

PROPOSED AMENDMENT

SENATE AMENDMENTS TO H.B. 2250

(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

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3 Section 15-994, Arizona Revised Statutes, is repealed from and after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;
8 definition

9 A. A tax credit is allowed against the premium tax liability incurred
10 by an insurer THAT MEETS THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS
11 DEFINED BY SECTION 41-1545, pursuant to section 20-224, 20-837, 20-1010,
12 20-1060 or 20-1097.07 for net increases in FULL-TIME EMPLOYEES HIRED IN
13 qualified employment positions ~~of residents of this state by an insurer that~~
14 ~~is located in an enterprise zone established under title 41, chapter 10,~~
15 ~~article 2~~ AS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT TO SECTION
16 41-1525. A tax credit is not allowed for the portion of the tax payable to
17 the fire fighters' relief and pension fund pursuant to section 20-224 or the
18 portion of the tax payable to the public safety personnel retirement system
19 pursuant to section 20-224.01. Subject to subsection D of this section, the
20 amount of the tax credit is equal to ~~+~~ THREE THOUSAND DOLLARS FOR EACH FULL-
21 TIME EMPLOYEE HIRED BY AN ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION
22 41-1545, FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH
23 OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED
24 EMPLOYEES IN ANY TAXABLE YEAR.

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

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

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

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

35 1. AN INSURER MUST:

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

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

4 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed
5 must reside in this state.

6 ~~2.~~ 3. Thirty-five per cent of the employees with respect to whom a
7 credit is claimed for the first year of employment must reside on the date of
8 hire ~~in an enterprise zone that is located~~ in the same county in which the
9 insurer is located. If an employee for whom a credit was allowed in the
10 first year of employment leaves employment during the second or third year,
11 the taxpayer may substitute another employee who meets the requirements of
12 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
13 the original employee. ~~If the original employee was counted toward the~~
14 ~~residency requirement under this paragraph, the substitute employee must also~~
15 ~~have resided in a zone at the time the substitute was hired.~~

16 ~~3-~~ 4. A qualified employment position must meet all of the following
17 requirements:

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

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

26 (c) The employment must include health insurance coverage for the
27 employee for which the employer pays at least fifty per cent of the premium
28 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
29 at least fifty per cent of a predetermined fixed cost per employee for an
30 insurance program that is payable whether or not the employee has filed
31 claims.

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

36 (e) The employee must have been employed for at least ninety days
37 during the first taxable year. An employee who is hired during the last
38 ninety days of the taxable year shall be considered a new employee during the
39 next taxable year. A qualified employment position that is filled during the
40 last ninety days of the taxable year is considered to be a new qualified
41 employment position for the next taxable year.

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

44 C. A credit is allowed for employment in the second and third year
45 only for qualified employment positions for which a credit was allowed in the
46 first year.

47 D. The net increase in the number of qualified employment positions is
48 the lesser of the total number of filled qualified employment positions

1 created ~~in the zone~~ during the tax year or the difference between the average
2 number of full-time employees ~~in the zone~~ in the current tax year and the
3 average number of full-time employees during the immediately preceding
4 taxable year. The net increase in the number of qualified employment
5 positions computed under this subsection may not exceed two hundred qualified
6 employment positions per taxpayer each year.

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

9 F. Pursuant to subsection A of this section, if the allowable tax
10 credit exceeds the state premium tax liability, the amount of the claim not
11 used as an offset against the state premium tax liability may be carried
12 forward as a tax credit against subsequent years' state premium tax liability
13 for the period, not to exceed ~~five~~ FIFTEEN taxable years. ~~, provided that the~~
14 ~~insurer remains in an enterprise zone.~~

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

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

29 I. A failure to timely report and certify to the department of
30 commerce the information prescribed by section 41-1525, subsection ~~B~~ C,
31 paragraphs 1, 2 and 3 and in the manner prescribed by section 41-1525,
32 subsection ~~C~~ D, disqualifies the insurer from the credit under this section.
33 The department of insurance shall require written evidence of the timely
34 report to the department of commerce.

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

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

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

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

45 ~~L. K.~~ For the purposes of this section, "insurer" means any entity
46 that is subject to premium tax liability pursuant to section 20-224, 20-837,
47 20-1010, 20-1060 or 20-1097.07.

48 Sec. 3. Section 35-701, Arizona Revised Statutes, is amended to read:

1 35-701. Definitions

2 In this chapter, unless the context otherwise requires:

3 1. "Corporation" means any corporation organized as an authority as
4 provided in this chapter.

5 2. "Designated area" means any area of this state which is either
6 designated pursuant to section 36-1479 as a slum or blighted area as defined
7 in section 36-1471, designated by regulation as a pocket of poverty or a
8 neighborhood strategy area by the United States department of housing and
9 urban development pursuant to title I of the housing and community
10 development act of 1977 (P.L. 95-128; 42 United States Code sections 5301
11 through 5320), as amended, and the department of housing and urban
12 development act (P.L. 89-174; 42 United States Code section 3535(d)) or
13 designated by the United States department of housing and urban development
14 as an empowerment or enterprise zone pursuant to the federal omnibus budget
15 reconciliation act of 1993 (P.L. 103-66; 26 United States Code section
16 1391(g)) ~~or an area certified as an enterprise zone pursuant to section~~
17 ~~41-1524, subsection B.~~

18 3. "Governing body" means:

19 (a) The board or body in which the general legislative powers of the
20 municipality or the county are vested.

21 (b) The Arizona board of regents with respect to a corporation formed
22 with the permission of the Arizona board of regents.

23 4. "Income" means gross earnings from wages, salary, commissions,
24 bonuses or tips from all jobs, net earnings from such person's or family's
25 own nonfarm business, professional practice or partnership, and net earnings
26 from such person's or family's own farm. Income includes income, other than
27 earnings, that consists of amounts received from social security or railroad
28 retirement, interest, dividends, veterans payments, pensions and other
29 regular payments, public assistance or welfare payments, including aid for
30 dependent children, old age assistance and aid to the blind or totally
31 disabled, but excluding separate payments for hospital or other medical care.

32 5. "Manufactured house" means a structure that is manufactured in a
33 factory after June 15, 1976, that is delivered to a homesite in more than one
34 section and that is placed on a permanent foundation. The dimensions of the
35 completed house shall not be less than twenty feet by forty feet, the roof
36 must be sloping, the siding and roofing must be the same as those found in
37 site-built houses and the house must be eligible for thirty year real estate
38 mortgage financing.

39 6. "Municipality" or "county" means the Arizona board of regents or
40 any incorporated city or town, including charter cities, or any county in
41 this state in which a corporation may be organized and in which it is
42 contemplated the corporation will function.

43 7. "Persons of low and moderate income" means, for the purposes of
44 financing owner-occupied single family dwelling units in areas which the
45 municipality has found, pursuant to section 36-1479, to be slum or blighted
46 areas, as defined in section 36-1471, persons and families whose income does
47 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.

43 (xiii) Research and development facilities.

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

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

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

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

4 (xviii) Facilities owned or operated by a nonprofit organization
5 described in section 501(c) of the United States internal revenue code of
6 1986.

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

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

16 9. "Property" means any land, improvements thereon, buildings and any
17 improvements thereto, machinery and equipment of any and all kinds necessary
18 to a project and any other personal properties deemed necessary in connection
19 with a project.

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

24 11. "Single family dwelling unit" includes any new, used or
25 manufactured house that meets the insuring requirements of the federal
26 housing administration, the veterans administration or any other insuring
27 entity of the United States government or any private mortgage insurance or
28 surety company that is approved by the federal home loan mortgage corporation
29 or the federal national mortgage association.

30 Sec. 4. Section 41-1276, Arizona Revised Statutes, is amended to read:

31 41-1276. Truth in taxation levy for equalization assistance to
32 school districts

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

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

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

41 B. The truth in taxation rates consist of the qualifying tax rate for
42 a high school district or a common school district within a high school
43 district that does not offer instruction in high school subjects pursuant to
44 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
45 unified district, a common school district not within a high school district
46 or a common school district within a high school district that offers
47 instruction in high school subjects pursuant to section 15-971, subsection B,
48 paragraph 2 and a state equalization assistance property tax rate pursuant to

1 section 15-994 that will offset the change in net assessed valuation of
2 property that was subject to tax in the prior year.

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

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

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

11 3. Divide the amount determined in paragraph 1 of this subsection by
12 the amount determined in paragraph 2 of this subsection.

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

17 D. Except as provided in subsections E and G of this section, the
18 qualifying tax rate for a high school district or a common school district
19 within a high school district that does not offer instruction in high school
20 subjects, the qualifying tax rate for a unified school district, a common
21 school district not within a high school district or a common school district
22 within a high school district that offers instruction in high school subjects
23 and the state equalization assistance property tax rate for the following
24 fiscal year shall be the rate determined by the joint legislative budget
25 committee pursuant to subsection C of this section. The committee shall
26 transmit the rates to the superintendent of public instruction and the county
27 boards of supervisors by March 15 each year.

28 E. If the legislature proposes either qualifying tax rates or a state
29 equalization assistance property tax rate that exceeds the truth in taxation
30 rate:

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

35 (a) The notice shall be published twice in a newspaper of general
36 circulation in this state that is published at the state capital. The first
37 publication shall be at least fourteen but not more than twenty days before
38 the date of the hearing. The second publication shall be at least seven but
39 not more than ten days before the date of the hearing.

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

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

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

Truth in Taxation Hearing

Notice of Tax Increase

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

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

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

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

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

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

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a state equalization assistance property tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

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

I. Pursuant to subsection C of this section, the qualifying tax rate in tax year 2008 for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447 is \$1.4622 and for a unified school district, a common school district not within a high school district or a

1 common school district within a high school district that offers instruction
2 in high school subjects as provided in section 15-447 is \$2.9244. The state
3 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is
4 zero. The state equalization assistance property tax rate in:

5 1. Tax ~~year~~ YEARS 2009 THROUGH 2013 shall be computed by annually
6 adjusting the tax year 2005 rate of \$0.4358 as provided by this section
7 through tax ~~year~~ YEARS 2009 THROUGH 2013, RESPECTIVELY.

8 2. TAX YEAR 2014 SHALL BE SEVENTY-FIVE PER CENT OF THE RATE COMPUTED
9 FOR TAX YEAR 2010.

10 3. TAX YEAR 2015 SHALL BE FIFTY PER CENT OF THE RATE COMPUTED FOR TAX
11 YEAR 2010.

12 4. TAX YEAR 2016 SHALL BE TWENTY-FIVE PER CENT OF THE RATE COMPUTED
13 FOR TAX YEAR 2010.

14 5. TAX YEARS FOLLOWING 2016 SHALL BE ZERO.

15 Sec. 5. Heading change

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

19 Sec. 6. Repeal

20 Sections 41-1521, 41-1522, 41-1523 and 41-1524, Arizona Revised
21 Statutes, are repealed.

22 Sec. 7. Section 41-1525, Arizona Revised Statutes, is amended to read:

23 41-1525. Tax incentives; definitions

24 A. The owner of a business or an insurer ~~located in an enterprise zone~~
25 ~~before July 1, 2011~~ THAT MEETS THE REQUIREMENTS AS AN ARIZONA BASIC
26 ENTERPRISE, AS DEFINED BY SECTION 41-1545, AND THAT FURTHER QUALIFIES UNDER
27 THIS SECTION is eligible for an income tax credit under section 43-1074 or
28 43-1161 or a premium tax credit under section 20-224.03 for net increases in
29 qualified employment positions, except employment positions at a ~~zone~~
30 location where more than ten per cent of the business conducted at the
31 location consists of retail sales of tangible personal property, measured
32 either by the number of employees assigned to retail sales or the square
33 footage of the facility used for retail sales activities at the location ~~in~~
34 ~~the zone~~. Retail sales and retail sales activities do not include:

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

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

39 3. Products sold to company employees.

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

41 1. MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED BY
42 SECTION 41-1545.

43 2. RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN
44 THIS STATE OR EXPAND ITS IN-STATE OPERATION.

45 3. CREATE AT LEAST TWENTY-FIVE NEW FULL-TIME EMPLOYMENT POSITIONS IN A
46 CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE OR AT LEAST
47 FIFTEEN NEW FULL-TIME EMPLOYMENT POSITIONS IN ANY OTHER LOCATION.

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

5 5. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES FOR WHICH
6 THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST
7 OR, IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST FIFTY PER
8 CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN INSURANCE PROGRAM THAT
9 IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED CLAIMS.

10 6. OBTAIN AND SUBMIT TO THE DEPARTMENT A RESOLUTION OF THE GOVERNING
11 BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE
12 COUNTY IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR TOWN. THE RESOLUTION
13 MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE REQUIREMENTS OF THIS
14 SECTION AND LIST ANY INCENTIVES OFFERED TO THE BUSINESS BY THE CITY, TOWN OR
15 COUNTY.

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

17 1. Certify to the department of revenue or the department of
18 insurance, as applicable, on or before the due date of the tax return,
19 including any extensions for the year for which the credit is claimed, in a
20 form prescribed by the department of revenue including electronic media,
21 information that the department of revenue may require, including the
22 ownership interests of co-owners of the business if the business is a
23 partnership, limited liability company or an S corporation, and the following
24 information for each employee in the ~~zone~~ location:

25 (a) The date of initial employment.

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

27 (c) Whether the position was full-time.

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

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

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

31 ~~(g)~~ (d) The employee's annual compensation.

32 ~~(h)~~ (e) The total cost of health insurance for the employee and the
33 cost paid by the employer.

34 ~~(i)~~ (f) If the employee had been previously employed, the last date
35 of previous employment.

36 2. Report and certify to the department of commerce the following
37 information, and provide supporting documentation, on a form and in a manner
38 approved by the department of commerce and, as specified in subsection ~~C~~ D
39 of this section, for each year in which the taxpayer earned and claimed or
40 used credits or is carrying forward amounts from previously earned and
41 claimed credits:

42 (a) The business name and mailing address and any other contact
43 information requested by the department of commerce.

44 (b) The business location ~~and the name of the zone in which the~~
45 ~~business is located.~~

46 (c) The average hourly wage and the total amount of compensation paid
47 to employees qualified for the credit and for all employees at the ~~zone~~
48 location.

1 (d) The total number of qualified employment positions and the amount
2 of income tax or premium tax credits qualified for in the tax year.

3 (e) The estimated amount of tax credits to be used in the tax year to
4 offset tax liability.

5 (f) The estimated amount of tax credits to be available for
6 carryforward in the tax year and the tax year in which the credits expire.

7 (g) The number of jobs and the amount of credits earned and claimed on
8 the prior year's income tax or insurance premium tax returns.

9 (h) The amount of credits used to offset tax liabilities on the prior
10 year's income tax or insurance premium tax return.

11 (i) The amount of credits available for carryforward as reported on
12 the prior year's tax return and the tax year the credits expire.

13 (j) Capital investment made ~~in the zone~~ AT THE LOCATION during the tax
14 year and the preceding tax year.

15 (k) That each qualified employment position meets all of the following
16 requirements:

17 (i) The position is at least one thousand seven hundred fifty hours
18 per year of full-time permanent employment.

19 (ii) All credits that are being claimed are for wages for job duties
20 performed primarily at the ~~zone~~ DESIGNATED locations of the business.

21 (iii) The employment includes health insurance coverage for the
22 employee for which the employer pays at least fifty per cent of the premium
23 or membership cost. If the taxpayer is self-insured, the employer pays at
24 least fifty per cent of a predetermined fixed cost per employee for an
25 insurance program that is payable whether or not the employee has filed
26 claims.

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

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

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

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

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

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

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

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

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

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

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

11 ~~(e)~~ (d) That all employees for whom second and third year credits are
12 claimed are in qualified employment positions for which first year credits
13 were allowed and claimed by the taxpayer on the original first and second
14 year tax returns. For the purposes of this subsection, the requirement to
15 claim the credit on the original tax return does not apply to qualified
16 employment positions created before January 1, 2002 and certified to the
17 department of commerce.

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

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

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

39 1. To the extent that the person or organization that provided the
40 information consents to the disclosure.

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

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

46 F. THE FOLLOWING PROPERTY THAT IS OWNED OR USED BY A QUALIFYING
47 BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT PURSUANT TO SECTION 41-1525.01

1 SHALL BE ASSESSED AS CLASS SIX PROPERTY AS PROVIDED BY SECTION 42-12006 OR AS
2 CLASS NINE PROPERTY AS PROVIDED BY SECTION 42-12009:

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

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

8 ~~F.~~ G. Documents filed with the department of commerce, the department
9 of insurance and the department of revenue under subsection ~~B~~ C of this
10 section shall contain either a sworn statement or certification, signed by an
11 officer of the company under penalty of perjury, that the information
12 contained is true and correct according to the best belief and knowledge of
13 the person submitting the information after a reasonable investigation of the
14 facts. If the document contains information that is materially false, the
15 taxpayer is ineligible for the tax incentives under subsection A of this
16 section and is subject to recovery of the amount of tax incentives allowed in
17 preceding taxable years based on the false information, plus penalties and
18 interest.

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

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

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

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

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

30 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
31 an ultimate consumer.

32 ~~3.~~ 4. "Retail sales activities" means all activities persons
33 operating a retail business normally engage in, including taking orders,
34 filling orders, billing orders, receiving and processing payment and
35 shipping, stocking and delivering tangible personal property to the ultimate
36 consumer, except drop shipments by a company acting on behalf of an unrelated
37 company that has made a sale to a final consumer.

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

41 Sec. 8. Section 41-1525.01, Arizona Revised Statutes, is amended to
42 read:

43 41-1525.01. Certification of business property for property tax
44 classification; definitions

45 A. Through June 30, ~~2011~~ 2016, the department of commerce shall
46 annually certify ~~small manufacturing or small commercial printing~~
47 THAT MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED BY

1 SECTION 41-1545, AND that FURTHER qualify for property tax incentives under
2 THIS section ~~41-1525, subsection E~~. To qualify under this section:

3 1. THE BUSINESS MUST MEET THE REQUIREMENTS AS AN ARIZONA BASIC
4 ENTERPRISE, AS DEFINED BY SECTION 41-1545.

5 2. THE BUSINESS MUST MEET THE REQUIREMENTS OF SECTION 41-1525,
6 SUBSECTION B.

7 ~~1.~~ 3. A ~~small manufacturing or small commercial printing~~ business
8 must meet the minimum CAPITAL investment requirements WITHIN THREE YEARS
9 AFTER FIRST BECOMING CERTIFIED AS prescribed by this paragraph. THE AMOUNT
10 OF CAPITAL INVESTMENT DETERMINES THE TAX CLASSIFICATION AND THE NUMBER OF
11 YEARS THE PROPERTY QUALIFIES FOR PROPERTY TAX INCENTIVES AS PRESCRIBED BY
12 SECTIONS 42-12006 AND 42-12009. The investments may be cumulative. A ~~small~~
13 ~~manufacturing or small commercial printing~~ business shall not include fixed
14 assets purchased from ~~an enterprise zone manufacturing or small commercial~~
15 ~~printing company~~ ANOTHER BUSINESS already certified under this section.
16 Subject to subsection E of this section, certification is effective on
17 January 1 of the valuation year, as defined in section 42-11001, following
18 completion of the required investment. QUALIFYING PROPERTY UNDER THIS
19 PARAGRAPH MAY INCLUDE PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED
20 OR UNDERGO A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30,
21 2016, NEWLY CONSTRUCTED IMPROVEMENTS TO REAL ESTATE OR NEWLY OCCUPIED
22 IMPROVEMENTS THAT WERE FORMERLY VACANT AND REAL PROPERTY THAT IS OWNED BY THE
23 QUALIFYING BUSINESS ON WHICH QUALIFYING PERSONAL PROPERTY AND IMPROVEMENTS
24 ARE LOCATED. To qualify, the ~~small manufacturing or small commercial~~
25 ~~printing~~ business must invest at least the following amount, as applicable,
26 in fixed assets ~~in the zone~~ after December 31, ~~2000~~ 2010:

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

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

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

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

39 ~~(b) In all other counties, and for cities and towns located in~~
40 ~~counties with a population of two hundred fifty thousand persons or more and~~
41 ~~that have no portion of the corporate boundaries located within twenty five~~
42 ~~air miles from the exterior corporate boundary of the largest city in the~~
43 ~~county:~~

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

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

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

3 ~~2-~~ 4. A business initially applying for certification under this
4 section must report the following with supporting documentation to the
5 department of commerce on a form and in a manner prescribed by the
6 department:

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

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

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

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

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

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

19 (g) A statement of the ownership and description of operations of the
20 ~~zone~~ business.

21 (h) Documentation of the required investment in fixed assets that
22 identifies the fixed assets and establishes the cost of the fixed assets and
23 the time of investment.

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

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

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

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

38 C. In order to be annually recertified pursuant to subsection B of
39 this section, a ~~small manufacturing or small commercial printing~~ business
40 must continue to meet all the eligibility requirements of this section and
41 must annually report the following and provide supporting documentation to
42 the department of commerce on a form and in a manner approved by the
43 department:

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

46 2. Changes in location, ownership and operations of the business in
47 the immediately preceding year.

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

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

8 E. A ~~manufacturer or commercial printer~~ BUSINESS shall submit its
9 application for initial certification or annual recertification to the
10 department not later than October 1 of each year. The department shall
11 notify the appropriate county assessors of all qualified ~~enterprise zone~~
12 properties located within their county not later than December 1 of each
13 year.

14 F. If a ~~manufacturer or commercial printer~~ BUSINESS moves from the
15 originally certified location, it loses its eligibility. The ~~manufacturer or~~
16 ~~commercial printer~~ BUSINESS may apply for certification at a new ~~zone~~
17 location for the remainder of its five years if it meets the minimum
18 investment requirements in fixed assets that were not moved from the prior
19 ~~zone~~ location, meets all other eligibility requirements of this section and
20 has not reached the five year eligibility limit.

21 G. Once a ~~manufacturer or commercial printer~~ BUSINESS establishes the
22 basis for eligibility and the department certifies the ~~manufacturer or~~
23 ~~commercial printer~~ BUSINESS, the business may change its basis of eligibility
24 during the four remaining years of potential eligibility as long as the
25 ~~manufacturer or commercial printer~~ BUSINESS meets the requirements for the
26 new basis of eligibility.

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

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

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

42 ~~K.~~ J. 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.

45 ~~L.~~ K. Documents filed with the department of commerce pursuant to
46 this section shall contain either a sworn statement or certification, signed
47 by an officer of the company under penalty of perjury, that the information
48 contained is true and correct according to the best belief and knowledge of

1 the person submitting the information after a reasonable investigation of the
2 facts. If the document contains information that is materially false, the
3 taxpayer is ineligible for the tax benefits under this section and is subject
4 to recovery of the amount of tax benefits allowed in preceding years based on
5 the false information, including penalties and interest.

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

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

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

12 ~~2. "Commercial printing" means producing printed product through a~~
13 ~~lithographic or flexographic process, from material cut to press size on the~~
14 ~~premises, transferred with pressure and finished with a process that may~~
15 ~~include scoring, folding, die cutting, gluing, stamping, embossing or~~
16 ~~packaging. Commercial printing does not include businesses regulated~~
17 ~~pursuant to section 42-5065.~~

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

21 ~~4.~~ 1. "Fixed assets" means property that is used in operating a
22 business, such as furniture, land, buildings and machinery, and that is not
23 ordinarily converted into cash after they are declared fixed assets.

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

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

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

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

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

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

3 ~~11.~~ 2. "Zone Location" has the same meaning prescribed in section
4 41-1525.

5 Sec. 9. Section 41-1526, Arizona Revised Statutes, is amended to read:
6 41-1526. Duties of department

7 The department shall administer this article and shall:

8 1. Monitor the implementation and operation of this article and
9 continually evaluate the progress made in ~~the enterprise zones~~ ATTRACTING NEW
10 BUSINESSES.

11 2. Assist an employer or prospective employer ~~in a zone~~ to obtain the
12 benefits of any incentive or inducement program authorized by law.

13 3. Submit an annual written report, evaluating the effectiveness of
14 the program and presenting any suggestions to improve the program, to the
15 governor no later than March 1 of each year.

16 4. Adopt rules as necessary to administer this article.

17 5. Provide information regarding ~~zones~~ THE BUSINESS INCENTIVES on
18 request and conduct informational and instructional seminars and training.

19 Sec. 10. Section 41-1527, Arizona Revised Statutes, is amended to
20 read:

21 41-1527. Annual reports; department of commerce; department of
22 revenue

23 A. On or before September 30 of each year the department of commerce
24 shall transmit a report to the governor, the president of the senate, the
25 speaker of the house of representatives and the chairpersons of the senate
26 finance committee and the house of representatives ways and means committee,
27 or their successor committees, and shall provide a copy of this report to the
28 secretary of state ~~and the director of the Arizona state library, archives~~
29 ~~and public records~~. The report shall contain the following information:

30 ~~1. The number, size and location of all enterprise zones established~~
31 ~~as of the end of the preceding fiscal year pursuant to this article.~~

32 ~~2.~~ 1. The business names, ~~AND~~ AND locations, number of employees and
33 amount of compensation paid to employees qualifying for income tax credits as
34 reported to the department pursuant to section 41-1525 ~~in each enterprise~~
35 ~~zone~~.

36 ~~3.~~ 2. The amount of capital investment, made during the preceding
37 fiscal year and cumulatively, ~~in each enterprise zone~~.

38 ~~4.~~ 3. The number of ~~minority owned businesses, woman owned businesses~~
39 ~~and other small manufacturing~~ businesses certified for property tax
40 incentives pursuant to section 41-1525.01 in the preceding fiscal year and
41 cumulatively, ~~in each enterprise zone~~, and for each such business:

42 (a) The name and location.

43 (b) The number of employees.

44 (c) The full cash value of the property qualifying for classification
45 as class six pursuant to section 42-12006 OR CLASS NINE PURSUANT TO SECTION
46 42-12009.

47 B. On or before September 30 of each year the department of revenue
48 shall transmit a report to the governor, the president of the senate, the

1 speaker of the house of representatives and the chairpersons of the senate
2 finance committee and the house of representatives ways and means committee,
3 or their successor committees, and shall provide a copy of this report to the
4 secretary of state ~~and the director of the Arizona state library, archives~~
5 ~~and public records~~. The report shall contain the following information:

6 1. The full cash value and assessed valuation of property classified
7 as class six pursuant to section 42-12006, paragraph 4 ~~in each enterprise~~
8 ~~zone~~ and the assessed valuation of that property if it was not classified as
9 class six.

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

13 ~~2.~~ 3. The fiscal impact on each taxing jurisdiction for the current
14 tax year of classifying property ~~in enterprise zones~~ as class six OR CLASS
15 NINE rather than in the classification in which it would otherwise be
16 classified.

17 ~~3.~~ 4. The total DOLLAR amount of income tax credits allowed for the
18 preceding taxable year pursuant to sections 43-1074 and 43-1161.

19 Sec. 11. Repeal

20 Section 41-1528, Arizona Revised Statutes, is repealed.

21 Sec. 12. Title 41, chapter 10, Arizona Revised Statutes, is amended by
22 adding articles 4.1, 5 and 5.1, to read:

23 ARTICLE 4.1. SUPPLEMENTAL JOB TRAINING

24 41-1545. Definitions

25 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

33 (b) IT IS THE NATIONAL OR REGIONAL CORPORATE HEADQUARTERS OF AN
34 ARIZONA BASIC INDUSTRY OR THE CORPORATE OR REGIONAL HEADQUARTERS OF A
35 MULTISTATE ENTERPRISE THAT IS PRIMARILY ENGAGED IN OUT-OF-STATE INDUSTRIAL
36 ACTIVITIES.

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

39 3. "ARIZONA BASIC INDUSTRY" MEANS:

40 (a) MINING.

41 (b) MANUFACTURING.

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

44 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
45 TECHNOLOGIES.

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

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

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

2 6. "EDUCATIONAL INSTITUTION" MEANS A STATE UNIVERSITY UNDER THE
3 JURISDICTION OF THE ARIZONA BOARD OF REGENTS, A COMMUNITY COLLEGE IN THIS
4 STATE, A PRIVATE POSTSECONDARY EDUCATIONAL INSTITUTION LICENSED BY THIS STATE
5 OR A VOCATIONAL POSTSECONDARY SCHOOL WITH A CAMPUS IN THIS STATE.

6 7. "EMPLOYEE" MEANS A PERSON EMPLOYED IN A NEW JOB.

7 8. "EMPLOYER" MEANS AN ARIZONA BASIC ENTERPRISE PROVIDING NEW JOBS IN
8 CONJUNCTION WITH A PROJECT, EXCEPT THAT THE FOLLOWING DO NOT QUALIFY FOR THE
9 PURPOSES OF THIS ARTICLE:

10 (a) ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY CONDUCTING A BUSINESS
11 IDENTIFIED BY ANY OF THE FOLLOWING NORTH AMERICAN INDUSTRY CLASSIFICATION
12 SYSTEM CODE GROUPS, SECTORS OR SUBSECTORS:

13 (i) INDUSTRY GROUP 7132 OR 8131.

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

15 (iii) SUBSECTOR 722.

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

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

21 9. "FULL-TIME" MEANS PERMANENT EMPLOYMENT FOR AT LEAST ONE THOUSAND
22 SEVEN HUNDRED FIFTY HOURS PER YEAR.

23 10. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE
24 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,
25 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR
26 BUSINESS FUNCTIONS.

27 11. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY THE
28 DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC
29 ENTERPRISE.

30 12. "IMPACT PROJECT" OR "PROJECT" MEANS A TRAINING ARRANGEMENT THAT IS
31 THE SUBJECT OF AN AGREEMENT AS PROVIDED BY THIS ARTICLE AND ENTERED INTO
32 BETWEEN AN EDUCATIONAL INSTITUTION AND AN EMPLOYER TO PROVIDE PROGRAM
33 SERVICES.

34 13. "NEW JOB" MEANS FULL-TIME EMPLOYMENT IN A NEW OR EXPANDING ARIZONA
35 BASIC ENTERPRISE THAT PAYS AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED
36 THIRTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE
37 DEPARTMENT OF ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR
38 ADMINISTRATION AND INCLUDES HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE
39 EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, BUT
40 NOT INCLUDING JOBS OF RECALLED WORKERS OR EXISTING JOBS THAT ARE VACANT OR
41 OTHER JOBS THAT FORMERLY EXISTED IN THE ENTERPRISE IN THIS STATE.

42 14. "PRIMARILY ENGAGED" MEANS AT LEAST ONE-HALF OF THE GROSS INCOME OF
43 THE ENTERPRISE IS DERIVED FROM THE ENGAGEMENT.

44 15. "PROGRAM COSTS" MEANS ALL NECESSARY AND INCIDENTAL COSTS OF
45 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 41-1545.01. 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.

43 B. THE DIRECTOR MAY:

44 1. MAKE DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
45 DEVELOPMENT INSTITUTIONS TO PROMOTE IMPROVEMENTS IN WORKFORCE DEVELOPMENT,
46 HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.

47 2. ON A CASE BY CASE BASIS, APPROVE PROJECT AGREEMENTS FOR THE PURPOSE
48 OF PRESERVING AND RETAINING EXISTING JOBS IN AN ARIZONA BASIC ENTERPRISE.

1 3. ADOPT ADDITIONAL RULES THAT ARE REQUIRED TO ADMINISTER THIS
2 ARTICLE.

3 C. THE DIRECTOR SHALL PROVIDE WRITTEN NOTICE OF THE APPROVAL OF EACH
4 PROJECT AND PROGRAM TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER
5 OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE COMMITTEE
6 ON COMMERCE AND ECONOMIC DEVELOPMENT AND THE HOUSE OF REPRESENTATIVES
7 COMMITTEE ON COMMERCE, OR THEIR SUCCESSOR COMMITTEES.

8 41-1545.02. Project agreements between educational institutions
9 and employers

10 A. SUBJECT TO THE DIRECTOR'S APPROVAL, AN EDUCATIONAL INSTITUTION MAY
11 ENTER INTO AN AGREEMENT TO ESTABLISH AN IMPACT PROJECT AND PROVIDE PROGRAM
12 SERVICES TO AN EMPLOYER. AS SOON AS POSSIBLE AFTER INITIAL CONTACT BETWEEN
13 THE EDUCATIONAL INSTITUTION AND EMPLOYER, THE EDUCATIONAL INSTITUTION SHALL
14 INFORM THE DIRECTOR ABOUT THE POTENTIAL PROJECT. THE DIRECTOR MAY ALSO ENTER
15 DIRECTLY INTO AGREEMENTS WITH EMPLOYERS FOR BENEFITS UNDER THIS ARTICLE.

16 B. THE DIRECTOR SHALL NOT APPROVE ANY AGREEMENT THAT PROVIDES FOR
17 PROGRAM COSTS OF A PROJECT OF MORE THAN FIFTY PER CENT OF AN AMOUNT EQUAL TO
18 THE ESTIMATED WITHHOLDING TAX APPLIED TO THE ESTIMATED AMOUNT OF GROSS WAGES
19 OF ALL NEW JOBS UNDER THE PROJECT OVER A TEN-YEAR PERIOD.

20 C. THE DIRECTOR SHALL NOT APPROVE ANY AGREEMENT WITH AN EMPLOYER THAT
21 IS RECEIVING BENEFITS UNDER THE ARIZONA QUALITY JOBS PROGRAM PURSUANT TO
22 ARTICLE 5.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION
23 IN BOTH AN IMPACT PROJECT UNDER THIS ARTICLE AND THE ARIZONA QUALITY JOBS
24 PROGRAM WOULD GENERATE, OVER THE TERM OF THE AGREEMENT, AN ECONOMIC AND
25 FISCAL IMPACT IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX
26 ALLOCATED TO BOTH PROGRAMS.

27 D. A PROJECT AGREEMENT MUST INCLUDE PROVISIONS:

28 1. REQUIRING EACH EMPLOYER PARTICIPATING IN THE AGREEMENT TO BEAR AT
29 LEAST TWENTY-FIVE PER CENT OF THE PROGRAM COSTS, INCLUDING DEFERRED COSTS.

30 2. REGARDING PAYMENT OF THE REMAINING PROGRAM COSTS, INCLUDING
31 DEFERRED COSTS, WHICH MAY BE PAID FROM ONE OR MORE OF THE FOLLOWING SOURCES:

32 (a) THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND.

33 (b) TUITION, STUDENT FEES OR SPECIAL CHARGES ASSESSED BY THE
34 EDUCATIONAL INSTITUTION TO DEFRAY ALL OR PART OF THE PROGRAM COSTS.

35 (c) GRANTS OR DONATIONS AVAILABLE FROM FEDERAL SOURCES OR OTHER PUBLIC
36 OR PRIVATE SOURCES.

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

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

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

42 E. THE AGREEMENT SHALL SPECIFY THAT IF THE EMPLOYER FAILS TO COMPLY
43 WITH THE TERMS AND CONDITIONS IN THE AGREEMENT OR FAILS TO COMPLY WITH THIS
44 ARTICLE:

45 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

47 (a) THE EMPLOYER IS NOT ENTITLED TO ANY FURTHER INCENTIVE PAYMENTS
48 UNDER SECTION 41-1545.04.

1 (b) THE EMPLOYER MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE
2 INCENTIVE PAYMENTS ALREADY PAID TO THE EMPLOYER UNDER SECTION 41-1545.04.

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

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

13 41-1545.03. Review of proposed project agreement

14 A. THE DIRECTOR SHALL REVIEW APPLICATIONS FOR PROPOSED AGREEMENTS
15 SUBMITTED BY EMPLOYERS ACCORDING TO THE STANDARDS AND GUIDELINES PRESCRIBED
16 BY THIS ARTICLE AND RULES ADOPTED PURSUANT TO THIS ARTICLE. EACH APPLICATION
17 FOR APPROVAL OF A PROPOSED AGREEMENT SHALL BE ACCOMPANIED BY INFORMATION
18 ABOUT THE NUMBER AND WAGES OF THE NEW JOBS CREATED BY THE EMPLOYER,
19 DOCUMENTATION OF EXISTING TRAINING ACTIVITIES OF THE EMPLOYER AND SUCH OTHER
20 INFORMATION AS THE DIRECTOR MAY REQUIRE.

21 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT ARE
22 THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING LEVELS
23 TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA DEVELOPMENT
24 AUTHORITY.

25 41-1545.04. Payments to employers participating in project
26 agreements

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

30 1. FOR ARIZONA BASIC ENTERPRISES THAT OWN PROPERTY QUALIFYING FOR TAX
31 CLASSIFICATION PURSUANT TO SECTION 42-12009, SUBSECTION A, PARAGRAPH 6, AN
32 AMOUNT UP TO ONE HUNDRED PER CENT OF THE STATE WITHHOLDING TAX ON
33 COMPENSATION PAID BY THE EMPLOYER WITH RESPECT TO THE NEW JOBS IN EACH
34 CALENDAR QUARTER, AS DETERMINED BY THE DIRECTOR.

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

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

40 C. TO QUALIFY FOR INCENTIVE PAYMENTS THE EMPLOYER MUST HAVE AN ANNUAL
41 GROSS PAYROLL FOR NEW JOBS OF AT LEAST TWO MILLION DOLLARS WITHIN TWELVE
42 MONTHS OF THE FIRST COMPLETE CALENDAR QUARTER AFTER THE START DATE.

43 41-1545.05. Certification of program funding rates; allocation
44 of withholding tax revenues

45 A. THE DIRECTOR SHALL DETERMINE THE AMOUNT OF MONIES TO BE CREDITED
46 TO:

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

4 2. THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER TO
5 FINANCE PROGRAM COSTS THAT ARE NOT FINANCED BY THE GREATER ARIZONA
6 DEVELOPMENT AUTHORITY.

7 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE SHALL CERTIFY THE
8 COMBINED AMOUNTS UNDER SUBSECTION A OF THIS SECTION TO THE DIRECTOR OF THE
9 DEPARTMENT OF REVENUE. EACH MONTH, THE DIRECTOR OF THE DEPARTMENT OF REVENUE
10 SHALL TRANSFER THAT AMOUNT TO THE IMPACT PROGRAM FUND FROM THE JOB RECOVERY
11 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

12 41-1545.06. Impact program fund: program repayment account;
13 program services account

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

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

21 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
22 APPROPRIATIONS.

23 B. MONIES CREDITED TO THE PROGRAM SERVICES ACCOUNT SHALL BE FOR ALL OR
24 PART OF THE PROGRAM COSTS OF PROJECTS. MONIES IN THE ACCOUNT THAT ARE NOT
25 REQUIRED FOR THOSE PURPOSES MAY BE TRANSFERRED TO THE ARIZONA OPPORTUNITY
26 FUND ESTABLISHED BY SECTION 41-1546. ALL EXPENDITURES FROM THE ACCOUNT SHALL
27 BE PURSUANT TO VOUCHERS APPROVED BY THE DIRECTOR. THE DIRECTOR SHALL REMIT
28 ALL MONIES RECEIVED UNDER THIS ARTICLE, INCLUDING FINANCIAL ASSISTANCE FROM
29 THE GREATER ARIZONA DEVELOPMENT AUTHORITY FOR THE PURPOSES OF THIS ARTICLE TO
30 THE STATE TREASURER FOR CREDIT TO THE PROGRAM SERVICES ACCOUNT.

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

38 41-1545.07. Approval of impact program activities for purposes
39 of financing with greater Arizona development
40 authority bonds

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

44 41-1545.08. Annual report of impact program activities

45 THE DIRECTOR SHALL ANNUALLY REPORT ON ACTIVITIES UNDER THIS ARTICLE.
46 EACH REPORT MUST CONTAIN INFORMATION REGARDING THE NUMBER AND CHARACTERISTICS
47 OF THE NEW JOBS CREATED IN THE STATE FOR WHICH PROJECTS HAVE BEEN FINANCED
48 UNDER THIS ARTICLE INCLUDING A REPORT ON ANY SUCH NEW JOBS THAT DO NOT

1 CONTINUE TO EXIST AND THE CIRCUMSTANCES AND EFFECT OF ANY SUCH
2 DISCONTINUANCES. THE DIRECTOR SHALL SUBMIT COPIES OF THE REPORT TO THE
3 GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
4 REPRESENTATIVES, THE CHAIRPERSONS OF THE SENATE COMMITTEE ON COMMERCE AND
5 ECONOMIC DEVELOPMENT AND THE HOUSE OF REPRESENTATIVES COMMITTEE ON COMMERCE,
6 OR THEIR SUCCESSOR COMMITTEES AND THE SECRETARY OF STATE AND POST A PUBLIC
7 COPY OF THE REPORT ON THE DEPARTMENT'S OFFICIAL WEBSITE.

8 41-1545.09. Prohibiting impact program classes or training for
9 purposes of state assistance to educational
10 institutions

11 NO STATE MONIES APPROPRIATED FOR ASSISTANCE TO EDUCATIONAL
12 INSTITUTIONS, INCLUDING ASSISTANCE BASED IN WHOLE OR IN PART ON ENROLLMENT,
13 MAY BE BASED ON ANY COURSE, SUBJECT OR CLASS OF INSTRUCTION OR TRAINING THAT
14 IS THE SUBJECT OF AN AGREEMENT OR A PROJECT UNDER THIS ARTICLE. NO SUCH
15 COURSE, SUBJECT, CLASS OR TRAINING OR THE PARTICIPATING STUDENTS MAY BE
16 COUNTED IN DETERMINING THE AMOUNT OF TUITION TO BE CHARGED BY AN EDUCATIONAL
17 INSTITUTION.

18 41-1545.10. Program termination

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

21 ARTICLE 5. ARIZONA OPPORTUNITY FUND

22 41-1546. Arizona opportunity fund

23 A. THE ARIZONA OPPORTUNITY FUND IS ESTABLISHED AS A DEDICATED ACCOUNT
24 IN THE STATE GENERAL FUND.

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

26 1. AMOUNTS APPROPRIATED BY THE LEGISLATURE TO THE FUND FOR THE
27 PURPOSES OF THIS ARTICLE.

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

29 3. GIFTS, GRANTS AND OTHER DONATIONS RECEIVED FOR THE PURPOSES OF THIS
30 ARTICLE.

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

33 5. FIFTY PER CENT OF WITHHOLDING TAX REVENUES DERIVED FROM NEW JOBS
34 CREATED FROM PARTICIPATION IN THE SUPPLEMENTAL JOB TRAINING PROGRAM UNDER
35 ARTICLE 4.1 OF THIS CHAPTER AND THE ARIZONA QUALITY JOBS PROGRAM UNDER
36 ARTICLE 5.1 OF THIS CHAPTER.

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

41 D. MONIES IN THE FUND ARE:

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

43 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
44 APPROPRIATIONS.

45 41-1546.01. Grants from the Arizona opportunity fund;
46 eligibility; grant agreements; economic and
47 fiscal impact statement

1 A. THE GOVERNOR AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY
2 NEGOTIATE ON BEHALF OF THIS STATE REGARDING AWARDING, BY GRANT, MONIES FROM
3 THE ARIZONA OPPORTUNITY FUND FOR THE PURPOSES OF ATTRACTING ARIZONA BASIC
4 ENTERPRISES, AS DEFINED IN SECTION 41-1545, ECONOMIC DEVELOPMENT,
5 INFRASTRUCTURE DEVELOPMENT AND COMMUNITY DEVELOPMENT. MONIES SHALL NOT BE
6 AWARDED FROM THE ARIZONA OPPORTUNITY FUND EXCEPT FOR THE SOLE PURPOSE OF
7 COMPETING FOR ECONOMIC DEVELOPMENT PROSPECTS THAT HAVE SIMILAR RECRUITMENT
8 OFFERS FROM OTHER STATES.

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

11 1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE
12 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY
13 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS
14 PERTAINING TO ENTITIES OR OTHER ORGANIZATION FORMED UNDER THE LAWS OF THAT
15 STATE.

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

17 3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION 41-
18 1545.

19 4. PAY AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED EIGHTY-FIVE PER
20 CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF
21 ECONOMIC SECURITY RESEARCH ADMINISTRATION DIVISION OR SUCCESSOR
22 ADMINISTRATION.

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

25 6. DEMONSTRATE BY INDEPENDENT ANALYSES THAT ESTIMATED INCOME, PROPERTY
26 AND TRANSACTION PRIVILEGE TAX AND GOVERNMENT FEE REVENUES IN THIS STATE WILL
27 EXCEED STATE TAX CREDIT AND INCENTIVES BY A PAYBACK RATIO OF AT LEAST FOUR TO
28 ONE OVER A TEN-YEAR PERIOD.

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

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

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

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

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

42 (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT
43 FOR NONCOMPLIANCE.

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

46 (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN
47 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE
48 IMPROVEMENT.

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

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

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

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

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

14 1. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
15 REPRESENTATIVES.

16 2. THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR ITS REVIEW AND
17 EVALUATION.

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

20 1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH
21 GRANT AGREEMENT.

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

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

29 1. FOR THE PERIOD COVERED BY THE GRANT:

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

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

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

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

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

42 41-1546.02. Annual report by grant recipient

43 ON OR BEFORE DECEMBER 31 OF EACH YEAR, EACH ENTITY THAT RECEIVES A
44 GRANT UNDER THIS ARTICLE SHALL SUBMIT TO THE GOVERNOR, THE PRESIDENT OF THE
45 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES A PROGRESS REPORT
46 CONTAINING THE INFORMATION COMPILED DURING THE PRECEDING CALENDAR YEAR
47 REGARDING THE ATTAINMENT OF EACH OF THE PERFORMANCE TARGETS IN THE GRANT
48 AGREEMENT.

1 41-1546.03. Report on use of monies in the Arizona opportunity
2 fund

3 A. BEFORE THE BEGINNING OF EACH REGULAR SESSION OF THE LEGISLATURE,
4 THE GOVERNOR SHALL SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF
5 THE HOUSE OF REPRESENTATIVES A REPORT ON GRANTS MADE FROM THE ARIZONA
6 OPPORTUNITY FUND UNDER THIS ARTICLE. THE GOVERNOR SHALL PROVIDE A COPY OF
7 THE REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL INCLUDE:

8 1. THE NUMBER OF DIRECT JOBS EACH RECIPIENT COMMITTED TO CREATE IN
9 THIS STATE.

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

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

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

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

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

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

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

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

23 B. THE REPORT SHALL NOT INCLUDE INFORMATION THAT IS MADE CONFIDENTIAL
24 BY LAW.

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

27 41-1546.04. Program termination

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

30 ARTICLE 5.1. ARIZONA QUALITY JOBS

31 41-1547. Definitions

32 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

35 3. "FULL-TIME" MEANS PERMANENT EMPLOYMENT FOR AT LEAST ONE THOUSAND
36 SEVEN HUNDRED FIFTY HOURS PER YEAR.

37 4. "NEW EMPLOYEE" MEANS A PERSON WHO IS NEWLY EMPLOYED ON A REGULAR
38 FULL-TIME BASIS BY A QUALIFIED COMPANY IN THE COMPANY'S BUSINESS OPERATING IN
39 THIS STATE DURING THE TAXABLE YEAR FOR WHICH BENEFITS ARE SOUGHT UNDER THIS
40 ARTICLE.

41 5. "QUALIFIED COMPANY" MEANS ANY CORPORATION, PARTNERSHIP OR OTHER
42 ENTITY, ORGANIZED FOR PROFIT, THAT IS PRIMARILY ENGAGED IN ONE OR MORE OF THE
43 ARIZONA BASIC INDUSTRIES, AS DEFINED BY SECTION 41-1545, AND THAT MEETS THE
44 REQUIREMENTS PRESCRIBED BY SECTION 41-1547.01. EXCEPT AS PROVIDED BY SECTION
45 41-1547.01, SUBSECTION A, PARAGRAPH 2, QUALIFIED COMPANY DOES NOT INCLUDE:

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

- 1 (i) INDUSTRY GROUP 7132 OR 8131.
- 2 (ii) SECTOR 44, 45, 61, 92 OR 221, INCLUDING WATER AND SEWER SERVICES.
- 3 (iii) SUBSECTOR 722.

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

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

9 41-1547.01. Employment requirements in this state; application
10 for benefits

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

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

17 2. A QUALIFIED COMPANY MUST EXPAND AN EXISTING BUSINESS FACILITY,
18 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED IN THIS STATE. NOTWITHSTANDING
19 SECTION 41-1547, PARAGRAPH 4, SUBDIVISION (a), A COMPANY MAY BE CONSIDERED TO
20 BE A QUALIFIED COMPANY IF ITS HEADQUARTERS OR ADMINISTRATIVE OFFICES LOCATED
21 IN THIS STATE SERVE AN INTERNATIONAL OR MULTISTATE TERRITORY AND THE COMPANY
22 OTHERWISE MEETS THE REQUIREMENTS OF THIS ARTICLE.

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

24 1. A QUALIFIED COMPANY MUST HIRE NEW EMPLOYEES IN POSITIONS WITH A
25 PAYROLL OF AT LEAST TWO MILLION DOLLARS WITHIN SIX MONTHS AFTER THE DATE THE
26 COMPANY ENTERS INTO AN AGREEMENT WITH THE DIRECTOR PURSUANT TO SECTION 41-
27 1547.02.

28 2. THE NEW FULL-TIME EMPLOYMENT POSITIONS AT THE FACILITY MUST PAY A
29 WAGE THAT EQUALS OR EXCEEDS THE SCALE PRESCRIBED FOR BENEFITS BY SUBSECTION C
30 OF THIS SECTION.

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

36 C. A QUALIFIED COMPANY THAT IS ELIGIBLE FOR BENEFITS UNDER SUBSECTION
37 B OF THIS SECTION IS ELIGIBLE FOR BENEFIT PAYMENTS IN THE AMOUNT OF FIFTY PER
38 CENT OF THE COMPANY'S WITHHOLDING TAXES OF THOSE NEW EMPLOYEES FOR A PERIOD
39 OF:

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

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

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

5 41-1547.02. Application and agreement for benefits; Arizona
6 quality jobs fund

7 A. A QUALIFIED COMPANY THAT MEETS THE REQUIREMENTS PRESCRIBED BY
8 SECTION 41-1547.01 MAY APPLY TO THE DIRECTOR FOR BENEFITS UNDER THIS ARTICLE.
9 A QUALIFIED COMPANY THAT IS ALREADY RECEIVING BENEFITS UNDER THIS ARTICLE MAY
10 APPLY TO THE DIRECTOR FOR ADDITIONAL BENEFITS IF THE COMPANY MEETS THE
11 REQUIREMENTS PRESCRIBED BY SECTION 41-1547.01. THE AMOUNT OF BENEFIT
12 PAYMENTS IS EQUAL TO FIFTY PER CENT OF THE STATE WITHHOLDING TAX ON
13 COMPENSATION PAID BY THE QUALIFIED COMPANY WITH RESPECT TO THE NEW EMPLOYEES
14 IN EACH CALENDAR QUARTER.

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

17 C. TO QUALIFY FOR BENEFITS UNDER THIS ARTICLE THE QUALIFIED COMPANY
18 MUST HAVE AN ANNUAL GROSS PAYROLL FOR NEW EMPLOYEES OF AT LEAST TWO MILLION
19 DOLLARS WITHIN TWELVE MONTHS OF THE FIRST COMPLETE CALENDAR QUARTER AFTER THE
20 START DATE.

21 D. THE DIRECTOR SHALL EITHER APPROVE OR DISAPPROVE THE APPLICATION. A
22 QUALIFIED COMPANY WHOSE APPLICATION IS APPROVED IS ELIGIBLE FOR BENEFITS
23 UNDER THIS ARTICLE AS OF THE DATE THE QUALIFIED COMPANY ENTERS INTO AN
24 AGREEMENT WITH THE DIRECTOR PURSUANT TO THIS SECTION.

25 E. ON APPROVING AN APPLICATION, THE DIRECTOR MAY ENTER INTO AN
26 AGREEMENT WITH THE QUALIFIED COMPANY FOR PAYMENT OF BENEFITS UNDER THIS
27 ARTICLE FROM THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY THIS SECTION. THE
28 AGREEMENT SHALL COMMIT THE DIRECTOR OF THE DEPARTMENT OF COMMERCE TO CERTIFY
29 TO THE DIRECTOR OF THE DEPARTMENT OF REVENUE:

30 1. THAT THE QUALIFIED COMPANY IS ELIGIBLE TO RECEIVE BENEFITS UNDER
31 THIS ARTICLE.

32 2. THE NUMBER OF NEW EMPLOYEES HIRED BY THE QUALIFIED COMPANY.

33 3. THE AMOUNT OF GROSS WAGES BEING PAID TO EACH NEW EMPLOYEE.

34 F. THE AGREEMENT MUST BE ENTERED INTO BEFORE ANY BENEFITS MAY BE
35 PROVIDED UNDER THIS ARTICLE. THE AGREEMENT SHALL SPECIFY THAT IF THE
36 QUALIFIED COMPANY FAILS TO COMPLY WITH THE TERMS AND CONDITIONS IN THE
37 AGREEMENT OR FAILS TO COMPLY WITH THIS ARTICLE:

38 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

40 (a) THE COMPANY IS NOT ENTITLED TO ANY FURTHER BENEFITS UNDER THIS
41 ARTICLE.

42 (b) THE COMPANY MUST REMIT TO THIS STATE AN AMOUNT EQUAL TO THE
43 BENEFITS PAID TO THE COMPANY UNDER THIS ARTICLE.

44 G. THE ARIZONA QUALITY JOBS FUND IS ESTABLISHED CONSISTING OF MONIES
45 PAID TO THE FUND EACH MONTH FROM THE JOB RECOVERY WITHHOLDINGS CLEARING FUND
46 PURSUANT TO SECTION 43-409. MONIES IN THE FUND ARE:

47 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS
48 UNDER THIS ARTICLE.

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

3 H. THE DIRECTOR SHALL NOT APPROVE THE APPLICATION OF A QUALIFIED
4 COMPANY THAT IS A PARTY TO AN IMPACT PROJECT AGREEMENT PURSUANT TO ARTICLE
5 4.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION IN BOTH
6 THE IMPACT PROJECT AND THE ARIZONA QUALITY JOBS PROGRAM WOULD GENERATE, OVER
7 THE PERIOD OF THE BENEFITS UNDER THIS ARTICLE, AN ECONOMIC AND FISCAL IMPACT
8 IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX ALLOCATED TO BOTH
9 PROGRAMS.

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

13 41-1547.03. Withholding tax report to department of revenue

14 A QUALIFYING COMPANY THAT RECEIVES BENEFITS UNDER THIS ARTICLE MUST
15 COMPLETE AND SUBMIT TO THE DEPARTMENT OF REVENUE A MONTHLY REPORT OF THE
16 AMOUNT OF WITHHOLDING TAX PAID WITH RESPECT TO EACH NEW EMPLOYEE PURSUANT TO
17 THIS ARTICLE. THE REPORT SHALL BE SUBMITTED ON A FORM, IN A MANNER AND
18 ACCORDING TO A SCHEDULE PRESCRIBED BY THE DEPARTMENT OF REVENUE.

19 41-1547.04. Annual review of qualified company activities

20 A. THE DIRECTOR SHALL CONDUCT AN ANNUAL REVIEW OF THE ACTIVITIES
21 UNDERTAKEN BY EACH QUALIFIED COMPANY PURSUANT TO THIS ARTICLE TO ENSURE THAT
22 THE COMPANY IS IN COMPLIANCE WITH THIS ARTICLE AND RULES ADOPTED PURSUANT TO
23 THIS ARTICLE AND THE BENEFIT AGREEMENT UNDER SECTION 41-1547.02. THE
24 QUALIFIED COMPANY MUST MAKE AVAILABLE FOR INSPECTION BY THE DIRECTOR, OR THE
25 DIRECTOR'S AGENT, ITS BOOKS AND RECORDS CONCERNING EMPLOYMENT, WAGES AND
26 WITHHOLDING TAXES OF ANY EMPLOYEES FOR WHICH THE COMPANY OR THIRD PARTY HAS
27 PAID WITHHOLDING TAXES.

28 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE
29 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY OR THIRD PARTY FOR
30 PURPOSES OF COMPLIANCE WITH THIS ARTICLE.

31 41-1547.05. Annual report

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

- 35 1. THE NAMES OF QUALIFIED COMPANIES.
- 36 2. THE TYPES OF QUALIFIED COMPANIES USING THIS ARTICLE.
- 37 3. THE LOCATION OF QUALIFIED COMPANIES AND THE LOCATION OF THE
38 BUSINESS OPERATIONS IN THIS STATE.
- 39 4. THE NUMBER OF NEW EMPLOYEES HIRED.
- 40 5. THE WAGES PAID FOR THE NEW EMPLOYEES.
- 41 6. THE ANNUAL AMOUNT OF BENEFITS PROVIDED UNDER THIS ARTICLE.
- 42 7. THE ESTIMATED NET STATE FISCAL IMPACT, INCLUDING THE DIRECT AND
43 INDIRECT NEW STATE TAXES DERIVED FROM THE NEW EMPLOYEES.
- 44 8. AN ESTIMATE OF THE MULTIPLIER EFFECT ON THE ECONOMY OF THIS STATE
45 FROM THE BENEFITS RECEIVED UNDER THIS ARTICLE.

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

- 47 1. THE GOVERNOR.

1 2. THE CHAIRPERSONS OF THE SENATE COMMITTEES ON COMMERCE AND ECONOMIC
2 DEVELOPMENT AND FINANCE, OR THEIR SUCCESSOR COMMITTEES.

3 3. THE CHAIRPERSONS OF THE HOUSE OF REPRESENTATIVES COMMITTEES ON
4 COMMERCE AND WAYS AND MEANS, OR THEIR SUCCESSOR COMMITTEES.

5 4. THE SECRETARY OF STATE.

6 41-1547.06. Program termination

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

9 Sec. 13. Section 41-1554.01, Arizona Revised Statutes, is amended to
10 read:

11 41-1554.01. Greater Arizona development authority; board;
12 staff; conflict of interest prohibited;
13 violation; classification

14 A. The greater Arizona development authority is established. The
15 authority shall be governed by a board of directors consisting of the
16 following members:

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

19 2. The director of the department of environmental quality or the
20 director's designee.

21 3. The director of the department of transportation or the director's
22 designee.

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

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

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

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

32 D. Members of the board are public officers for purposes of title 38,
33 chapter 3, article 8 and the authority is a public body for purposes of title
34 38, chapter 3, article 3.1. **THE DIRECTOR OF THE DEPARTMENT OF COMMERCE OR**
35 **THE DIRECTOR'S DESIGNEE SHALL NOT PARTICIPATE IN ANY CONSIDERATION OR VOTE ON**
36 **FINANCIAL ASSISTANCE FOR IMPACT PROGRAMS PURSUANT TO ARTICLE 4.1 OF THIS**
37 **CHAPTER.**

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

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

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

46 H. Members of the board shall not participate in any direct
47 discussions or actions related to any project financed under this article in
48 which the member has any direct or indirect personal financial interest. For

1 purposes of this subsection, a member of the board who is an employee or
2 official of a participant in or applicant for a loan shall not be considered
3 to have a direct or indirect personal financial interest in a project by
4 virtue of the member's services alone. A violation of this subsection is a
5 class 1 misdemeanor.

6 Sec. 14. Section 41-1554.02, Arizona Revised Statutes, is amended to
7 read:

8 41-1554.02. Powers and duties of authority

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

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

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

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

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

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

27 5. PROVIDE FINANCING FOR IMPACT PROGRAMS FOR SUPPLEMENTAL JOB TRAINING
28 PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER.

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

32 ~~6-~~ 7. Hire professional assistance as needed to carry out this
33 article.

34 C. The board shall:

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

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

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

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

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

1 Sec. 15. Section 41-1554.03, Arizona Revised Statutes, is amended to
2 read:

3 41-1554.03. Greater Arizona development authority revolving
4 fund

5 A. The greater Arizona development authority revolving fund is
6 established consisting of:

7 1. Monies appropriated by the legislature.

8 2. Monies received from the United States government to carry out
9 this article.

10 3. Monies received from political subdivisions, Indian tribes,
11 tribal subdivisions and special districts as loan repayments, technical
12 assistance repayments, interest, administrative fees and penalties.

13 4. **MONIES RECEIVED FROM THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT**
14 **PROGRAM FUND PURSUANT TO SECTION 41-1545.05.**

15 ~~4.~~ 5. Interest and other income received from investing monies in
16 the fund.

17 ~~5.~~ 6. Gifts, grants and donations received from any public or
18 private source to carry out this article.

19 ~~6.~~ 7. Any other monies received by the authority.

20 B. The board shall administer the fund in compliance with the
21 requirements of this article. The board shall separately account for
22 monies received from each source listed in subsection A of this
23 section. Monies received pursuant to subsection A, paragraph 1 of this
24 section shall not be used for any purpose except securing bonds issued by
25 the authority and providing assistance under technical assistance repayment
26 agreements if the amount used for providing this assistance is not more
27 than eight hundred thousand dollars. This subsection does not limit the
28 power of the authority to pledge other monies in the fund to secure bonds
29 issued by the authority or to provide assistance under technical assistance
30 repayment agreements.

31 C. The board may establish accounts and subaccounts as necessary to
32 properly account for and use monies received by the authority.

33 D. Monies in the fund may be used for securing bonds of the
34 authority.

35 E. Monies in the fund received pursuant to subsection A, paragraphs
36 2, 3, 4, 5, ~~and~~ 6 **AND** 7 of this section may be used for:

37 1. Providing technical assistance to political subdivisions, special
38 districts, Indian tribes and tribal subdivisions.

39 2. Providing financial assistance to political subdivisions, special
40 districts and Indian tribes.

41 3. **PROVIDING FINANCING FOR IMPACT PROGRAMS FOR SUPPLEMENTAL JOB**
42 **TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER.**

43 ~~3.~~ 4. Paying the compensation and employment related expenses
44 associated with the employees hired pursuant to section 41-1554.01,
45 subsection G.

46 ~~4.~~ 5. Paying the costs to operate the authority, to administer the
47 fund and to carry out the requirements of this article.

1 ~~5-~~ 6. Paying the costs of professional assistance hired by the
2 authority pursuant to section 41-1554.02, subsection B, paragraph ~~6-~~ 7.

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

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

16 Sec. 16. Section 41-1554.06, Arizona Revised Statutes, is amended to
17 read:

18 41-1554.06. Financial assistance

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

23 1. Loans as provided in this section.

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

26 B. THE AUTHORITY MAY PROVIDE LOAN FINANCING FOR IMPACT PROGRAMS FOR
27 SUPPLEMENTAL JOB TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER. ANY
28 FINANCING AGREEMENT MUST INCLUDE A LEGALLY BINDING ACKNOWLEDGEMENT THAT ALL
29 REPAYMENT OBLIGATIONS ARE FROM MONIES IN THE PROGRAM REPAYMENT ACCOUNT OF THE
30 IMPACT PROGRAM FUND UNDER SECTION 41-1545.06, SUBSECTION C AND ARE NOT
31 GENERAL OR SPECIAL OBLIGATIONS OF THE STATE GENERAL FUND.

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

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

38 ~~D-~~ E. A loan under this section:

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

41 2. Shall require that interest payments begin not later than the next
42 date that either principal or interest must be paid by the authority to
43 holders of any of the authority's bonds that provided funding for the loan.
44 The authority may provide that loan interest accruing during construction of
45 the borrower's infrastructure project and up to one year after completion of
46 the construction be capitalized in the loan.

47 3. Shall be repayable in at least annual principal installments and at
48 least semiannual interest installments.

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

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

9 6. Shall be either:

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

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

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

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

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

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

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

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

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

46 ~~L.~~ M. If a political subdivision fails to make any payment due to the
47 authority under its loan repayment agreement or bonds, the authority shall
48 certify to the state treasurer and notify the governing body of the

1 defaulting political subdivision that the political subdivision has failed to
2 make the required payment and direct a withholding of state shared revenues
3 as provided in subsection ~~M~~- N of this section. The certificate of default
4 shall be in the form determined by the authority, provided the certificate
5 specifies the amount required to satisfy the unpaid payment obligation of the
6 political subdivision.

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

24 Sec. 17. Section 42-1116, Arizona Revised Statutes, is amended to
25 read:

26 42-1116. Disposition of tax revenues

27 A. The department shall promptly deposit, pursuant to sections 35-146
28 and 35-147, all monies it collects from the taxes administered pursuant to
29 this article except the telecommunication services excise tax, separately
30 accounting for each type of tax and each tax classification within each type
31 of tax. At the same time the department of revenue shall also furnish copies
32 of the transmittal schedules to the director of the department of
33 administration.

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

37 1. Amounts sufficient to meet the requirements for tax refunds to the
38 tax refund account established in section 42-1117.

39 2. Amounts sufficient to meet the requirements of urban revenue
40 sharing to the urban revenue sharing fund established in section 43-206.

41 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of this
42 title and section 42-5352, subsection A to the transaction privilege and
43 severance tax clearing account established by section 42-5029.

44 4. Through June 30, 2010 amounts sufficient to meet the requirements
45 of section 42-3104 to the corrections fund.

46 5. Amounts sufficient to meet the requirements of section 49-282,
47 subsection B relating to the water quality assurance revolving fund.

1 6. AMOUNTS COLLECTED AS WITHHOLDING TAX SUFFICIENT TO MEET THE
2 REQUIREMENTS OF TITLE 41, CHAPTER 10, ARTICLES 4 AND 5.1 TO THE JOB RECOVERY
3 WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

4 ~~6.~~ 7. All remaining monies to the state general fund.

5 C. From the monies and remittances received under this section, each
6 month beginning July, 2001 the state treasurer shall transmit to the tourism
7 and sports authority, established by title 5, chapter 8, for deposit in its
8 facility revenue clearing account established by section 5-834 one-twelfth of
9 the amount reported by the department pursuant to section 43-209.

10 Sec. 18. Section 42-2003, Arizona Revised Statutes, is amended to
11 read:

12 42-2003. Authorized disclosure of confidential information

13 A. Confidential information relating to:

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

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

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

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

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

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

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

39 B. Confidential information may be disclosed to:

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

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

46 3. The department of liquor licenses and control for its use in
47 determining whether a spirituous liquor licensee has paid all transaction
48 privilege taxes and affiliated excise taxes incurred as a result of the sale

1 of spirituous liquor, as defined in section 4-101, at the licensed
2 establishment and imposed on the licensed establishments by this state and
3 its political subdivisions.

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

10 5. The following agencies, officials and organizations, if they grant
11 substantially similar privileges to the department for the type of
12 information being sought, pursuant to statute and a written agreement between
13 the department and the foreign country, agency, state, Indian tribe or
14 organization:

15 (a) The United States internal revenue service, alcohol and tobacco
16 tax and trade bureau of the United States treasury, United States bureau of
17 alcohol, tobacco, firearms and explosives of the United States department of
18 justice, United States drug enforcement agency and federal bureau of
19 investigation.

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

21 (c) An organization of states, federation of tax administrators or
22 multistate tax commission that operates an information exchange for tax
23 administration purposes.

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

27 (e) An agency, official or organization of an Indian tribal government
28 with responsibilities comparable to the responsibilities of the agencies,
29 officials or organizations identified in subdivision (a), (b) or (c) of this
30 paragraph.

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

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

35 (a) The processing, storage, transmission, destruction and
36 reproduction of the information.

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

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

42 (a) Regarding income tax, withholding tax or estate tax.

43 (b) On any tax issue relating to information associated with the
44 reporting of income tax, withholding tax or estate tax.

45 9. The United States treasury inspector general for tax administration
46 for the purpose of reporting a violation of internal revenue code section
47 7213A (26 United States Code section 7213A), unauthorized inspection of
48 returns or return information.

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

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

6 12. The department of commerce for its use in:

7 (a) Qualifying motion picture production companies for the tax
8 incentives provided for motion picture production under chapter 5 of this
9 title and sections 43-1075 and 43-1163.

10 (b) Qualifying applicants for the motion picture infrastructure
11 project tax credits under sections 43-1075.01 and 43-1163.01.

12 (c) Qualifying renewable energy operations for the tax incentives
13 under sections 42-12006, 43-1083.01 and 43-1164.01.

14 (d) Fulfilling its annual reporting responsibility pursuant to section
15 41-1511, subsections T and U and section 41-1517, subsections S and T.

16 (e) **ADMINISTERING THE BENEFITS UNDER TITLE 41, CHAPTER 10, ARTICLES 4,**
17 **5 AND 5.1 THAT ARE BASED ON WITHHOLDING TAX REVENUES.**

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

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

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

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

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

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

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

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

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

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

40 E. The department, upon the request of any person, shall provide the
41 names and addresses of bingo licensees as defined in section 5-401, verify
42 whether or not a person has a privilege license and number, a distributor's
43 license and number or a withholding license and number or disclose the
44 information to be posted on the department's ~~web-site~~ **WEBSITE** or otherwise
45 publicly accessible pursuant to section 42-1124, subsection F and section
46 42-3201, subsection A.

47 F. A department employee, in connection with the official duties
48 relating to any audit, collection activity or civil or criminal

1 investigation, may disclose return information to the extent that disclosure
2 is necessary to obtain information which is not otherwise reasonably
3 available. These official duties include the correct determination of and
4 liability for tax, the amount to be collected or the enforcement of other
5 state tax revenue laws.

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

12 H. Confidential information relating to transaction privilege tax, use
13 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may
14 be disclosed to any county, city or town tax official if the information
15 relates to a taxpayer who is or may be taxable by the county, city or town.
16 Any taxpayer information released by the department to the county, city or
17 town:

18 1. May only be used for internal purposes.

19 2. May not be disclosed to the public in any manner that does not
20 comply with confidentiality standards established by the department. The
21 county, city or town shall agree in writing with the department that any
22 release of confidential information that violates the confidentiality
23 standards adopted by the department will result in the immediate suspension
24 of any rights of the county, city or town to receive taxpayer information
25 under this subsection.

26 I. The department may disclose statistical information gathered from
27 confidential information if it does not disclose confidential information
28 attributable to any one taxpayer. In order to comply with the requirements
29 of section 42-5029, subsection A, paragraph 3, the department may disclose to
30 the state treasurer statistical information gathered from confidential
31 information, even if it discloses confidential information attributable to a
32 taxpayer.

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

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

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

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

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

6 O. This section does not prohibit the disclosure by the department of
7 any information or documents submitted to the department by a bingo licensee.
8 Before disclosing the information the department shall obtain the name and
9 address of the person requesting the information.

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

13 Q. Except as provided in section 42-2002, subsection D, the department
14 of revenue shall release confidential information as requested by the
15 department of economic security pursuant to section 42-1122 or 46-291.
16 Information disclosed under this subsection is limited to the same type of
17 information that the United States internal revenue service is authorized to
18 disclose under section 6103(l)(6) of the internal revenue code.

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

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

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

35 U. For proceedings before the department, the office of administrative
36 hearings, the board of tax appeals or any state or federal court involving
37 penalties that were assessed against a return preparer or electronic return
38 preparer pursuant to section 42-1103.02 or 42-1125.01, confidential
39 information may be disclosed only before the judge or administrative law
40 judge adjudicating the proceeding, the parties to the proceeding and the
41 parties' representatives in the proceeding prior to its introduction into
42 evidence in the proceeding. The confidential information may be introduced
43 as evidence in the proceeding only if the taxpayer's name, the names of any
44 dependents listed on the return, all social security numbers, the taxpayer's
45 address, the taxpayer's signature and any attachments containing any of the
46 foregoing information are redacted and if either:

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

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

5 V. The department may disclose to the attorney general confidential
6 information received under section 44-7111 and requested by the attorney
7 general for purposes of determining compliance with and enforcing section
8 44-7111. The department and attorney general shall share with each other the
9 information received under section 44-7111, and may share the information
10 with other federal, state or local agencies only for the purposes of
11 enforcement of section 44-7101, section 44-7111 or corresponding laws of
12 other states.

13 W. The department may provide the name and address of qualifying
14 hospitals and qualifying health care organizations, as defined in section
15 42-5001, to a business classified and reporting transaction privilege tax
16 under the utilities classification.

17 Sec. 19. Section 42-12006, Arizona Revised Statutes, is amended to
18 read:

19 42-12006. Class six property

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

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

23 2. Real and personal property that is located within the area of a
24 foreign trade zone or subzone established under 19 United States Code section
25 81 and title 44, chapter 18, that is activated for foreign trade zone use by
26 the district director of the United States customs service pursuant to
27 19 Code of Federal Regulations section 146.6 and that is valued at full cash
28 value. Property that is classified under this paragraph shall not thereafter
29 be classified under paragraph 7 of this section.

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

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

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

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

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

45 ~~4. Real and personal property and improvements that are located in an~~
46 ~~enterprise zone, that are owned or used by a small manufacturing or small~~
47 ~~commercial printing business that is certified by the department of commerce~~

~~pursuant to section 41-1525.01 and that are valued at full cash value, subject to the following terms and conditions:~~

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

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

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

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

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

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

(b) FOR PROPERTY LOCATED IN ANY OTHER LOCATION:

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

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

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

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

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

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

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

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

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

9 6. That portion of real and personal property that is used on or after
10 January 1, 1999 specifically and solely for remediation of the environment by
11 an action that has been determined to be reasonable and necessary to respond
12 to the release or threatened release of a hazardous substance by the
13 department of environmental quality pursuant to section 49-282.06 or pursuant
14 to its corrective action authority under rules adopted pursuant to section
15 49-922, subsection B, paragraph 4 or by the United States environmental
16 protection agency pursuant to the national contingency plan (40 Code of
17 Federal Regulations part 300) and that is valued at full cash value.
18 Property that is not being used specifically and solely for the remediation
19 objectives described in this paragraph shall not be classified under this
20 paragraph. For the purposes of this paragraph, "remediation of the
21 environment" means one or more of the following actions:

22 (a) Monitoring, assessing or evaluating the release or threatened
23 release.

24 (b) Excavating, removing, transporting, treating and disposing of
25 contaminated soil.

26 (c) Pumping and treating contaminated water.

27 (d) Treatment, containment or removal of contaminants in groundwater
28 or soil.

29 7. Real and personal property and improvements constructed or
30 installed from and after December 31, 2004 through December 31, 2010 and
31 owned by a qualified business under section 41-1516 and used solely for the
32 purpose of harvesting, transporting or the initial processing of qualifying
33 forest products removed from qualifying projects as defined in section
34 41-1516. The classification under this paragraph is subject to the following
35 terms and conditions:

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

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

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

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

46 8. Real and personal property and improvements to the property that
47 are used specifically and solely to manufacture from and after December 31,
48 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent

1 biodiesel and its by-products and that are valued at full cash value. This
2 paragraph applies only to the portion of property that is used specifically
3 for manufacturing and processing one hundred per cent biodiesel fuel, or its
4 related by-products, from raw feedstock obtained from off-site sources,
5 including necessary on-site storage facilities that are intrinsically
6 associated with the manufacturing process. Any other commercial or
7 industrial use disqualifies the entire property from classification under
8 this paragraph.

9 9. Real and personal property and improvements that are certified
10 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
11 renewable energy manufacturing or headquarters operations as provided by
12 section 42-12057. This paragraph applies only to property that is used in
13 manufacturing and headquarters operations of renewable energy companies,
14 including necessary on-site research and development, testing and storage
15 facilities that are associated with the manufacturing process. Up to ten per
16 cent of the aggregate full cash value of the property may be derived from
17 uses that are ancillary to and intrinsically associated with the
18 manufacturing process or headquarters operation. Any additional ancillary
19 property is not qualified for classification under this paragraph. No new
20 properties may be classified pursuant to this paragraph from and after
21 December 31, 2014. Classification under this paragraph is limited to the
22 time periods determined by the department of commerce pursuant to section
23 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
24 classified under this paragraph shall not thereafter be classified under any
25 other paragraph of this section.

26 Sec. 20. Section 42-12009, Arizona Revised Statutes, is amended to
27 read:

28 42-12009. Class nine property

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

30 1. 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 used primarily for
36 athletic, recreational, entertainment, artistic, cultural or convention
37 activities.

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

40 (a) The improvements become the property of the federal, state, county
41 or municipal owner of the property on termination of the leasehold interest
42 in the property.

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

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

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

7 3. Property that is defined as "contractor-acquired property" or
8 "government-furnished property" in the federal acquisition regulations
9 (48 Code of Federal Regulations section 45.101) and that is leased to or
10 acquired by the government and used to perform a government contract.

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

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

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

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

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

46 Sec. 21. Section 42-13054, Arizona Revised Statutes, is amended to
47 read:

1 42-13054. Taxable value of personal property; depreciated
2 values of personal property in class one and class
3 two (P)

4 A. The taxable value of personal property that is valued by the county
5 assessor is the result of acquisition cost less any appropriate depreciation
6 as prescribed by tables adopted by the department. The taxable value shall
7 not exceed the market value.

8 B. Except as provided in subsection C of this section and
9 notwithstanding any other statute, the assessor shall adjust the depreciation
10 schedules prescribed by the department as follows to determine the valuation
11 of personal property:

12 1. For personal property that is initially classified during tax year
13 1994 through tax year 2007 as class one, paragraph 8, 9, 10 or 13 pursuant to
14 section 42-12001 and personal property that is initially classified during
15 tax year 1995 through tax year 2007 as class two (P) pursuant to section
16 42-12002:

17 (a) For the first tax year of assessment, the assessor shall use
18 thirty-five per cent of the scheduled depreciated value.

19 (b) For the second tax year of assessment, the assessor shall use
20 fifty-one per cent of the scheduled depreciated value.

21 (c) For the third tax year of assessment, the assessor shall use
22 sixty-seven per cent of the scheduled depreciated value.

23 (d) For the fourth tax year of assessment, the assessor shall use
24 eighty-three per cent of the scheduled depreciated value.

25 (e) For the fifth and subsequent tax years of assessment, the assessor
26 shall use the scheduled depreciated value as prescribed in the department's
27 guidelines.

28 2. For personal property that is initially classified during or after
29 tax year 2008 **THROUGH TAX YEAR 2010** as class one, paragraph 8, 9, 10 or 13
30 pursuant to section 42-12001 and personal property that is initially
31 classified during or after tax year 2008 **THROUGH TAX YEAR 2010** as class two
32 (P) pursuant to section 42-12002:

33 (a) For the first tax year of assessment, the assessor shall use
34 thirty per cent of the scheduled depreciated value.

35 (b) For the second tax year of assessment, the assessor shall use
36 forty-six per cent of the scheduled depreciated value.

37 (c) For the third tax year of assessment, the assessor shall use
38 sixty-two per cent of the scheduled depreciated value.

39 (d) For the fourth tax year of assessment, the assessor shall use
40 seventy-eight per cent of the scheduled depreciated value.

41 (e) For the fifth tax year of assessment, the assessor shall use
42 ninety-four per cent of the scheduled depreciated value.

43 (f) For the sixth and subsequent tax years of assessment, the assessor
44 shall use the scheduled depreciated value as prescribed in the department's
45 guidelines.

46 **3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER**
47 **TAX YEAR 2011 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION**

1 42-12001 AND PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
2 TAX YEAR 2011 AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

3 (a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
4 TWENTY-FIVE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

5 (b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
6 FORTY-ONE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

7 (c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
8 FIFTY-SEVEN PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

9 (d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
10 SEVENTY-THREE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

11 (e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
12 EIGHTY-NINE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

13 (f) FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR
14 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S
15 GUIDELINES.

16 C. The additional depreciation prescribed in subsection B of this
17 section:

18 1. Does not apply to any property valued by the department.

19 2. Shall not reduce the valuation below the minimum value prescribed
20 by the department for property in use.

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

23 42-15001. Assessed valuation of class one property

24 The assessed valuation of class one property described in section
25 42-12001 is:

26 1. FOR THE PURPOSES OF ASSESSING AND LEVYING PRIMARY PROPERTY TAXES
27 AND SECONDARY PROPERTY TAXES, OTHER THAN SECONDARY PROPERTY TAXES DESCRIBED
28 IN PARAGRAPH 2 OF THIS SECTION, the following percentage of its full cash
29 value or limited valuation, as applicable:

30 ~~1.~~ (a) Twenty-five per cent through December 31, 2005.

31 ~~2.~~ (b) Twenty-four and one-half per cent beginning from and after
32 December 31, 2005 through December 31, 2006.

33 ~~3.~~ (c) Twenty-four per cent beginning from and after December 31,
34 2006 through December 31, 2007.

35 ~~4.~~ (d) Twenty-three per cent beginning from and after December 31,
36 2007 through December 31, 2008.

37 ~~5.~~ (e) Twenty-two per cent beginning from and after December 31, 2008
38 through December 31, 2009.

39 ~~6.~~ (f) Twenty-one per cent beginning from and after December 31, 2009
40 through December 31, 2010.

41 ~~7.~~ (g) Twenty per cent beginning from and after December 31, 2010.

42 2. FOR TAX YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012, FOR THE
43 PURPOSES OF ASSESSING SECONDARY PROPERTY TAXES LEVIED BY COUNTIES, CITIES,
44 TOWNS, COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS FOR THE PAYMENT OF
45 PRINCIPAL, INTEREST AND REDEMPTION CHARGES ON BONDED INDEBTEDNESS OR OTHER
46 LAWFUL LONG-TERM OBLIGATIONS AUTHORIZED BY THE VOTERS FROM AND AFTER DECEMBER
47 31, 2012 AND FOR THE PAYMENT OF COSTS APPROVED BY AN OVERRIDE ELECTION HELD
48 FROM AND AFTER DECEMBER 31, 2012, SIXTEEN PER CENT. THE ASSESSED VALUATION

1 DETERMINED PURSUANT TO THIS PARAGRAPH DOES NOT APPLY FOR THE PURPOSES OF
2 COMPUTING DEBT LIMITATIONS PURSUANT TO ARTICLE IX, SECTIONS 8 AND 8.1,
3 CONSTITUTION OF ARIZONA, OR THE LIMITATION ON CLASS B BONDED INDEBTEDNESS
4 PURSUANT TO SECTION 15-1021.

5 Sec. 23. Section 43-206, Arizona Revised Statutes, is amended to read:
6 43-206. Urban revenue sharing fund; allocation; distribution

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

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

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

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

33 E. On receipt of a certificate of default from the greater Arizona
34 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
35 treasurer, to the extent not otherwise expressly prohibited by law, shall
36 withhold from the next succeeding distribution of monies pursuant to this
37 section due to the city or town the amount specified in the certificate of
38 default and immediately deposit the amount withheld in the greater Arizona
39 development authority revolving fund. The state treasurer shall continue to
40 withhold and deposit the monies until the authority certifies to the state
41 treasurer that the default has been cured. In no event shall the state
42 treasurer withhold any amount that is necessary, as certified by the
43 defaulting political subdivision to the state treasurer and the authority, to
44 make any required deposits then due for the payment of principal and interest
45 on bonds of the political subdivision that were issued prior to the date of
46 the loan repayment agreement or bonds and that have been secured by a pledge
47 of distributions made pursuant to this section.

48 Sec. 24. Section 43-222, Arizona Revised Statutes, is amended to read:

1 43-222. Income tax credit review schedule

2 The joint legislative income tax credit review committee shall review
3 the following income tax credits:

4 1. For years ending in 0 and 5, sections 43-1074, 43-1075, 43-1075.01,
5 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1161, 43-1163, 43-1163.01,
6 43-1167.01, 43-1175 and 43-1182.

7 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,
8 43-1164 and 43-1183.

9 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
10 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
11 and 43-1181.

12 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
13 43-1170 and 43-1178.

14 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
15 43-1083.01, 43-1084, 43-1162, 43-1164.01, and 43-1170.01 AND 43-1184.

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

18 43-409. Job recovery withholdings clearing fund

19 A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED
20 CONSISTING OF UP TO ONE HUNDRED PER CENT OF WITHHOLDING TAX REVENUES ON NEW
21 JOBS CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 4.1 AND NEW EMPLOYEES
22 HIRED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 5.1. ON NOTICE FROM THE
23 DIRECTOR OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH MONTH, THE
24 DIRECTOR OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND SUFFICIENT
25 MONIES EACH MONTH TO MEET THE REQUIREMENTS OF THE SUPPLEMENTAL JOB TRAINING,
26 ARIZONA OPPORTUNITY FUND AND ARIZONA QUALITY JOBS PROGRAMS.

27 B. ON THE LAST DAY OF EACH MONTH, THE DEPARTMENT OF REVENUE SHALL
28 NOTIFY THE STATE TREASURER TO TRANSFER MONIES FROM THE JOB RECOVERY
29 WITHHOLDINGS CLEARING FUND TO THE IMPACT PROGRAM FUND ESTABLISHED BY SECTION
30 41-1545.06, THE ARIZONA OPPORTUNITY FUND ESTABLISHED BY SECTION 41-1546 AND
31 THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY SECTION 41-1547.02.

32 Sec. 26. Section 43-1022, Arizona Revised Statutes, is amended to
33 read:

34 43-1022. Subtractions from Arizona gross income

35 In computing Arizona adjusted gross income, the following amounts shall
36 be subtracted from Arizona gross income:

37 1. The amount of exemptions allowed by section 43-1023.

38 2. Benefits, annuities and pensions in an amount totaling not more
39 than two thousand five hundred dollars received from one or more of the
40 following:

41 (a) The United States government service retirement and disability
42 fund, retired or retainer pay of the uniformed services of the United States,
43 the United States foreign service retirement and disability system and any
44 other retirement system or plan established by federal law.

45 (b) The Arizona state retirement system, the corrections officer
46 retirement plan, the public safety personnel retirement system, the elected
47 officials' retirement plan, an optional retirement program established by the
48 Arizona board of regents under section 15-1628, an optional retirement

1 program established by a community college district board under section
2 15-1451 or a retirement plan established for employees of a county, city or
3 town in this state.

4 3. A beneficiary's share of the fiduciary adjustment to the extent
5 that the amount determined by section 43-1333 decreases the beneficiary's
6 Arizona gross income.

7 4. The amount of any distributions from an individual retirement
8 account as provided for in section 408 of the internal revenue code or from a
9 qualified retirement plan of a self-employed individual as provided for in
10 section 401 of the internal revenue code to the extent that total adjustments
11 made pursuant to this paragraph in all tax years do not exceed the total of
12 all contributions made by the taxpayer to such plans prior to December 31,
13 1975, which were included in computing Arizona taxable income.

14 5. The amount of income on an installment receivable which is
15 recognized pursuant to the internal revenue code and which has already been
16 recognized on the death of the taxpayer for purposes of this title for tax
17 years ending before January 1, 1990.

18 6. Interest income received on obligations of the United States, less
19 any interest on indebtedness, or other related expenses, and deducted in
20 arriving at Arizona gross income, which were incurred or continued to
21 purchase or carry such obligations.

22 7. The amount of any income tax refunds which were received from
23 states other than Arizona and which were included as income in computing
24 federal adjusted gross income.

25 8. Annuity income included in federal adjusted gross income pursuant
26 to section 72 of the internal revenue code if the first payment with respect
27 to such annuity was received prior to December 31, 1978.

28 9. The excess of a partner's share of income required to be included
29 under section 702(a)(8) of the internal revenue code over the income required
30 to be included under chapter 14, article 2 of this title.

31 10. The excess of a partner's share of partnership losses determined
32 pursuant to chapter 14, article 2 of this title over the losses allowable
33 under section 702(a)(8) of the internal revenue code.

34 11. The amount by which the adjusted basis of property described in
35 this paragraph and computed pursuant to this title and the income tax act of
36 1954, as amended, exceeds the adjusted basis of such property computed
37 pursuant to the internal revenue code. This paragraph shall apply to all
38 property which is held for the production of income and which is sold or
39 otherwise disposed of during the taxable year other than depreciable property
40 used in a trade or business.

41 12. The amount allowed by section 43-1024 for amortization, by a
42 qualified defense contractor certified by the department of commerce under
43 section 41-1508, of a capital investment for private commercial activities.

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

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

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

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

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

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

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

26 20. The amount of unreimbursed medical and hospital costs, adoption
27 counseling, legal and agency fees and other nonrecurring costs of adoption
28 not to exceed three thousand dollars. In the case of a husband and wife who
29 file separate returns, the subtraction may be taken by either taxpayer or may
30 be divided between them, but the total subtractions allowed both husband and
31 wife shall not exceed three thousand dollars. The subtraction under this
32 paragraph may be taken for the costs that are described in this paragraph and
33 that are incurred in prior years, but the subtraction may be taken only in
34 the year during which the final adoption order is granted.

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

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

39 (a) An eligible individual may subtract:

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

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

47 (b) The individual's employer may subtract the amount of contributions
48 made by the employer to a medical savings account established on the

1 individual's behalf to the extent that the contributions are not deductible
2 under the internal revenue code.

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

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

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

14 26. The amount authorized by section 43-1030 relating to holocaust
15 survivors.

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

18 28. An amount equal to the depreciation allowable pursuant to section
19 167(a) of the internal revenue code for the taxable year computed as if the
20 election described in section 168(k)(2)(D)(iii) of the internal revenue code
21 had been made for each applicable class of property in the year the property
22 was placed in service.

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

29 30. With respect to property for which an adjustment was made under
30 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
31 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
32 the amount was adjusted under section 43-1021, paragraph 27 and in each of
33 the following four years.

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

40 (a) Seven hundred fifty dollars for a single individual or a head of
41 household.

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

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

4 33. THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED
5 GROSS INCOME FOR THE TAXABLE YEAR DERIVED FROM INVESTMENT BY THE TAXPAYER IN
6 A SMALL BUSINESS IN THIS STATE THAT EMPLOYED FEWER THAN ONE HUNDRED FULL-TIME
7 EMPLOYEES, OR THAT HAD GROSS ANNUAL RECEIPTS OF LESS THAN TEN MILLION
8 DOLLARS, IN ITS LAST FISCAL YEAR.

9 Sec. 27. Section 43-1074, Arizona Revised Statutes, is amended to
10 read:

11 43-1074. Credit for new employment; definitions

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

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

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

27 3. Products sold to company employees.

28 B. Subject to subsection E of this section, the amount of the credit
29 is equal to ~~+~~ THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN
30 ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1545, FOR THE FULL TAXABLE
31 YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF
32 EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.

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

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

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

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

43 1. A TAXPAYER MUST:

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

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

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

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

13 ~~3.~~ 4. A qualified employment position must meet all of the following
14 requirements:

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

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

23 (c) The employment must include health insurance coverage for the
24 employee for which the employer pays at least fifty per cent of the premium
25 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
26 at least fifty per cent of a predetermined fixed cost per employee for an
27 insurance program that is payable whether or not the employee has filed
28 claims.

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

33 (e) The employee must have been employed for at least ninety days
34 during the first taxable year. An employee who is hired during the last
35 ninety days of the taxable year shall be considered a new employee during the
36 next taxable year. A qualified employment position that is filled during the
37 last ninety days of the taxable year is considered to be a new qualified
38 employment position for the next taxable year.

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

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

47 E. The net increase in the number of qualified employment positions is
48 the lesser of the total number of filled qualified employment positions

1 created ~~in the zone~~ during the tax year or the difference between the average
2 number of full-time employees ~~in the zone~~ in the current tax year and the
3 average number of full-time employees during the immediately preceding
4 taxable year. The net increase in the number of qualified employment
5 positions computed under this subsection shall not exceed ~~two~~ FOUR hundred
6 qualified employment positions per taxpayer each year.

7 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
8 43-1083.01 shall not claim a credit under this section with respect to the
9 same employment positions.

10 G. If the allowable tax credit exceeds the income taxes otherwise due
11 on the claimant's income, or if there are no state income taxes due on the
12 claimant's income, the amount of the claim not used as an offset against
13 income taxes may be carried forward as a tax credit against subsequent
14 taxable years' income tax liability, not to exceed ~~five~~ FIFTEEN taxable
15 years, ~~provided the business remains in an enterprise zone.~~

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

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

33 J. A failure to timely report and certify to the department of
34 commerce and the department of revenue the information prescribed by section
35 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
36 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
37 under this section. The department of revenue shall require written evidence
38 of the timely report to the department of commerce.

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

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

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

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

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

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

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

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

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

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

Sec. 28. Section 43-1111, Arizona Revised Statutes, is amended to read:

43-1111. Tax rates for corporations

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

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

2. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2010 THROUGH DECEMBER 31, 2011, 6.80 PER CENT OF NET INCOME.

3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011 THROUGH DECEMBER 31, 2012, 6.65 PER CENT OF NET INCOME.

4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012 THROUGH DECEMBER 31, 2013, 6.10 PER CENT OF NET INCOME.

5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013 THROUGH DECEMBER 31, 2014, 5.55 PER CENT OF NET INCOME.

6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014, FIVE PER CENT OF NET INCOME.

Sec. 29. Section 43-1122, Arizona Revised Statutes, is amended to read:

43-1122. Subtractions from Arizona gross income: corporations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 16. The amount of contributions by the taxpayer during the taxable year
2 to medical savings accounts established on behalf of the taxpayer's employees
3 as provided by section 43-1028, to the extent that the contributions are not
4 deductible under the internal revenue code.

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

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

10 43-1139. Allocation of business income

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

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

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

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

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

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

25 (b) Multiplying the income by a fraction, the numerator of which is
26 one and one-half times the property factor plus one and one-half times the
27 payroll factor plus seven times the sales factor, and the denominator of
28 which is ten.

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

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

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

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

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

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

43 5. DECEMBER 31, 2015 BY EITHER:

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

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

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

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

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

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

18 43-1161. Credit for new employment; definitions

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

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

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

34 3. Products sold to company employees.

35 B. Subject to subsection E of this section, the amount of the credit
36 is equal to: ~~THREE THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN~~
37 ~~ARIZONA BASIC ENTERPRISE, AS DEFINED BY SECTION 41-1545, FOR THE FULL TAXABLE~~
38 ~~YEAR IN A QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF~~
39 ~~EMPLOYMENT, BUT NOT MORE THAN FOUR HUNDRED EMPLOYEES IN ANY TAXABLE YEAR.~~

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

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

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

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

2 1. A TAXPAYER MUST:

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

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

8 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed
9 must reside in this state.

10 ~~2.~~ 3. Thirty-five per cent of the employees with respect to whom a
11 credit is claimed for the first year of employment must reside on the date of
12 hire ~~in an enterprise zone that is located~~ in the same county in which the
13 business is located. If an employee for whom a credit was allowed in the
14 first year of employment leaves employment during the second or third year,
15 the taxpayer may substitute another employee who meets the requirements of
16 paragraph ~~3~~ 4 of this subsection and who was hired during the same year as
17 the original employee. ~~If the original employee was counted toward the~~
18 ~~residency requirement under this paragraph, the substitute employee must also~~
19 ~~have resided in a zone at the time the substitute was hired.~~

20 ~~3.~~ 4. A qualified employment position must meet all of the following
21 requirements:

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

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

30 (c) The employment must include health insurance coverage for the
31 employee for which the employer pays at least fifty per cent of the premium
32 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
33 at least fifty per cent of a predetermined fixed cost per employee for an
34 insurance program that is payable whether or not the employee has filed
35 claims.

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

40 (e) The employee must have been employed for at least ninety days
41 during the first taxable year. An employee who is hired during the last
42 ninety days of the taxable year shall be considered a new employee during the
43 next taxable year. A qualified employment position that is filled during the
44 last ninety days of the taxable year is considered to be a new qualified
45 employment position for the next taxable year.

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

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

7 E. The net increase in the number of qualified employment positions is
8 the lesser of the total number of filled qualified employment positions
9 created ~~in the zone~~ during the tax year or the difference between the average
10 number of full-time employees ~~in the zone~~ in the current tax year and the
11 average number of full-time employees during the immediately preceding
12 taxable year. The net increase in the number of qualified employment
13 positions computed under this subsection may not exceed ~~two~~ FOUR hundred
14 qualified employment positions per taxpayer each year.

15 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
16 43-1167 may not claim a credit under this section with respect to the same
17 employment positions.

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

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

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

40 J. A failure to timely report and certify to the department of
41 commerce and the department of revenue the information prescribed by section
42 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
43 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
44 under this section. The department of revenue shall require written evidence
45 of the timely report to the department of commerce.

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

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

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

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

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

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

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

15 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
16 an ultimate consumer.

17 ~~3.~~ 4. "Retail sales activities" means all activities persons
18 operating a retail business normally engage in, including taking orders,
19 filling orders, billing orders, receiving and processing payment and
20 shipping, stocking and delivering tangible personal property to the ultimate
21 consumer, except drop shipments by a company acting on behalf of an unrelated
22 company that has made a sale to a final consumer.

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

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

29 Sec. 12. Delayed repeal

30 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections
31 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from
32 and after June 30, ~~2011~~ 2016.

33 Sec. 33. Short title

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

36 Sec. 34. Legislative intent

37 It is the intent of the legislature that:

38 1. This state provide appropriate incentives to support establishment
39 of basic industries that hold the promise of significant development of the
40 economy of this state.

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

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

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

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

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

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

9 Sec. 35. Continuation of enterprise zone tax incentives from
10 prior law

11 The changes made by this act to the requirements for qualifying for tax
12 incentives for investment and employment in enterprise zones do not affect
13 the prior qualification under previous law with respect to:

14 1. Property classified as class six pursuant to section 42-12006,
15 paragraph 4, Arizona Revised Statutes, as in effect before the effective date
16 of this act. Property that previously qualified for classification under
17 that provision may maintain that classification for the original term of up
18 to five tax years if it continues to meet the original terms of
19 qualification.

20 2. Insurers and taxpayers who have employees in the second and third
21 years of employment in qualified employment positions under section
22 20-224.03, subsection A, paragraphs 2 and 3, Arizona Revised Statutes,
23 section 43-1074, subsections A, B and C, Arizona Revised Statutes, and
24 section 43-1161, subsections A, B and C, Arizona Revised Statutes, including
25 any excess credit amounts carried forward from prior taxable years."

26 Amend title to conform

JACK W. HARPER

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