRD PARTY FOR
21 PURPOSES OF COMPLIANCE WITH THIS ARTICLE.

22 41-1546.05. Annual report

23 A. THE DIRECTOR SHALL MAKE AN ANNUAL REPORT BASED ON INFORMATION
24 RECEIVED FROM EACH QUALIFIED COMPANY RECEIVING BENEFITS UNDER THIS ARTICLE
25 DESCRIBING:

- 26 1. THE NAMES OF QUALIFIED COMPANIES.
- 27 2. THE TYPES OF QUALIFIED COMPANIES USING THIS ARTICLE.
- 28 3. THE LOCATION OF QUALIFIED COMPANIES AND THE LOCATION OF THE
29 BUSINESS OPERATIONS IN THIS STATE.
- 30 4. THE NUMBER OF NEW EMPLOYEES HIRED.
- 31 5. THE WAGES PAID FOR THE NEW EMPLOYEES.
- 32 6. THE ANNUAL AMOUNT OF BENEFITS PROVIDED UNDER THIS ARTICLE.
- 33 7. THE ESTIMATED NET STATE FISCAL IMPACT, INCLUDING THE DIRECT AND
34 INDIRECT NEW STATE TAXES DERIVED FROM THE NEW EMPLOYEES.
- 35 8. AN ESTIMATE OF THE MULTIPLIER EFFECT ON THE ECONOMY OF THIS STATE
36 FROM THE BENEFITS RECEIVED UNDER THIS ARTICLE.

37 B. THE DIRECTOR SHALL TRANSMIT COPIES OF THE REPORT TO:

- 38 1. THE GOVERNOR.
- 39 2. THE CHAIRPERSONS OF THE SENATE COMMITTEES ON COMMERCE AND ECONOMIC
40 DEVELOPMENT AND FINANCE, OR THEIR SUCCESSOR COMMITTEES.
- 41 3. THE CHAIRPERSONS OF THE HOUSE OF REPRESENTATIVES COMMITTEES ON
42 COMMERCE AND WAYS AND MEANS, OR THEIR SUCCESSOR COMMITTEES.
- 43 4. THE SECRETARY OF STATE.

1 41-1546.06. Program termination
2 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
3 TO SECTION 41-3102.

4 Sec. 14. Section 41-1554.01, Arizona Revised Statutes, is amended to
5 read:

6 41-1554.01. Greater Arizona development authority; board;
7 staff; conflict of interest prohibited;
8 violation; classification

9 A. The greater Arizona development authority is established. The
10 authority shall be governed by a board of directors consisting of the
11 following members:

12 1. The director of the department of commerce or the director's
13 designee who shall serve as the chairperson.

14 2. The director of the department of environmental quality or the
15 director's designee.

16 3. The director of the department of transportation or the director's
17 designee.

18 4. The state treasurer or the state treasurer's designee.

19 5. Five members, one of whom is a representative of a tribal nation of
20 Arizona, appointed by the governor pursuant to section 38-211. All appointed
21 members shall reside in different counties, and no more than three members
22 may be members of the same political party.

23 B. Members appointed by the governor serve staggered five year terms.

24 C. Members of the board are not eligible to receive compensation for
25 their services but are eligible for reimbursement of expenses pursuant to
26 title 38, chapter 4, article 2.

27 D. Members of the board are public officers for purposes of title 38,
28 chapter 3, article 8 and the authority is a public body for purposes of title
29 38, chapter 3, article 3.1. **THE DIRECTOR OF THE DEPARTMENT OF COMMERCE OR
30 THE DIRECTOR'S DESIGNEE SHALL NOT PARTICIPATE IN ANY CONSIDERATION OR VOTE ON
31 FINANCIAL ASSISTANCE FOR IMPACT PROGRAMS PURSUANT TO ARTICLE 4 OF THIS
32 CHAPTER.**

33 E. No appointed member may serve more than two consecutive terms,
34 except that service for a partial term of less than three years shall not be
35 counted toward the two term limitation.

36 F. The department of commerce shall provide general administrative
37 support, equipment and office and meeting space to the authority.

38 G. The department of commerce may hire staff to provide administrative
39 and technical assistance on behalf of the authority. Earnings on the monies
40 in the fund may be used to pay for staff services.

41 H. Members of the board shall not participate in any direct
42 discussions or actions related to any project financed under this article in
43 which the member has any direct or indirect personal financial interest. For
44 purposes of this subsection, a member of the board who is an employee or
45 official of a participant in or applicant for a loan shall not be considered

1 to have a direct or indirect personal financial interest in a project by
2 virtue of the member's services alone. A violation of this subsection is a
3 class 1 misdemeanor.

4 Sec. 15. Section 41-1554.02, Arizona Revised Statutes, is amended to
5 read:

6 41-1554.02. Powers and duties of authority

7 A. The authority is a body corporate and politic and shall have an
8 official seal that is judicially noticed. The authority may sue and be sued,
9 contract and acquire, hold, operate and dispose of property as necessary to
10 carry out its responsibilities under this article.

11 B. The authority, through its board, may:

12 1. Issue bonds to provide financial assistance to political
13 subdivisions, special districts and Indian tribes for acquiring,
14 constructing, improving or equipping infrastructure or for refinancing
15 outstanding bonds or other obligations of the political subdivisions, special
16 districts or Indian tribes that were issued to acquire, construct, improve or
17 equip infrastructure. The bonds shall be in the name of the authority.

18 2. Provide financial assistance to political subdivisions, special
19 districts and Indian tribes to finance or refinance infrastructure projects.

20 3. Guarantee debt obligations of political subdivisions, special
21 districts and Indian tribes that are issued to finance or refinance
22 infrastructure projects.

23 4. Provide technical assistance or short-term assistance to political
24 subdivisions, special districts, Indian tribes and tribal subdivisions.

25 5. PROVIDE FINANCING FOR IMPACT PROGRAMS FOR ARIZONA JOB TRAINING
26 PURSUANT TO ARTICLE 4 OF THIS CHAPTER.

27 ~~5-~~ 6. Apply for, accept and administer grants and other monetary
28 assistance from the United States government and from other public and
29 private sources to carry out its responsibilities under this article.

30 ~~6-~~ 7. Hire professional assistance as needed to carry out this
31 article.

32 C. The board shall:

33 1. Approve all policies and procedures of the authority.

34 2. Approve which projects receive technical and financial assistance.

35 3. Approve loan repayment agreements entered into with political
36 subdivisions, special districts and Indian tribes.

37 D. The authority may impose administrative fees and penalties that are
38 necessary to recover the costs incurred in connection with entering into or
39 enforcing a loan repayment agreement or providing financial or technical
40 assistance.

41 E. The board shall deposit, pursuant to sections 35-146 and 35-147,
42 any monies received pursuant to subsection B, paragraph ~~5-~~ 6 of this section
43 in the fund.

1 ~~4.~~ 5. Paying the costs to operate the authority, to administer the
2 fund and to carry out the requirements of this article.

3 ~~5.~~ 6. Paying the costs of professional assistance hired by the
4 authority pursuant to section 41-1554.02, subsection B, paragraph ~~6~~ 7.

5 F. On notice from the board, the state treasurer shall invest and
6 divest monies in the fund as provided by section 35-313, and monies earned
7 from investment shall be credited to the fund.

8 G. If the monies pledged to secure the bonds become insufficient to
9 pay the principal and interest on the bonds, the board may direct the
10 state treasurer to divest monies in the fund as may be necessary and may
11 apply those proceeds to make current all payments then due on the
12 bonds. The state treasurer shall immediately notify the attorney general
13 and auditor general of the insufficiency. The auditor general shall audit
14 the circumstances surrounding the depletion of the fund and shall report
15 these findings to the attorney general. The attorney general shall
16 conduct an investigation and report these findings to the governor and the
17 legislature.

18 Sec. 17. Section 41-1554.06, Arizona Revised Statutes, is amended to
19 read:

20 41-1554.06. Financial assistance

21 A. The authority may provide financial assistance to political
22 subdivisions, special districts and Indian tribes in developing, acquiring,
23 constructing, improving, equipping or refinancing infrastructure. The
24 financial assistance shall include:

25 1. Loans as provided in this section.

26 2. Credit enhancements purchased for a political subdivision's,
27 special district's or Indian tribe's bonds or other forms of indebtedness.

28 B. THE AUTHORITY MAY PROVIDE LOAN FINANCING FOR IMPACT PROGRAMS FOR
29 ARIZONA JOB TRAINING PURSUANT TO ARTICLE 4 OF THIS CHAPTER. ANY FINANCING
30 AGREEMENT MUST INCLUDE A LEGALLY BINDING ACKNOWLEDGEMENT THAT ALL REPAYMENT
31 OBLIGATIONS ARE FROM MONIES IN THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT
32 PROGRAM FUND UNDER SECTION 41-1541.06, SUBSECTION C AND ARE NOT GENERAL OR
33 SPECIAL OBLIGATIONS OF THE STATE GENERAL FUND.

34 ~~B.~~ C. A loan shall be evidenced by a loan repayment agreement, lease
35 purchase agreement or bonds of a political subdivision, special district or
36 Indian tribe that are delivered to and held by the authority.

37 ~~C.~~ D. The authority shall prescribe a principal repayment schedule
38 for each loan made. Loan principal payments may be rescheduled at the
39 discretion of the authority but may not be forgiven.

40 ~~D.~~ E. A loan under this section:

41 1. Shall be repaid not more than thirty years after the date it is
42 incurred.

43 2. Shall require that interest payments begin not later than the next
44 date that either principal or interest must be paid by the authority to
45 holders of any of the authority's bonds that provided funding for the loan.

1 The authority may provide that loan interest accruing during construction of
2 the borrower's infrastructure project and up to one year after completion of
3 the construction be capitalized in the loan.

4 3. Shall be repayable in at least annual principal installments and at
5 least semiannual interest installments.

6 4. Shall be conditioned on the identification of pledged revenues for
7 repaying the loan. If the infrastructure financed by the loan is part of a
8 municipal utility and the city or town pledges revenues of the utility to
9 repay the loan, the loan shall be treated under section 9-530, subsection B
10 as a lawful long-term obligation incurred for a specific capital purpose.

11 5. To the extent permitted by law, shall be secured by a debt service
12 reserve account that is held in trust and that is in such amount, if any, as
13 determined by the authority.

14 6. Shall be either:

15 (a) For a political subdivision, additionally secured by an
16 irrevocable pledge of the shared state revenues due the political subdivision
17 for the life of the loan as provided by a resolution of the board.

18 (b) For an Indian tribe, conditioned on the establishment of a
19 dedicated revenue source under the control of a tribally chartered
20 corporation or other tribal entity that is subject to suit by the attorney
21 general to enforce the loan contract or be secured by assets that, in the
22 event of default of the loan contract, are subject to execution by the
23 attorney general.

24 ~~F.~~ F. The authority shall prescribe the rate or rates of interest on
25 loans made under this section, but the rate or rates shall not exceed the
26 prevailing market rate for similar types of loans. A political subdivision
27 or special district may negotiate the sale of its bonds to or a loan
28 repayment agreement with the authority without complying with any public or
29 accelerated bidding requirements imposed by any other law for the sale of its
30 bonds.

31 ~~F.~~ G. The approval of a loan is conditioned on a written commitment
32 by the political subdivision or special district to complete all applicable
33 reviews and approvals and to secure all required permits in a timely manner.

34 ~~G.~~ H. The approval of financial assistance to a city or town having a
35 population of more than fifty thousand persons shall be conditioned on
36 approval of its voters. An election is not required if voter approval has
37 previously been received for substantially the same project.

38 ~~H.~~ I. The approval of financial assistance to a county having a
39 population of more than two hundred thousand persons shall be conditioned on
40 approval of its voters. An election is not required if voter approval has
41 previously been received for substantially the same project.

42 ~~I.~~ J. By resolution of the board, the authority may impose any
43 additional requirements it considers necessary to ensure that the loan
44 principal and interest are timely paid.

1 ~~J~~ K. All monies received from political subdivisions, special
2 districts and Indian tribes as loan repayments, interest and penalties shall
3 be deposited, pursuant to sections 35-146 and 35-147, in the fund.

4 ~~K~~ L. The attorney general may take whatever actions are necessary to
5 enforce the loan contract and achieve repayment of loans provided by the
6 authority pursuant to this article.

7 ~~L~~ M. If a political subdivision fails to make any payment due to the
8 authority under its loan repayment agreement or bonds, the authority shall
9 certify to the state treasurer and notify the governing body of the
10 defaulting political subdivision that the political subdivision has failed to
11 make the required payment and direct a withholding of state shared revenues
12 as provided in subsection ~~M~~ N of this section. The certificate of default
13 shall be in the form determined by the authority, provided the certificate
14 specifies the amount required to satisfy the unpaid payment obligation of the
15 political subdivision.

16 ~~M~~ N. On receipt of a certificate of default from the authority, the
17 state treasurer, to the extent not otherwise expressly prohibited by law,
18 shall withhold the monies from the next succeeding distribution of monies
19 pursuant to section 42-5029 due to the defaulting political subdivision. In
20 the case of a city or town, the state treasurer shall also withhold from the
21 next succeeding distribution of monies pursuant to section 43-206 due to the
22 defaulting city or town the amount specified in the certificate of default
23 and immediately deposit the amount withheld in the fund. The state treasurer
24 shall continue to withhold and deposit the monies until the authority
25 certifies to the state treasurer that the default has been cured. In no
26 event shall the state treasurer withhold any amount that is necessary, as
27 certified by the defaulting political subdivision to the state treasurer and
28 the authority, to make any required deposits then due for the payment of
29 principal and interest on bonds of the political subdivision that were issued
30 prior to the date of the loan repayment agreement or bonds and that have been
31 secured by a pledge of distributions made pursuant to sections 42-5029 and
32 43-206.

33 Sec. 18. Section 42-1116, Arizona Revised Statutes, is amended to
34 read:

35 42-1116. Disposition of tax revenues

36 A. The department shall promptly deposit, pursuant to sections 35-146
37 and 35-147, all monies it collects from the taxes administered pursuant to
38 this article except the telecommunication services excise tax, separately
39 accounting for each type of tax and each tax classification within each type
40 of tax. At the same time the department of revenue shall also furnish copies
41 of the transmittal schedules to the director of the department of
42 administration.

43 B. Except as provided by subsection C of this section, the department
44 shall deposit all monies and remittances received under this section to the
45 credit of the following specific funds and accounts:

- 1 1. Amounts sufficient to meet the requirements for tax refunds to the
2 tax refund account established in section 42-1117.
- 3 2. Amounts sufficient to meet the requirements of urban revenue
4 sharing to the urban revenue sharing fund established in section 43-206.
- 5 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of this
6 title and section 42-5352, subsection A to the transaction privilege and
7 severance tax clearing account established by section 42-5029.
- 8 4. Through June 30, 2010 amounts sufficient to meet the requirements
9 of section 42-3104 to the corrections fund.
- 10 5. Amounts sufficient to meet the requirements of section 49-282,
11 subsection B relating to the water quality assurance revolving fund.
- 12 6. AMOUNTS COLLECTED AS WITHHOLDING TAX SUFFICIENT TO MEET THE
13 REQUIREMENTS OF TITLE 41, CHAPTER 10, ARTICLES 4 AND 5.1 TO THE JOB RECOVERY
14 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.
- 15 ~~6-~~ 7. All remaining monies to the state general fund.
- 16 C. From the monies and remittances received under this section, each
17 month beginning July, 2001 the state treasurer shall transmit to the tourism
18 and sports authority, established by title 5, chapter 8, for deposit in its
19 facility revenue clearing account established by section 5-834 one-twelfth of
20 the amount reported by the department pursuant to section 43-209.
- 21 Sec. 19. Section 42-2003, Arizona Revised Statutes, is amended to
22 read:
- 23 42-2003. Authorized disclosure of confidential information
- 24 A. Confidential information relating to:
- 25 1. A taxpayer may be disclosed to the taxpayer, its successor in
26 interest or a designee of the taxpayer who is authorized in writing by the
27 taxpayer. A principal corporate officer of a parent corporation may execute
28 a written authorization for a controlled subsidiary.
- 29 2. A corporate taxpayer may be disclosed to any principal officer, any
30 person designated by a principal officer or any person designated in a
31 resolution by the corporate board of directors or other similar governing
32 body.
- 33 3. A partnership may be disclosed to any partner of the partnership.
34 This exception does not include disclosure of confidential information of a
35 particular partner unless otherwise authorized.
- 36 4. An estate may be disclosed to the personal representative of the
37 estate and to any heir, next of kin or beneficiary under the will of the
38 decedent if the department finds that the heir, next of kin or beneficiary
39 has a material interest which will be affected by the confidential
40 information.
- 41 5. A trust may be disclosed to the trustee or trustees, jointly or
42 separately, and to the grantor or any beneficiary of the trust if the
43 department finds that the grantor or beneficiary has a material interest
44 which will be affected by the confidential information.

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

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

6 B. Confidential information may be disclosed to:

7 1. Any employee of the department whose official duties involve tax
8 administration.

9 2. The office of the attorney general solely for its use in
10 preparation for, or in an investigation which may result in, any proceeding
11 involving tax administration before the department or any other agency or
12 board of this state, or before any grand jury or any state or federal court.

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

19 4. Other state tax officials whose official duties require the
20 disclosure for proper tax administration purposes if the information is
21 sought in connection with an investigation or any other proceeding conducted
22 by the official. Any disclosure is limited to information of a taxpayer who
23 is being investigated or who is a party to a proceeding conducted by the
24 official.

25 5. The following agencies, officials and organizations, if they grant
26 substantially similar privileges to the department for the type of
27 information being sought, pursuant to statute and a written agreement between
28 the department and the foreign country, agency, state, Indian tribe or
29 organization:

30 (a) The United States internal revenue service, alcohol and tobacco
31 tax and trade bureau of the United States treasury, United States bureau of
32 alcohol, tobacco, firearms and explosives of the United States department of
33 justice, United States drug enforcement agency and federal bureau of
34 investigation.

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

36 (c) An organization of states, federation of tax administrators or
37 multistate tax commission that operates an information exchange for tax
38 administration purposes.

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

42 (e) An agency, official or organization of an Indian tribal government
43 with responsibilities comparable to the responsibilities of the agencies,
44 officials or organizations identified in subdivision (a), (b) or (c) of this
45 paragraph.

- 1 6. The auditor general, in connection with any audit of the department
2 subject to the restrictions in section 42-2002, subsection D.
- 3 7. Any person to the extent necessary for effective tax administration
4 in connection with:
- 5 (a) The processing, storage, transmission, destruction and
6 reproduction of the information.
- 7 (b) The programming, maintenance, repair, testing and procurement of
8 equipment for purposes of tax administration.
- 9 8. The office of administrative hearings relating to taxes
10 administered by the department pursuant to section 42-1101, but the
11 department shall not disclose any confidential information:
- 12 (a) Regarding income tax, withholding tax or estate tax.
- 13 (b) On any tax issue relating to information associated with the
14 reporting of income tax, withholding tax or estate tax.
- 15 9. The United States treasury inspector general for tax administration
16 for the purpose of reporting a violation of internal revenue code section
17 7213A (26 United States Code section 7213A), unauthorized inspection of
18 returns or return information.
- 19 10. The financial management service of the United States treasury
20 department for use in the treasury offset program.
- 21 11. The United States treasury department or its authorized agent for
22 use in the state income tax levy program and in the electronic federal tax
23 payment system.
- 24 12. The department of commerce for its use in:
- 25 (a) Qualifying motion picture production companies for the tax
26 incentives provided for motion picture production under chapter 5 of this
27 title and sections 43-1075 and 43-1163.
- 28 (b) Qualifying applicants for the motion picture infrastructure
29 project tax credits under sections 43-1075.01 and 43-1163.01.
- 30 (c) Qualifying renewable energy operations for the tax incentives
31 under sections 42-12006, 43-1083.01 and 43-1164.01.
- 32 (d) Fulfilling its annual reporting responsibility pursuant to section
33 41-1511, subsections T and U and section 41-1517, subsections S and T.
- 34 (e) **ADMINISTERING THE BENEFITS UNDER TITLE 41, CHAPTER 10, ARTICLES 4,**
35 **5 AND 5.1 THAT ARE BASED ON WITHHOLDING TAX REVENUES.**
- 36 13. A prosecutor for purposes of section 32-1164, subsection C.
- 37 14. The state fire marshal for use in determining compliance with and
38 enforcing title 41, chapter 16, article 3.1.
- 39 C. Confidential information may be disclosed in any state or federal
40 judicial or administrative proceeding pertaining to tax administration
41 pursuant to the following conditions:
- 42 1. One or more of the following circumstances must apply:
- 43 (a) The taxpayer is a party to the proceeding.
- 44 (b) The proceeding arose out of, or in connection with, determining
45 the taxpayer's civil or criminal liability, or the collection of the

1 taxpayer's civil liability, with respect to any tax imposed under this title
2 or title 43.

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

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

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

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

13 E. The department, upon the request of any person, shall provide the
14 names and addresses of bingo licensees as defined in section 5-401, verify
15 whether or not a person has a privilege license and number, a distributor's
16 license and number or a withholding license and number or disclose the
17 information to be posted on the department's ~~web-site~~ WEBSITE or otherwise
18 publicly accessible pursuant to section 42-1124, subsection F and section
19 42-3201, subsection A.

20 F. A department employee, in connection with the official duties
21 relating to any audit, collection activity or civil or criminal
22 investigation, may disclose return information to the extent that disclosure
23 is necessary to obtain information which is not otherwise reasonably
24 available. These official duties include the correct determination of and
25 liability for tax, the amount to be collected or the enforcement of other
26 state tax revenue laws.

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

33 H. Confidential information relating to transaction privilege tax, use
34 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may
35 be disclosed to any county, city or town tax official if the information
36 relates to a taxpayer who is or may be taxable by the county, city or town.
37 Any taxpayer information released by the department to the county, city or
38 town:

39 1. May only be used for internal purposes.

40 2. May not be disclosed to the public in any manner that does not
41 comply with confidentiality standards established by the department. The
42 county, city or town shall agree in writing with the department that any
43 release of confidential information that violates the confidentiality
44 standards adopted by the department will result in the immediate suspension

1 of any rights of the county, city or town to receive taxpayer information
2 under this subsection.

3 I. The department may disclose statistical information gathered from
4 confidential information if it does not disclose confidential information
5 attributable to any one taxpayer. In order to comply with the requirements
6 of section 42-5029, subsection A, paragraph 3, the department may disclose to
7 the state treasurer statistical information gathered from confidential
8 information, even if it discloses confidential information attributable to a
9 taxpayer.

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

15 K. Except as provided in section 42-2002, subsection C, confidential
16 information, described in section 42-2001, paragraph 2, subdivision (a), item
17 (iii), may be disclosed to law enforcement agencies for law enforcement
18 purposes.

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

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

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

30 O. This section does not prohibit the disclosure by the department of
31 any information or documents submitted to the department by a bingo licensee.
32 Before disclosing the information the department shall obtain the name and
33 address of the person requesting the information.

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

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

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

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

6 T. The department shall release confidential information as requested
7 by the attorney general for purposes of determining compliance with and
8 enforcing section 44-7101, the master settlement agreement referred to
9 therein and subsequent agreements to which the state is a party that amend or
10 implement the master settlement agreement. Information disclosed under this
11 subsection is limited to luxury tax information relating to tobacco
12 manufacturers, distributors, wholesalers and retailers and information
13 collected by the department pursuant to section 44-7101(2)(j).

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

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

28 2. Such return or return information relates or may relate to a
29 transactional relationship between a person who is a party to the proceeding
30 and the taxpayer which directly affects the resolution of an issue in the
31 proceeding.

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

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

1 Sec. 20. Section 42-12006, Arizona Revised Statutes, is amended to
2 read:

3 42-12006. Class six property

4 For purposes of taxation, class six is established consisting of:

5 1. Noncommercial historic property as defined in section 42-12101 and
6 valued at full cash value.

7 2. Real and personal property that is located within the area of a
8 foreign trade zone or subzone established under 19 United States Code section
9 81 and title 44, chapter 18, that is activated for foreign trade zone use by
10 the district director of the United States customs service pursuant to
11 19 Code of Federal Regulations section 146.6 and that is valued at full cash
12 value. Property that is classified under this paragraph shall not thereafter
13 be classified under paragraph 7 of this section.

14 3. Real and personal property and improvements that are located in a
15 military reuse zone that is established under title 41, chapter 10, article 3
16 and that is devoted to providing aviation or aerospace services or to
17 manufacturing, assembling or fabricating aviation or aerospace products,
18 valued at full cash value and subject to the following terms and conditions:

19 (a) Property may not be classified under this paragraph for more than
20 five tax years.

21 (b) Any new addition or improvement to property already classified
22 under this paragraph qualifies separately for classification under this
23 paragraph for not more than five tax years.

24 (c) If a military reuse zone is terminated, the property in that zone
25 that was previously classified under this paragraph shall be reclassified as
26 prescribed by this article.

27 (d) Property that is classified under this paragraph shall not
28 thereafter be classified under paragraph 4 or 7 of this section.

29 ~~4. Real and personal property and improvements that are located in an
30 enterprise zone, that are owned or used by a small manufacturing or small
31 commercial printing business that is certified by the department of commerce
32 pursuant to section 41-1525.01 and that are valued at full cash value,
33 subject to the following terms and conditions:~~

34 ~~(a) Property may not be classified under this paragraph for more than
35 five tax years.~~

36 4. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO
37 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, AND
38 REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE LOCATED AND
39 OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT
40 TO SECTION 41-1525.01, AND VALUED AT FULL CASH VALUE AS FOLLOWS:

41 (a) FOR PROPERTY LOCATED IN A CITY OR TOWN WITH A POPULATION OF FIFTY
42 THOUSAND PERSONS OR MORE:

43 (i) A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST FIVE MILLION
44 DOLLARS, BUT NOT MORE THAN FIFTEEN MILLION DOLLARS, WITHIN THREE YEARS AFTER
45 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST

1 TWENTY-FIVE NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS
2 PARAGRAPH FOR UP TO THREE TAX YEARS.

3 (ii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FIFTEEN
4 MILLION DOLLARS, BUT NOT MORE THAN FIFTY MILLION DOLLARS, WITHIN THREE YEARS
5 AFTER FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
6 FIFTY NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR
7 UP TO FIVE TAX YEARS.

8 (iii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FIFTY
9 MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER SECTION
10 41-1525.01, AND EMPLOYING AT LEAST SEVENTY-FIVE NEW EMPLOYEES, THE PROPERTY
11 MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

12 (b) FOR PROPERTY LOCATED IN ANY OTHER LOCATION:

13 (i) A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO MILLION
14 DOLLARS, BUT NOT MORE THAN FOUR MILLION DOLLARS, WITHIN THREE YEARS AFTER
15 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
16 FIFTEEN NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH
17 FOR UP TO THREE TAX YEARS.

18 (ii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN FOUR MILLION
19 DOLLARS, BUT NOT MORE THAN EIGHT MILLION DOLLARS, WITHIN THREE YEARS AFTER
20 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST THIRTY
21 NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO
22 FIVE TAX YEARS.

23 (iii) A BUSINESS MAKING A CAPITAL INVESTMENT OF MORE THAN EIGHT
24 MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER SECTION
25 41-1525.01, AND EMPLOYING AT LEAST SIXTY NEW EMPLOYEES, THE PROPERTY MAY BE
26 CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

27 ~~(b)~~ (c) Property that is classified under this paragraph shall not
28 thereafter be classified under paragraph 3 or 7 of this section.

29 5. Real and personal property and improvements or a portion of such
30 property comprising a qualified environmental technology manufacturing,
31 producing or processing facility as described in section 41-1514.02, valued
32 at full cash value and subject to the following terms and conditions:

33 (a) Property shall be classified under this paragraph for twenty tax
34 years from the date placed in service.

35 (b) Any addition or improvement to property already classified under
36 this paragraph qualifies separately for classification under this subdivision
37 for an additional twenty tax years from the date placed in service.

38 (c) After revocation of certification under section 41-1514.02,
39 property that was previously classified under this paragraph shall be
40 reclassified as prescribed by this article.

41 (d) Property that is classified under this paragraph shall not
42 thereafter be classified under paragraph 7 of this section.

43 6. That portion of real and personal property that is used on or after
44 January 1, 1999 specifically and solely for remediation of the environment by
45 an action that has been determined to be reasonable and necessary to respond

1 to the release or threatened release of a hazardous substance by the
2 department of environmental quality pursuant to section 49-282.06 or pursuant
3 to its corrective action authority under rules adopted pursuant to section
4 49-922, subsection B, paragraph 4 or by the United States environmental
5 protection agency pursuant to the national contingency plan (40 Code of
6 Federal Regulations part 300) and that is valued at full cash value.
7 Property that is not being used specifically and solely for the remediation
8 objectives described in this paragraph shall not be classified under this
9 paragraph. For the purposes of this paragraph, "remediation of the
10 environment" means one or more of the following actions:

11 (a) Monitoring, assessing or evaluating the release or threatened
12 release.

13 (b) Excavating, removing, transporting, treating and disposing of
14 contaminated soil.

15 (c) Pumping and treating contaminated water.

16 (d) Treatment, containment or removal of contaminants in groundwater
17 or soil.

18 7. Real and personal property and improvements constructed or
19 installed from and after December 31, 2004 through December 31, 2010 and
20 owned by a qualified business under section 41-1516 and used solely for the
21 purpose of harvesting, transporting or the initial processing of qualifying
22 forest products removed from qualifying projects as defined in section
23 41-1516. The classification under this paragraph is subject to the following
24 terms and conditions:

25 (a) Property may be initially classified under this paragraph only in
26 valuation years 2005 through 2010.

27 (b) Property may not be classified under this paragraph for more than
28 five years.

29 (c) Any new addition or improvement, constructed or installed from and
30 after December 31, 2004 through December 31, 2010, to property already
31 classified under this paragraph qualifies separately for classification and
32 assessment under this paragraph for not more than five years.

33 (d) Property that is classified under this paragraph shall not
34 thereafter be classified under paragraph 2, 3, 4 or 5 of this section.

35 8. Real and personal property and improvements to the property that
36 are used specifically and solely to manufacture from and after December 31,
37 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent
38 biodiesel and its by-products and that are valued at full cash value. This
39 paragraph applies only to the portion of property that is used specifically
40 for manufacturing and processing one hundred per cent biodiesel fuel, or its
41 related by-products, from raw feedstock obtained from off-site sources,
42 including necessary on-site storage facilities that are intrinsically
43 associated with the manufacturing process. Any other commercial or
44 industrial use disqualifies the entire property from classification under
45 this paragraph.

1 9. Real and personal property and improvements that are certified
2 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
3 renewable energy manufacturing or headquarters operations as provided by
4 section 42-12057. This paragraph applies only to property that is used in
5 manufacturing and headquarters operations of renewable energy companies,
6 including necessary on-site research and development, testing and storage
7 facilities that are associated with the manufacturing process. Up to ten per
8 cent of the aggregate full cash value of the property may be derived from
9 uses that are ancillary to and intrinsically associated with the
10 manufacturing process or headquarters operation. Any additional ancillary
11 property is not qualified for classification under this paragraph. No new
12 properties may be classified pursuant to this paragraph from and after
13 December 31, 2014. Classification under this paragraph is limited to the
14 time periods determined by the department of commerce pursuant to section
15 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
16 classified under this paragraph shall not thereafter be classified under any
17 other paragraph of this section.

18 Sec. 21. Section 42-12009, Arizona Revised Statutes, is amended to
19 read:

20 42-12009. Class nine property

21 A. For purposes of taxation, class nine is established consisting of:

22 1. Improvements that are located on federal, state, county or
23 municipal property and owned by the lessee of the property if:

24 (a) The improvements become the property of the federal, state, county
25 or municipal owner of the property on termination of the leasehold interest
26 in the property.

27 (b) Both the improvements and the property are used primarily for
28 athletic, recreational, entertainment, artistic, cultural or convention
29 activities.

30 2. Improvements that are located on federal, state, county or
31 municipal property and owned by the lessee of the property if:

32 (a) The improvements become the property of the federal, state, county
33 or municipal owner of the property on termination of the leasehold interest
34 in the property.

35 (b) Both the improvements and the property are:

36 (i) Used for or in connection with aviation, including hangars,
37 tie-downs, aircraft maintenance, sales of aviation related items, charter and
38 rental activities, parking facilities and restaurants, stores and other
39 services located in a terminal.

40 (ii) Located on a state, county, city or town airport or a public
41 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

42 3. Property that is defined as "contractor-acquired property" or
43 "government-furnished property" in the federal acquisition regulations
44 (48 Code of Federal Regulations section 45.101) and that is leased to or
45 acquired by the government and used to perform a government contract.

1 4. Property of a corporation that is organized by or at the direction
2 of this state or a county, city or town to develop, construct, improve,
3 repair, replace or own any property, improvement, building or other facility
4 to be used for public purposes that the state, county, city or town pledges
5 to lease or lease-purchase with state, county or municipal special or general
6 revenues and that is not otherwise exempt under chapter 11, article 3 of this
7 title.

8 5. Real property and improvements, including land, buildings,
9 furniture and equipment, regardless of ownership, that are leased for the
10 entire valuation year to, and used exclusively by, a nonprofit organization
11 that is recognized under section 501(c)(3) of the internal revenue code and
12 that operates on the premises as a charter school pursuant to section 15-183.
13 If only part of a parcel of real property or improvements to real property is
14 leased for operation of a charter school as provided by this paragraph, only
15 the portion so leased qualifies for classification under this section. A
16 property owner who leases property to a charter school shall file an
17 affidavit with the county assessor stating that the charter school shall be
18 the sole beneficiary of the change in property tax classification pursuant to
19 this section and that the lease rate that is charged to the charter school is
20 consistent with the lease rates that are charged to other tenants of the
21 property or a fair market rate.

22 6. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO
23 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, AND
24 REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE LOCATED AND
25 OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT
26 TO SECTION 41-1525.01 AND THAT IS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO
27 HUNDRED FIFTY MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED
28 UNDER SECTION 41-1525.01 AND EMPLOYING AT LEAST ONE HUNDRED FIFTY NEW
29 EMPLOYEES. THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN
30 TAX YEARS. PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT
31 THEREAFTER BE CLASSIFIED UNDER SECTION 42-12006.

32 B. Improvements that are located in an area defined as a research park
33 pursuant to section 35-701 may not be classified under this section.

34 C. All property classified as class nine is subject to valuation at
35 full cash value.

36 Sec. 22. Section 42-15001, Arizona Revised Statutes, is amended to
37 read:

38 42-15001. Assessed valuation of class one property

39 The assessed valuation of class one property described in section
40 42-12001 is the following percentage of its full cash value or limited
41 valuation, as applicable:

42 1. Twenty-five per cent through December 31, 2005.

43 2. Twenty-four and one-half per cent beginning from and after December
44 31, 2005 through December 31, 2006.

- 1 3. Twenty-four per cent beginning from and after December 31, 2006
2 through December 31, 2007.
 - 3 4. Twenty-three per cent beginning from and after December 31, 2007
4 through December 31, 2008.
 - 5 5. Twenty-two per cent beginning from and after December 31, 2008
6 through December 31, 2009.
 - 7 6. Twenty-one per cent beginning from and after December 31, 2009
8 through December 31, 2010.
 - 9 7. Twenty per cent beginning from and after December 31, 2010 THROUGH
10 DECEMBER 31, 2011.
 - 11 8. NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2011
12 THROUGH DECEMBER 31, 2012.
 - 13 9. EIGHTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2012
14 THROUGH DECEMBER 31, 2013.
 - 15 10. SEVENTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013
16 THROUGH DECEMBER 31, 2014.
 - 17 11. SIXTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2014 THROUGH
18 DECEMBER 31, 2015.
 - 19 12. FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.
- 20 Sec. 23. Section 42-15006, Arizona Revised Statutes, is amended to
21 read:
- 22 42-15006. Assessed valuation of class six property
- 23 The assessed valuation of class six property described in
24 section 42-12006 is based on the following percentages to the full cash value
25 or limited valuation of class six property, as applicable:
- 26 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,
27 7, 8 and 9, five per cent.
 - 28 2. Property described in section 42-12006, paragraph 4:
29 (a) For primary property tax purposes, five per cent.
30 (b) Except as provided in subdivision (c), for secondary property tax
31 purposes:
32 (i) Twenty-five per cent through December 31, 2006.
33 (ii) Twenty-four per cent beginning from and after December 31, 2006
34 through December 31, 2007.
35 (iii) Twenty-three per cent beginning from and after December 31, 2007
36 through December 31, 2008.
37 (iv) Twenty-two per cent beginning from and after December 31, 2008
38 through December 31, 2009.
39 (v) Twenty-one per cent beginning from and after December 31, 2009
40 through December 31, 2010.
41 (vi) Twenty per cent beginning from and after December 31, 2010
42 THROUGH DECEMBER 31, 2011.
43 (vii) NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2011
44 THROUGH DECEMBER 31, 2012.

1 (viii) EIGHTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2012
2 THROUGH DECEMBER 31, 2013.

3 (ix) SEVENTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013
4 THROUGH DECEMBER 31, 2014.

5 (x) SIXTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2014
6 THROUGH DECEMBER 31, 2015.

7 (xi) FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.

8 (c) If subdivision (b) is finally adjudicated to be invalid, for
9 secondary property tax purposes, five per cent.

10 Sec. 24. Section 43-206, Arizona Revised Statutes, is amended to read:

11 43-206. Urban revenue sharing fund; allocation; distribution

12 A. There is established an urban revenue sharing fund. The fund
13 shall consist of an amount equal to fifteen per cent of the net proceeds of
14 the state income taxes for the fiscal year two years preceding the current
15 fiscal year BUT WITHOUT REGARD TO ANY WITHHOLDING TAX REMITTED TO THE JOB
16 RECOVERY WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409. The fund
17 shall be distributed to incorporated cities and towns as provided in this
18 section, except that a city or town shall receive at least an amount equal to
19 what a city or town with a population of fifteen hundred or more persons
20 would receive. The transfer of net proceeds prescribed by section 49-282,
21 subsection B does not affect the calculation of net proceeds prescribed by
22 this subsection.

23 B. Each city or town shall share in the urban revenue sharing fund in
24 the proportion that the population of each bears to the population of all.
25 Except as provided by sections 42-5033 and 42-5033.01, the population of a
26 city or town as determined by the most recent United States decennial census
27 plus any revisions to the decennial census certified by the United States
28 bureau of the census shall be used as the basis for apportioning monies
29 pursuant to this subsection.

30 C. The treasurer, ~~upon~~ ON instruction from the department, shall
31 transmit, no later than the tenth day of each month, to each city or town an
32 amount equal to one-twelfth of that city's or town's total entitlement for
33 the current fiscal year from the urban revenue sharing fund as determined by
34 the department.

35 D. A newly incorporated city or town shall share in the urban revenue
36 sharing fund beginning the first month of the first full fiscal year
37 following incorporation.

38 E. On receipt of a certificate of default from the greater Arizona
39 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
40 treasurer, to the extent not otherwise expressly prohibited by law, shall
41 withhold from the next succeeding distribution of monies pursuant to this
42 section due to the city or town the amount specified in the certificate of
43 default and immediately deposit the amount withheld in the greater Arizona
44 development authority revolving fund. The state treasurer shall continue to
45 withhold and deposit the monies until the authority certifies to the state

1 treasurer that the default has been cured. In no event shall the state
2 treasurer withhold any amount that is necessary, as certified by the
3 defaulting political subdivision to the state treasurer and the authority, to
4 make any required deposits then due for the payment of principal and interest
5 on bonds of the political subdivision that were issued prior to the date of
6 the loan repayment agreement or bonds and that have been secured by a pledge
7 of distributions made pursuant to this section.

8 Sec. 25. Section 43-222, Arizona Revised Statutes, is amended to read:

9 43-222. Income tax credit review schedule

10 The joint legislative income tax credit review committee shall review
11 the following income tax credits:

12 1. For years ending in 0 and 5, sections 43-1074, 43-1075, 43-1075.01,
13 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1161, 43-1163, 43-1163.01,
14 43-1167.01, 43-1175 and 43-1182.

15 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,
16 43-1164 and 43-1183.

17 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
18 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
19 and 43-1181.

20 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
21 43-1170 and 43-1178.

22 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
23 43-1083.01, 43-1084, 43-1162, 43-1164.01, ~~and~~ 43-1170.01 AND 43-1184.

24 Sec. 26. Title 43, chapter 4, article 1, Arizona Revised Statutes, is
25 amended by adding section 43-409, to read:

26 43-409. Job recovery withholdings clearing fund

27 A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED
28 CONSISTING OF UP TO ONE HUNDRED PER CENT OF WITHHOLDING TAX REVENUES ON NEW
29 JOBS CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLES 4 AND 5.1. ON NOTICE
30 FROM THE DIRECTOR OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH
31 MONTH, THE DIRECTOR OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND
32 SUFFICIENT MONIES EACH MONTH TO MEET THE REQUIREMENTS OF THE ARIZONA JOB
33 TRAINING, ARIZONA OPPORTUNITY FUND AND ARIZONA QUALITY JOBS PROGRAMS.

34 B. ON THE LAST DAY OF EACH MONTH, THE DEPARTMENT OF REVENUE SHALL
35 NOTIFY THE STATE TREASURER TO TRANSFER MONIES FROM THE JOB RECOVERY
36 WITHHOLDINGS CLEARING FUND TO THE IMPACT PROGRAM FUND ESTABLISHED BY SECTION
37 41-1541.06, THE ARIZONA OPPORTUNITY FUND ESTABLISHED BY SECTION 41-1545 AND
38 THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY SECTION 41-1546.02.

39 Sec. 27. Section 43-1011, Arizona Revised Statutes, is amended to
40 read:

41 43-1011. Taxes and tax rates

42 There shall be levied, collected and paid for each taxable year ~~upon~~ ON
43 the entire taxable income of every resident of this state and ~~upon~~ ON the
44 entire taxable income of every nonresident ~~which~~ THAT is derived from sources
45 within this state taxes determined in the following manner:

1 1. For taxable years beginning from and after December 31, 1996
2 through December 31, 1997:

3 (a) In the case of a single person or a married person filing
4 separately:

5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 - \$10,000	2.90% of taxable income
7	\$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
8	\$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
9	\$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
10	\$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

11 (b) In the case of a married couple filing a joint return or a single
12 person who is a head of a household:

13	<u>If taxable income is:</u>	<u>The tax is:</u>
14	\$0 - \$20,000	2.90% of taxable income
15	\$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000
16	\$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
17	\$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
18	\$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

19 2. For taxable years beginning from and after December 31, 1997
20 through December 31, 1998:

21 (a) In the case of a single person or a married person filing
22 separately:

23	<u>If taxable income is:</u>	<u>The tax is:</u>
24	\$0 - \$10,000	2.88% of taxable income
25	\$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
26	\$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000
27	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over \$50,000
28	\$150,001 and over	\$6,469, plus 5.10% of the excess over \$150,000

29 (b) In the case of a married couple filing a joint return or a single
30 person who is a head of a household:

31	<u>If taxable income is:</u>	<u>The tax is:</u>
32	\$0 - \$20,000	2.88% of taxable income
33	\$20,001 - \$50,000	\$576, plus 3.24% of the excess over \$20,000
34	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over \$50,000
35	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over \$100,000
36	\$300,001 and over	\$12,938, plus 5.10% of the excess over \$300,000

37 3. For taxable years beginning from and after December 31, 1998
38 through December 31, 2005:

39 (a) In the case of a single person or a married person filing
40 separately:

41	<u>If taxable income is:</u>	<u>The tax is:</u>
42	\$0 - \$10,000	2.87% of taxable income
43	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over \$10,000
44	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over \$25,000

1 \$50,001 - \$150,000 \$1,702, plus 4.72% of the excess over \$50,000
2 \$150,001 and over \$6,422, plus 5.04% of the excess over \$150,000

3 (b) In the case of a married couple filing a joint return or a single
4 person who is a head of a household:

5 If taxable income is: The tax is:
6 \$0 - \$20,000 2.87% of taxable income
7 \$20,001 - \$50,000 \$574, plus 3.20% of the excess over \$20,000
8 \$50,001 - \$100,000 \$1,534, plus 3.74% of the excess over \$50,000
9 \$100,001 - \$300,000 \$3,404, plus 4.72% of the excess over \$100,000
10 \$300,001 and over \$12,844, plus 5.04% of the excess over \$300,000

11 4. For taxable years beginning from and after December 31, 2005
12 through December 31, 2006:

13 (a) In the case of a single person or a married person filing
14 separately:

15 If taxable income is: The tax is:
16 \$0 - \$10,000 2.73% of taxable income
17 \$10,001 - \$25,000 \$273, plus 3.04% of the excess over \$10,000
18 \$25,001 - \$50,000 \$729, plus 3.55% of the excess over \$25,000
19 \$50,001 - \$150,000 \$1,617, plus 4.48% of the excess over \$50,000
20 \$150,001 and over \$6,097, plus 4.79% of the excess over \$150,000

21 (b) In the case of a married couple filing a joint return or a single
22 person who is a head of a household:

23 If taxable income is: The tax is:
24 \$0 - \$20,000 2.73% of taxable income
25 \$20,001 - \$50,000 \$546, plus 3.04% of the excess over \$20,000
26 \$50,001 - \$100,000 \$1,458, plus 3.55% of the excess over \$50,000
27 \$100,001 - \$300,000 \$3,233, plus 4.48% of the excess over \$100,000
28 \$300,001 and over \$12,193, plus 4.79% of the excess over \$300,000

29 5. For taxable years beginning from and after December 31, 2006
30 **THROUGH DECEMBER 31, 2010:**

31 (a) In the case of a single person or a married person filing
32 separately:

33 If taxable income is: The tax is:
34 \$0 - \$10,000 2.59% of taxable income
35 \$10,001 - \$25,000 \$259, plus 2.88% of the excess over \$10,000
36 \$25,001 - \$50,000 \$691, plus 3.36% of the excess over \$25,000
37 \$50,001 - \$150,000 \$1,531, plus 4.24% of the excess over \$50,000
38 \$150,001 and over \$5,771, plus 4.54% of the excess over \$150,000

39 (b) In the case of a married couple filing a joint return or a single
40 person who is a head of a household:

41 If taxable income is: The tax is:
42 \$0 - \$20,000 2.59% of taxable income
43 \$20,001 - \$50,000 \$518, plus 2.88% of the excess over \$20,000
44 \$50,001 - \$100,000 \$1,382, plus 3.36% of the excess over \$50,000

1 \$100,001 - \$300,000 \$3,062, plus 4.24% of the excess over \$100,000
2 \$300,001 and over \$11,542, plus 4.54% of the excess over \$300,000

3 6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
4 THROUGH DECEMBER 31, 2011:

5 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
6 SEPARATELY:

7 IF TAXABLE INCOME IS: THE TAX IS:
8 \$0 - \$10,000 2.53% OF TAXABLE INCOME
9 \$10,001 - \$25,000 \$253, PLUS 2.81% OF THE EXCESS OVER \$10,000
10 \$25,001 - \$50,000 \$674, PLUS 3.28% OF THE EXCESS OVER \$25,000
11 \$50,001 - \$150,000 \$1,443, PLUS 4.13% OF THE EXCESS OVER \$50,000
12 \$150,001 AND OVER \$5,627, PLUS 4.43% OF THE EXCESS OVER \$150,000

13 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
14 PERSON WHO IS A HEAD OF A HOUSEHOLD:

15 IF TAXABLE INCOME IS: THE TAX IS:
16 \$0 - \$20,000 2.53% OF TAXABLE INCOME
17 \$20,001 - \$50,000 \$505, PLUS 2.81% OF THE EXCESS OVER \$20,000
18 \$50,001 - \$100,000 \$1,347, PLUS 3.28% OF THE EXCESS OVER \$50,000
19 \$100,001 - \$300,000 \$2,985, PLUS 4.13% OF THE EXCESS OVER \$100,000
20 \$300,001 AND OVER \$11,253, PLUS 4.43% OF THE EXCESS OVER \$300,000

21 7. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011
22 THROUGH DECEMBER 31, 2012:

23 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
24 SEPARATELY:

25 IF TAXABLE INCOME IS: THE TAX IS:
26 \$0 - \$10,000 2.46% OF TAXABLE INCOME
27 \$10,001 - \$25,000 \$246, PLUS 2.74% OF THE EXCESS OVER \$10,000
28 \$25,001 - \$50,000 \$657, PLUS 3.19% OF THE EXCESS OVER \$25,000
29 \$50,001 - \$150,000 \$1,455, PLUS 4.03% OF THE EXCESS OVER \$50,000
30 \$150,001 AND OVER \$5,486, PLUS 4.32% OF THE EXCESS OVER \$150,000

31 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
32 PERSON WHO IS A HEAD OF A HOUSEHOLD:

33 IF TAXABLE INCOME IS: THE TAX IS:
34 \$0 - \$20,000 2.46% OF TAXABLE INCOME
35 \$20,001 - \$50,000 \$492, PLUS 2.74% OF THE EXCESS OVER \$20,000
36 \$50,001 - \$100,000 \$1,314, PLUS 3.19% OF THE EXCESS OVER \$50,000
37 \$100,001 - \$300,000 \$2,911, PLUS 4.03% OF THE EXCESS OVER \$100,000
38 \$300,001 AND OVER \$10,972, PLUS 4.32% OF THE EXCESS OVER \$300,000

39 8. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
40 THROUGH DECEMBER 31, 2013:

41 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
42 SEPARATELY:

43 IF TAXABLE INCOME IS: THE TAX IS:
44 \$0 - \$10,000 2.40% OF TAXABLE INCOME
45 \$10,001 - \$25,000 \$240, PLUS 2.67% OF THE EXCESS OVER \$10,000

1	\$25,001 - \$50,000	\$640, PLUS 3.11% OF THE EXCESS OVER \$25,000
2	\$50,001 - \$150,000	\$1,419, PLUS 3.93% OF THE EXCESS OVER \$50,000
3	\$150,001 AND OVER	\$5,349, PLUS 4.21% OF THE EXCESS OVER \$150,000

4 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
5 PERSON WHO IS A HEAD OF A HOUSEHOLD:

6	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
7	\$0 - \$20,000	2.40% OF TAXABLE INCOME
8	\$20,001 - \$50,000	\$480, PLUS 2.67% OF THE EXCESS OVER \$20,000
9	\$50,001 - \$100,000	\$1,281, PLUS 3.11% OF THE EXCESS OVER \$50,000
10	\$100,001 - \$300,000	\$2,838, PLUS 3.93% OF THE EXCESS OVER \$100,000
11	\$300,001 AND OVER	\$10,698, PLUS 4.21% OF THE EXCESS OVER \$300,000

12 9. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013:

13 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
14 SEPARATELY:

15	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
16	\$0 - \$10,000	2.34% OF TAXABLE INCOME
17	\$10,001 - \$25,000	\$234, PLUS 2.60% OF THE EXCESS OVER \$10,000
18	\$25,001 - \$50,000	\$624, PLUS 3.04% OF THE EXCESS OVER \$25,000
19	\$50,001 - \$150,000	\$1,384, PLUS 3.83% OF THE EXCESS OVER \$50,000
20	\$150,001 AND OVER	\$5,215, PLUS 4.10% OF THE EXCESS OVER \$150,000

21 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
22 PERSON WHO IS A HEAD OF A HOUSEHOLD:

23	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
24	\$0 - \$20,000	2.34% OF TAXABLE INCOME
25	\$20,001 - \$50,000	\$468, PLUS 2.60% OF THE EXCESS OVER \$20,000
26	\$50,001 - \$100,000	\$1,249, PLUS 3.04% OF THE EXCESS OVER \$50,000
27	\$100,001 - \$300,000	\$2,767, PLUS 3.83% OF THE EXCESS OVER \$100,000
28	\$300,001 AND OVER	\$10,430, PLUS 4.10% OF THE EXCESS OVER \$300,000

29 Sec. 28. Section 43-1074, Arizona Revised Statutes, is amended to
30 read:

31 43-1074. Credit for new jobs in enterprise zones: definitions

32 A. A credit is allowed against the taxes imposed by this title for net
33 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~
34 ~~residents of this state by a business located in an enterprise zone~~
35 ~~established under title 41, chapter 10, article 2~~ AS CERTIFIED BY THE
36 DEPARTMENT OF COMMERCE PURSUANT TO SECTION 41-1525, except employment
37 positions at a zone location where more than ten per cent of the business
38 conducted at the location consists of retail sales of tangible personal
39 property, measured by either the number of employees assigned to retail sales
40 or the square footage of the facility used for retail sales activities at the
41 location ~~in the zone~~. Retail sales and retail sales activities do not
42 include:

- 43 1. Food and beverage for consumption on the premises solely by
44 employees and occasional guests of employees at the location.

1 2. Promotional products not available for sale and displaying the
2 company logo or trademark.

3 3. Products sold to company employees.

4 B. Subject to subsection E of this section, the amount of the credit
5 is equal to:

6 1. THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN
7 ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1541, FOR THE FULL TAXABLE
8 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF
9 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

10 2. ONE THOUSAND FIVE HUNDRED DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED
11 BY ANY OTHER TAXPAYER FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT
12 POSITION IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN
13 FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

14 ~~1. One-fourth of the taxable wages paid to an employee in a qualified
15 employment position, not to exceed five hundred dollars, in the first year or
16 partial year of employment.~~

17 ~~2. One-third of the taxable wages paid to an employee in a qualified
18 employment position, not to exceed one thousand dollars per qualified
19 employment position, in the second year of continuous employment.~~

20 ~~3. One-half of the taxable wages paid to an employee in a qualified
21 employment position, not to exceed one thousand five hundred dollars per
22 qualified employment position, in the third year of continuous employment.~~

23 C. To qualify for a credit under this section:

24 1. A TAXPAYER MUST:

25 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN
26 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

27 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
28 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT
29 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

30 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed
31 must reside in this state.

32 ~~2.~~ 3. Thirty-five per cent of the employees with respect to whom a
33 credit is claimed for the first year of employment must reside on the date of
34 employment ~~in an enterprise zone that is located~~ in the same county in which
35 the business is located. If an employee for whom a credit was allowed in the
36 first year of employment leaves employment during the second or third year,
37 the taxpayer may substitute another employee who meets the requirements of
38 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
39 the original employee. ~~If the original employee was counted toward the
40 residency requirement under this paragraph, the substitute employee must also
41 have resided in a zone at the time the substitute was hired.~~

42 ~~3-~~ 4. A qualified employment position must meet all of the following
43 requirements:

44 (a) The position must be a minimum of one thousand seven hundred fifty
45 hours per year of full-time and permanent employment.

1 (b) The job duties must be performed primarily at the zone locations
2 of the business. If an eligible employee in a qualified employment position
3 is transferred or assigned to work in the taxpayer's workplace at a different
4 location ~~that is also located in an enterprise zone and qualifies as a zone~~
5 ~~location~~, it may be considered to be continuous employment if it continues to
6 meet all qualified employment position requirements.

7 (c) The employment must include health insurance coverage for the
8 employee for which the employer pays at least fifty per cent of the premium
9 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
10 at least fifty per cent of a predetermined fixed cost per employee for an
11 insurance program that is payable whether or not the employee has filed
12 claims.

13 (d) The employer must pay compensation at least equal to **ONE HUNDRED**
14 **SEVENTY-FIVE PER CENT OF** the wage offer by county as computed annually by the
15 department of economic security research administration division **OR SUCCESSOR**
16 **ADMINISTRATION**.

17 (e) The employee must have been employed for at least ninety days
18 during the first taxable year. An employee who is hired during the last
19 ninety days of the taxable year shall be considered a new employee during the
20 next taxable year. A qualified employment position that is filled during the
21 last ninety days of the taxable year is considered to be a new qualified
22 employment position for the next taxable year.

23 (f) The employee must not have been previously employed by the
24 taxpayer within twelve months before the current date of hire.

25 D. A credit is allowed for employment in the second and third year
26 only for qualified employment positions for which a credit was allowed and
27 claimed by the taxpayer on the original first and second year tax returns.
28 ~~For the purposes of this subsection, the requirement to claim the credit on~~
29 ~~the original tax return does not apply to qualified employment positions~~
30 ~~created before January 1, 2002 and certified to the department of commerce.~~

31 E. The net increase in the number of qualified employment positions is
32 the lesser of the total number of filled qualified employment positions
33 created ~~in the zone~~ during the tax year or the difference between the average
34 number of full-time employees ~~in the zone~~ in the current tax year and the
35 average number of full-time employees during the immediately preceding
36 taxable year. The net increase in the number of qualified employment
37 positions computed under this subsection shall not exceed ~~two~~ **FOUR** hundred
38 qualified employment positions per taxpayer each year.

39 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
40 43-1083.01 shall not claim a credit under this section with respect to the
41 same employment positions.

42 G. If the allowable tax credit exceeds the income taxes otherwise due
43 on the claimant's income, or if there are no state income taxes due on the
44 claimant's income, the amount of the claim not used as an offset against
45 income taxes may be carried forward as a tax credit against subsequent

1 taxable years' income tax liability, not to exceed ~~five~~ FIFTEEN taxable
2 years, ~~provided the business remains in an enterprise zone.~~

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

9 I. If a person purchases a business ~~in a zone~~ or changes ownership
10 through reorganization, stock purchase or merger, the new taxpayer may claim
11 first year credits only for one or more qualified employment positions that
12 it created and filled with an eligible employee after the purchase or
13 reorganization was complete. If a person purchases a taxpayer that had
14 qualified for first or second year credits or changes ownership through
15 reorganization, stock purchase or merger, the new taxpayer may claim the
16 second or third year credits if it meets other eligibility requirements of
17 this section. Credits for which a taxpayer qualified before the changes
18 described in this subsection are terminated and lost at the time the changes
19 are implemented.

20 J. A failure to timely report and certify to the department of
21 commerce and the department of revenue the information prescribed by section
22 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
23 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
24 under this section. The department of revenue shall require written evidence
25 of the timely report to the department of commerce.

26 ~~K. The termination of an enterprise zone does not affect the credit
27 under this section with respect to:~~

28 ~~1. Taxpayers who have employees in the second and third years of
29 employment in qualified employment positions under subsections A, B and C of
30 this section if the business remains in the location that was in the
31 enterprise zone.~~

32 ~~2. Amounts carried forward into subsequent taxable years under
33 subsection G of this section.~~

34 ~~L. K.~~ The department may adopt rules necessary for the administration
35 of this section.

36 ~~M.~~ L. For the purposes of this section:

37 1. "Assigned to retail" means working more than twenty-five per cent
38 of an employee's time in one or more retail sales activities.

39 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR
40 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR
41 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

42 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
43 an ultimate consumer.

44 ~~3.~~ 4. "Retail sales activities" means all activities persons
45 operating a retail business normally engage in, including taking orders,

1 filling orders, billing orders, receiving and processing payment and
2 shipping, stocking and delivering tangible personal property to the ultimate
3 consumer, except drop shipments by a company acting on behalf of an unrelated
4 company that has made a sale to a final consumer.

5 ~~4. "Zone location" means a single parcel or contiguous parcels of~~
6 ~~owned or leased land, the structures and personal property contained on the~~
7 ~~land or any part of the structures occupied by a taxpayer.~~

8 Sec. 29. Section 43-1111, Arizona Revised Statutes, is amended to
9 read:

10 43-1111. Tax rates for corporations

11 There shall be levied, collected and paid for each taxable year ~~upon~~ ON
12 the entire Arizona taxable income of every corporation, unless exempt under
13 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
14 taxes in an amount of ~~6.968 per cent of net income or fifty dollars,~~
15 ~~whichever is greater.~~ THE GREATER OF FIFTY DOLLARS OR:

16 1. FOR TAXABLE YEARS BEGINNING THROUGH DECEMBER 31, 2010, 6.968 PER
17 CENT OF NET INCOME.

18 2. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010
19 THROUGH DECEMBER 31, 2011, 6.476 PER CENT OF NET INCOME.

20 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011
21 THROUGH DECEMBER 31, 2012, 5.984 PER CENT OF NET INCOME.

22 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
23 THROUGH DECEMBER 31, 2013, 5.492 PER CENT OF NET INCOME.

24 5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013, FIVE
25 PER CENT OF NET INCOME.

26 Sec. 30. Section 43-1139, Arizona Revised Statutes, is amended to
27 read:

28 43-1139. Allocation of business income

29 A. Except as provided in subsection B of this section, the taxpayer
30 shall elect to apportion all business income to this state for taxable years
31 beginning from and after:

32 1. December 31, 2006 through December 31, 2007 by either:

33 (a) Multiplying the income by a fraction, the numerator of which is
34 the property factor plus the payroll factor plus two times the sales factor,
35 and the denominator of which is four.

36 (b) Multiplying the income by a fraction, the numerator of which is
37 two times the property factor plus two times the payroll factor plus six
38 times the sales factor, and the denominator of which is ten.

39 2. December 31, 2007 through December 31, 2008 by either:

40 (a) Multiplying the income by a fraction, the numerator of which is
41 the property factor plus the payroll factor plus two times the sales factor,
42 and the denominator of which is four.

43 (b) Multiplying the income by a fraction, the numerator of which is
44 one and one-half times the property factor plus one and one-half times the

1 payroll factor plus seven times the sales factor, and the denominator of
2 which is ten.

3 3. December 31, 2008 THROUGH DECEMBER 31, 2014 by either:

4 (a) Multiplying the income by a fraction, the numerator of which is
5 the property factor plus the payroll factor plus two times the sales factor,
6 and the denominator of which is four.

7 (b) Multiplying the income by a fraction, the numerator of which is
8 the property factor plus the payroll factor plus eight times the sales
9 factor, and the denominator of which is ten.

10 4. DECEMBER 31, 2014 THROUGH DECEMBER 31, 2015 BY EITHER:

11 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
12 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,
13 AND THE DENOMINATOR OF WHICH IS FOUR.

14 (b) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
15 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS EIGHTEEN TIMES THE SALES
16 FACTOR, AND THE DENOMINATOR OF WHICH IS TWENTY.

17 5. DECEMBER 31, 2015 BY EITHER:

18 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
19 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR,
20 AND THE DENOMINATOR OF WHICH IS FOUR.

21 (b) MULTIPLYING THE INCOME SOLELY BY THE SALES FACTOR.

22 B. All business income of a taxpayer engaged in air commerce shall be
23 apportioned to this state by multiplying the income by a fraction, the
24 numerator of which is the revenue aircraft miles flown within this state for
25 flights beginning or ending in this state and the denominator of which is the
26 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
27 This subsection applies to each taxpayer, including a combined group filing a
28 combined return or an affiliated group electing to file a consolidated return
29 under section 43-947, if fifty per cent or more of that taxpayer's gross
30 income is derived from air commerce. For the purposes of this subsection:

31 1. "Air commerce" means transporting persons or property for hire by
32 aircraft in interstate, intrastate or international transportation.

33 2. "Revenue aircraft miles flown" has the same meaning prescribed by
34 the United States department of transportation uniform system of accounts and
35 reports for large certificated air carriers (14 Code of Federal Regulations
36 part 241).

37 Sec. 31. Section 43-1161, Arizona Revised Statutes, is amended to
38 read:

39 43-1161. Credit for new jobs in enterprise zones; definitions

40 A. A credit is allowed against the taxes imposed by this title for net
41 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~
42 ~~residents of this state by a business located in an enterprise zone~~
43 ~~established under title 41, chapter 10, article 2~~ AS CERTIFIED BY THE
44 DEPARTMENT OF COMMERCE PURSUANT TO SECTION 41-1525, except employment
45 positions at a zone location where more than ten per cent of the business

1 conducted at the location consists of retail sales of tangible personal
2 property, measured by either the number of employees assigned to retail sales
3 or the square footage of the facility used for retail sales activities at the
4 location ~~in the zone~~. Retail sales and retail sales activities do not
5 include:

6 1. Food and beverage for consumption on the premises solely by
7 employees and occasional guests of employees at the location.

8 2. Promotional products not available for sale and displaying the
9 company logo or trademark.

10 3. Products sold to company employees.

11 B. Subject to subsection E of this section, the amount of the credit
12 is equal to:

13 1. THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN
14 ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1541, FOR THE FULL TAXABLE
15 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF
16 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

17 2. ONE THOUSAND FIVE HUNDRED DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED
18 BY ANY OTHER TAXPAYER FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT
19 POSITION IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN
20 FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

21 ~~1. One-fourth of the taxable wages paid to an employee in a qualified
22 employment position, not to exceed five hundred dollars, in the first year or
23 partial year of employment.~~

24 ~~2. One-third of the taxable wages paid to an employee in a qualified
25 employment position, not to exceed one thousand dollars per qualified
26 employment position, in the second year of continuous employment.~~

27 ~~3. One-half of the taxable wages paid to an employee in a qualified
28 employment position, not to exceed one thousand five hundred dollars per
29 qualified employment position, in the third year of continuous employment.~~

30 C. To qualify for a credit under this section:

31 1. A TAXPAYER MUST:

32 (a) RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN
33 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

34 (b) CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN
35 A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT
36 LEAST FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

37 ~~1-~~ 2. All of the employees with respect to whom a credit is claimed
38 must reside in this state.

39 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
40 credit is claimed for the first year of employment must reside on the date of
41 hire ~~in an enterprise zone that is located~~ in the same county in which the
42 business is located. If an employee for whom a credit was allowed in the
43 first year of employment leaves employment during the second or third year,
44 the taxpayer may substitute another employee who meets the requirements of
45 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as

1 the original employee. ~~If the original employee was counted toward the~~
2 ~~residency requirement under this paragraph, the substitute employee must also~~
3 ~~have resided in a zone at the time the substitute was hired.~~

4 ~~3.~~ 4. A qualified employment position must meet all of the following
5 requirements:

6 (a) The position must be a minimum of one thousand seven hundred fifty
7 hours per year of full-time and permanent employment.

8 (b) The job duties must be performed primarily at the zone locations
9 of the business. If an eligible employee in a qualified employment position
10 is transferred or assigned to work in the taxpayer's workplace at a different
11 location ~~that is also located in an enterprise zone and qualifies as a zone~~
12 ~~location~~, it may be considered to be continuous employment if it continues to
13 meet all qualified employment position requirements.

14 (c) The employment must include health insurance coverage for the
15 employee for which the employer pays at least fifty per cent of the premium
16 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
17 at least fifty per cent of a predetermined fixed cost per employee for an
18 insurance program that is payable whether or not the employee has filed
19 claims.

20 (d) The employer must pay compensation at least equal to **ONE HUNDRED**
21 **SEVENTY-FIVE PER CENT OF** the wage offer by county as computed annually by the
22 department of economic security research administration division **OR SUCCESSOR**
23 **ADMINISTRATION**.

24 (e) The employee must have been employed for at least ninety days
25 during the first taxable year. An employee who is hired during the last
26 ninety days of the taxable year shall be considered a new employee during the
27 next taxable year. A qualified employment position that is filled during the
28 last ninety days of the taxable year is considered to be a new qualified
29 employment position for the next taxable year.

30 (f) The employee must not have been previously employed by the
31 taxpayer within twelve months before the current date of hire.

32 D. A credit is allowed for employment in the second and third year
33 only for qualified employment positions for which a credit was allowed and
34 claimed by the taxpayer on the original first and second year tax returns.
35 ~~For the purposes of this subsection, the requirement to claim the credit on~~
36 ~~the original tax return does not apply to qualified employment positions~~
37 ~~created before January 1, 2002 and certified to the department of commerce.~~

38 E. The net increase in the number of qualified employment positions is
39 the lesser of the total number of filled qualified employment positions
40 created ~~in the zone~~ during the tax year or the difference between the average
41 number of full-time employees ~~in the zone~~ in the current tax year and the
42 average number of full-time employees during the immediately preceding
43 taxable year. The net increase in the number of qualified employment
44 positions computed under this subsection may not exceed ~~two~~ **FOUR** hundred
45 qualified employment positions per taxpayer each year.

1 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
2 43-1167 may not claim a credit under this section with respect to the same
3 employment positions.

4 G. If the allowable tax credit exceeds the income taxes otherwise due
5 on the claimant's income, or if there are no state income taxes due on the
6 claimant's income, the amount of the claim not used as an offset against
7 income taxes may be carried forward as a tax credit against subsequent years'
8 income tax liability for the period, not to exceed ~~five~~ FIFTEEN taxable
9 years, ~~provided the business remains in an enterprise zone.~~

10 H. Co-owners of a business, including partners in a partnership, may
11 each claim only the pro rata share of the credit allowed under this section
12 based on the ownership interest. The total of the credits allowed all such
13 owners of the business may not exceed the amount that would have been allowed
14 for a sole owner of the business.

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

26 J. A failure to timely report and certify to the department of
27 commerce and the department of revenue the information prescribed by section
28 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
29 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
30 under this section. The department of revenue shall require written evidence
31 of the timely report to the department of commerce.

32 ~~K. The termination of an enterprise zone does not affect the credit~~
33 ~~under this section with respect to:~~

34 ~~1. Taxpayers that have employees in the second and third years of~~
35 ~~employment in qualified employment positions under subsections A, B and C of~~
36 ~~this section if the business remains in the location that was in the~~
37 ~~enterprise zone.~~

38 ~~2. Amounts carried forward into subsequent taxable years under~~
39 ~~subsection G of this section.~~

40 ~~L.~~ K. The department may adopt rules necessary for the administration
41 of this section.

42 M. L. For the purposes of this section:

43 1. "Assigned to retail" means working more than twenty-five per cent
44 of an employee's time in one or more retail sales activities.

1 2. "LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF OWNED OR
2 LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND OR
3 ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

4 ~~2-~~ 3. "Retail sales" means the sale of tangible personal property to
5 an ultimate consumer.

6 ~~3-~~ 4. "Retail sales activities" means all activities persons
7 operating a retail business normally engage in, including taking orders,
8 filling orders, billing orders, receiving and processing payment and
9 shipping, stocking and delivering tangible personal property to the ultimate
10 consumer, except drop shipments by a company acting on behalf of an unrelated
11 company that has made a sale to a final consumer.

12 ~~4. "Zone location" means a single parcel or contiguous parcels of~~
13 ~~owned or leased land, the structures and personal property contained on the~~
14 ~~land or any part of the structures occupied by a taxpayer.~~

15 Sec. 32. Laws 1996, chapter 344, section 12, as amended by Laws 2001,
16 chapter 370, section 8 and Laws 2006, chapter 387, section 5, is amended to
17 read:

18 Sec. 12. Delayed repeal

19 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections
20 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from
21 and after June 30, ~~2011~~ 2016.

22 Sec. 33. Short title

23 This act shall be known as the "Arizona's Economic and Job Recovery
24 Act".

25 Sec. 34. Legislative intent

26 It is the intent of the legislature that:

27 1. This state provide appropriate incentives to support establishment
28 of basic industries that hold the promise of significant development of the
29 economy of this state.

30 2. The amount of incentives provided pursuant to this act in
31 connection with a particular business:

32 (a) Be directly related to jobs created as a result of the business
33 locating or expanding in this state.

34 (b) Not exceed the estimated net direct state benefits that will
35 accrue to the state as a result of the business locating or expanding in this
36 state.

37 3. The department of commerce and the department of revenue implement
38 the provisions of this act and exercise all powers as authorized by this act.

39 4. The incentives and benefits authorized by this act are enacted with
40 the goal of accomplishing essential public purposes.

41 5. This act not be construed to constitute a guarantee or assumption
42 by this state of any debt of an individual, company, corporation or
43 association or to authorize the credit of this state to be given, pledged or
44 loaned to any individual, company, corporation or association.

