

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3 Section 15-994, Arizona Revised Statutes, is repealed from and after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, 2017.

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 IN 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
21 FULL-TIME EMPLOYEE HIRED BY AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN
22 SECTION 41-1545, FOR THE FULL TAXABLE YEAR IN A QUALIFIED EMPLOYMENT POSITION
23 IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT, BUT NOT MORE THAN FOUR
24 HUNDRED 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.

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

41 ~~1.~~ 2. All of the employees with respect to whom a credit is claimed
42 must reside in this state.

1 ~~2-~~ 3. Thirty-five per cent of the employees with respect to whom a
2 credit is claimed for the first year of employment must reside on the date of
3 hire ~~in an enterprise zone that is located~~ in the same county in which the
4 insurer is located. If an employee for whom a credit was allowed in the
5 first year of employment leaves employment during the second or third year,
6 the taxpayer may substitute another employee who meets the requirements of
7 paragraph ~~3-~~ 4 of this subsection and who was hired during the same year as
8 the original employee. ~~If the original employee was counted toward the~~
9 ~~residency requirement under this paragraph, the substitute employee must also~~
10 ~~have resided in a zone at the time the substitute was hired.~~

11 ~~3-~~ 4. A qualified employment position must meet all of the following
12 requirements:

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

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

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

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

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

39 C. A credit is allowed for employment in the second and third year
40 only for qualified employment positions for which a credit was allowed in the
41 first year.

42 D. The net increase in the number of qualified employment positions is
43 the lesser of the total number of filled qualified employment positions
44 created ~~in the zone~~ during the tax year or the difference between the average
45 number of full-time employees ~~in the zone~~ in the current tax year and the
46 average number of full-time employees during the immediately preceding
47 taxable year. The net increase in the number of qualified employment

1 positions computed under this subsection may not exceed two hundred qualified
2 employment positions per taxpayer each year.

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

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

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

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

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

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

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

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

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

41 ~~L.~~ K. For the purposes of this section, "insurer" means any entity
42 that is subject to premium tax liability pursuant to section 20-224, 20-837,
43 20-1010, 20-1060 or 20-1097.07.

44 Sec. 3. Section 35-701, Arizona Revised Statutes, as amended by Laws
45 2010, chapter 17, section 22, is amended to read:

46 35-701. Definitions

47 In this chapter, unless the context otherwise requires:

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

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

16 3. "Governing body" means:

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

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

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

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

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

41 7. "Persons of low and moderate income" means, for the purposes of
42 financing owner-occupied single family dwelling units in areas which the
43 municipality has found, pursuant to section 36-1479, to be slum or blighted
44 areas, as defined in section 36-1471, persons and families whose income does
45 not exceed two and one-half times the median family income of this state. In
46 all other areas it means persons and families whose income does not exceed
47 one and one-half times the median family income of this state.

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

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

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

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

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

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

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

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

25 (vii) Convention or trade show facilities.

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

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

31 (x) Industrial park facilities.

32 (xi) Air or water pollution control facilities.

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

41 (xiii) Research and development facilities.

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

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

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

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

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

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

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

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

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

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

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

29 41-1276. Truth in taxation levy for equalization assistance to
30 school districts

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

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

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

39 B. The truth in taxation rates consist of the qualifying tax rate for
40 a high school district or a common school district within a high school
41 district that does not offer instruction in high school subjects pursuant to
42 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
43 unified district, a common school district not within a high school district
44 or a common school district within a high school district that offers
45 instruction in high school subjects pursuant to section 15-971, subsection B,
46 paragraph 2 and a state equalization assistance property tax rate pursuant to
47 section 15-994 that will offset the change in net assessed valuation of
48 property that was subject to tax in the prior year.

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

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

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

9 3. Divide the amount determined in paragraph 1 of this subsection by
10 the amount determined in paragraph 2 of this subsection.

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

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

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

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

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

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

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

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

45 Truth in Taxation Hearing

46 Notice of Tax Increase

47 In compliance with section 41-1276, Arizona Revised
48 Statutes, the state legislature is notifying property taxpayers

1 in Arizona of the legislature's intention to raise the property
2 tax levy over last year's level.

3 The proposed tax increase will cause the taxes on a
4 \$100,000 home to increase by \$_____.

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

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

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

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

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

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

40 I. Pursuant to subsection C of this section, the qualifying tax rate
41 in tax year 2008 for a high school district or a common school district
42 within a high school district that does not offer instruction in high school
43 subjects as provided in section 15-447 is \$1.4622 and for a unified school
44 district, a common school district not within a high school district or a
45 common school district within a high school district that offers instruction
46 in high school subjects as provided in section 15-447 is \$2.9244. The state
47 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is
48 zero. The state equalization assistance property tax rate in:

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

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

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

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

10 5. TAX YEARS FOLLOWING 2016 SHALL BE ZERO.

11 Sec. 5. Heading change

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

15 Sec. 6. Repeal

16 Sections 41-1521, 41-1522, 41-1523 and 41-1524, Arizona Revised
17 Statutes, are repealed.

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

19 41-1525. Tax incentives; definitions

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

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

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

35 3. Products sold to company employees.

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

37 1. MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN
38 SECTION 41-1545.

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

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

44 4. COMPENSATE FULL-TIME EMPLOYEES AT THE LOCATION AT LEAST EQUAL TO
45 ONE HUNDRED SEVENTY-FIVE 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 5. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES FOR WHICH
2 THE EMPLOYER PAYS AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP
3 COST OR, IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER PAYS AT LEAST
4 SIXTY-FIVE PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
5 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
6 CLAIMS.

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

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

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

22 (a) The date of initial employment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (k) That each qualified employment position meets all of the following
14 requirements:

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

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

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

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

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

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

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

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

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

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

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

1 (iii) Two hundred qualified employment positions per taxpayer each
2 year.

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

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

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

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

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

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

36 1. To the extent that the person or organization that provided the
37 information consents to the disclosure.

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

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

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

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

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

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

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

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

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

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

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

26 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
27 an ultimate consumer.

28 ~~3.~~ 4. "Retail sales activities" means all activities persons
29 operating a retail business normally engage in, including taking orders,
30 filling orders, billing orders, receiving and processing payment and
31 shipping, stocking and delivering tangible personal property to the ultimate
32 consumer, except drop shipments by a company acting on behalf of an unrelated
33 company that has made a sale to a final consumer.

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

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

39 41-1525.01. Certification of business property for property tax
40 classification; definitions

41 A. Through June 30, ~~2011~~ 2016, the department of commerce shall
42 annually certify ~~small manufacturing or small commercial printing~~ businesses
43 THAT MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN
44 SECTION 41-1545, AND that FURTHER qualify for property tax incentives under
45 THIS section ~~41-1525, subsection E~~. To qualify under this section:

46 1. THE BUSINESS MUST MEET THE REQUIREMENTS AS AN ARIZONA BASIC
47 ENTERPRISE, AS DEFINED IN SECTION 41-1545.

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

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

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

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

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

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

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

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

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

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

47 ~~2.~~ 4. A business initially applying for certification under this
48 section must report the following with supporting documentation to the

1 department of commerce on a form and in a manner prescribed by the
2 department:

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

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

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

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

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

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

15 (g) A statement of the ownership and description of operations of the
16 ~~zone~~ business.

17 (h) Documentation of the required investment in fixed assets that
18 identifies the fixed assets and establishes the cost of the fixed assets and
19 the time of investment.

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

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

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

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

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

40 1. Information required by subsection A, paragraph ~~2- 4~~, subdivisions
41 (a), (b), (d), (e), (f), (i), (j) and (k) of this section.

42 2. Changes in location, ownership and operations of the business in
43 the immediately preceding year.

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

46 D. To ~~qualify for~~ RECEIVE classification as class six OR CLASS NINE
47 property for tax purposes, the certified business must submit a copy of the
48 department's initial certification, and each annual recertification, with a

1 written request to reclassify the property to the county assessor of the
2 county in which the property is located by December 10 OF each year.

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

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

16 G. Once a ~~manufacturer or commercial printer~~ BUSINESS establishes the
17 basis for eligibility and the department certifies the ~~manufacturer or~~
18 ~~commercial printer~~ BUSINESS, the business may change its basis of eligibility
19 during the four remaining years of potential eligibility as long as the
20 ~~manufacturer or commercial printer~~ BUSINESS meets the requirements for the
21 new basis of eligibility.

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

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

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

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

40 ~~L.~~ K. Documents filed with the department of commerce pursuant to
41 this section shall contain either a sworn statement or certification, signed
42 by an officer of the company under penalty of perjury, that the information
43 contained is true and correct according to the best belief and knowledge of
44 the person submitting the information after a reasonable investigation of the
45 facts. If the document contains information that is materially false, the
46 taxpayer is ineligible for the tax benefits under this section and is subject
47 to recovery of the amount of tax benefits allowed in preceding years based on
48 the false information, including penalties and interest.

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

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

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

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

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

16 ~~4.~~ 1. "Fixed assets" means property that is used in operating a
17 business, such as furniture, land, buildings and machinery, and that is not
18 ordinarily converted into cash after they are declared fixed assets.

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

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

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

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

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

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

45 ~~11.~~ 2. "Zone Location" has the same meaning prescribed in section
46 41-1525.

1 Sec. 9. Section 41-1526, Arizona Revised Statutes, is amended to read:

2 41-1526. Duties of department

3 The department shall administer this article and shall:

4 1. Monitor the implementation and operation of this article and
5 continually evaluate the progress made in ~~the enterprise zones~~ ATTRACTING NEW
6 BUSINESSES.

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

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

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

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

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

17 41-1527. Annual reports; department of commerce; department of
18 revenue

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

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

28 ~~2.~~ 1. The business names, AND locations, number of employees and
29 amount of compensation paid to employees qualifying for income tax credits as
30 reported to the department pursuant to section 41-1525 ~~in each enterprise~~
31 ~~zone~~.

32 ~~3.~~ 2. The amount of capital investment, made during the preceding
33 fiscal year and cumulatively, ~~in each enterprise zone~~.

34 ~~4.~~ 3. The number of ~~minority owned businesses, woman owned businesses~~
35 ~~and other small manufacturing~~ businesses certified for property tax
36 incentives pursuant to section 41-1525.01 in the preceding fiscal year and
37 cumulatively, ~~in each enterprise zone~~, and for each such business:

38 (a) The name and location.

39 (b) The number of employees.

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

43 B. On or before September 30 of each year the department of revenue
44 shall transmit a report to the governor, the president of the senate, the
45 speaker of the house of representatives and the chairpersons of the senate
46 finance committee and the house of representatives ways and means committee,
47 or their successor committees, and shall provide a copy of this report to the

1 secretary of state ~~and the director of the Arizona state library, archives~~
2 ~~and public records~~. The report shall contain the following information:

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

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

10 ~~3.~~ 3. The fiscal impact on each taxing jurisdiction for the current
11 tax year of classifying property ~~in enterprise zones~~ as class six OR CLASS
12 NINE rather than in the classification in which it would otherwise be
13 classified.

14 ~~3.~~ 4. The total DOLLAR amount of income tax credits allowed for the
15 preceding taxable year pursuant to sections 43-1074 and 43-1161.

16 Sec. 11. Repeal

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

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

20 ARTICLE 4.1. SUPPLEMENTAL JOB TRAINING

21 41-1545. Definitions

22 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

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

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

36 3. "ARIZONA BASIC INDUSTRY" MEANS:

37 (a) MINING.

38 (b) MANUFACTURING INDUSTRIES IDENTIFIED BY NORTH AMERICAN INDUSTRY
39 CLASSIFICATION SYSTEM CODE SECTORS 31, 32 AND 33.

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

42 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
43 TECHNOLOGIES.

44 (e) NATIONAL OR REGIONAL HEADQUARTERS OR BACK-OFFICE OPERATIONS
45 SUPPORTING A NATIONAL OR REGIONAL COMPANY.

46 (f) WAREHOUSE DISTRIBUTION OPERATIONS IDENTIFIED BY NORTH AMERICAN
47 INDUSTRY CLASSIFICATION SYSTEM CODE SECTORS 42, 44 AND 45 IF FORTY PER CENT
48 OF INVENTORY IS SHIPPED OUT OF STATE.

1 (g) OTHER INDUSTRIES DESIGNATED BY THE DIRECTOR AFTER CONSULTATION
2 WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
3 REPRESENTATIVES.

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

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

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

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

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

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

17 (i) INDUSTRY GROUP 7132 OR 8131.

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

19 (iii) SUBSECTOR 722.

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

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

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

27 10. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE
28 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,
29 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR
30 BUSINESS FUNCTIONS.

31 11. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY THE
32 DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC
33 ENTERPRISE.

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

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

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

1 15. "PROGRAM COSTS" MEANS ALL NECESSARY AND INCIDENTAL COSTS OF
2 PROVIDING PROGRAM SERVICES EXCEPT FOR:

3 (a) ANY WAGES PAID TO PERSONS RECEIVING EDUCATION OR TRAINING UNDER A
4 PROJECT.

5 (b) ANY COSTS FOR PURCHASE OR LEASE OF TRAINING EQUIPMENT THAT EXCEED
6 ONE-HALF OF TOTAL PROGRAM COSTS FOR THE PROJECT.

7 (c) ANY COSTS FOR ADMINISTRATIVE EXPENSES THAT EXCEED TEN PER CENT OF
8 TOTAL PROGRAM COSTS FOR THE PROJECT.

9 (d) ANY COSTS FOR DIRECT INVESTMENTS IN EDUCATION AND RELATED
10 WORKFORCE DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE
11 DEVELOPMENT, HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE THAT EXCEED
12 TEN PER CENT OF TOTAL PROGRAM COSTS.

13 16. "PROGRAM SERVICES" MEANS:

14 (a) NEW JOBS TRAINING, INCLUDING TRAINING DEVELOPMENT COSTS, FOR AN
15 ACTUAL TRAINING PERIOD OF UP TO TWELVE MONTHS FROM THE DATE THE JOB IS FIRST
16 FILLED BY AN EMPLOYEE.

17 (b) ADULT-BASED EDUCATION AND JOB-RELATED INSTRUCTION.

18 (c) VOCATIONAL AND SKILL-ASSESSMENT SERVICES AND TESTING.

19 (d) TRAINING EQUIPMENT AND ADMINISTRATIVE EXPENSES OF EDUCATIONAL
20 INSTITUTIONS FOR NEW JOBS TRAINING PROGRAMS.

21 (e) MATERIALS AND SUPPLIES.

22 (f) SUBCONTRACTED SERVICES WITH EDUCATIONAL INSTITUTIONS OR FEDERAL,
23 STATE OR LOCAL AGENCIES.

24 (g) CONTRACTED OR PROFESSIONAL SERVICE.

25 (h) DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
26 DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE DEVELOPMENT, HUMAN
27 CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.

28 41-1545.01. Administration

29 A. THE DIRECTOR SHALL ADMINISTER THIS ARTICLE AND THE IMPACT PROGRAM.

30 B. THE DIRECTOR SHALL:

31 1. ENCOURAGE ARIZONA BASIC ENTERPRISES HAVING SIMILAR TRAINING NEEDS
32 TO COOPERATE IN ESTABLISHING IMPACT PROJECTS.

33 2. COORDINATE THE IMPACT PROGRAM WITH OTHER JOB TRAINING PROGRAMS
34 ADMINISTERED BY THE DEPARTMENT.

35 3. PROVIDE OPPORTUNITIES FOR COORDINATION AND COOPERATION OF IMPACT
36 PROJECTS WITH OTHER JOB TRAINING ACTIVITIES IN THIS STATE.

37 4. ADOPT RULES PRESCRIBING REVIEW STANDARDS AND PRIORITIES FOR
38 APPROVAL OF PROPOSED AGREEMENTS UNDER THIS ARTICLE, INCLUDING APPROPRIATE
39 INCENTIVES FOR COOPERATION AMONG PROJECTS, IN ORDER TO MAXIMIZE THE NUMBER OF
40 NEW JOBS CREATED WITH RESPECT TO INDIVIDUAL ARIZONA BASIC ENTERPRISES THAT
41 WILL REMAIN IN THIS STATE.

42 5. ADOPT RULES PRESCRIBING LIMITS ON PROGRAM COSTS AND ON PROJECT AND
43 PROGRAM SIZE IN RELATION TO THE NUMBER OF NEW JOBS CREATED AND WAGES OF NEW
44 JOBS.

45 C. THE DIRECTOR MAY:

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

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

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

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

10 41-1545.02. Project agreements between educational institutions
11 and employers

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

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

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

29 D. A PROJECT AGREEMENT MUST INCLUDE PROVISIONS:

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

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

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

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

37 (c) GRANTS OR DONATIONS AVAILABLE FROM FEDERAL SOURCES OR OTHER PUBLIC
38 OR PRIVATE SOURCES.

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

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

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

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

1 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

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

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

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

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

17 41-1545.03. Review of proposed project agreement

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

25 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT ARE
26 THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING LEVELS
27 TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA DEVELOPMENT
28 AUTHORITY.

29 41-1545.04. Payments to employers participating in project
30 agreements

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

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

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

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

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

1 41-1545.05. Certification of program funding rates; allocation
2 of withholding tax revenues

3 A. THE DIRECTOR SHALL DETERMINE THE AMOUNT OF MONIES TO BE CREDITED
4 TO:

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

8 2. THE PROGRAM SERVICES ACCOUNT OF THE IMPACT PROGRAM FUND IN ORDER TO
9 FINANCE PROGRAM COSTS THAT ARE NOT FINANCED BY THE GREATER ARIZONA
10 DEVELOPMENT AUTHORITY.

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

16 41-1545.06. Impact program fund; program repayment account;
17 program services account

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

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

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

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

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

42 41-1545.07. Approval of impact program activities for purposes
43 of financing with greater Arizona development
44 authority bonds

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

1 41-1545.08. Annual report of impact program activities

2 THE DIRECTOR SHALL ANNUALLY REPORT ON ACTIVITIES UNDER THIS ARTICLE.
3 EACH REPORT MUST CONTAIN INFORMATION REGARDING THE NUMBER AND CHARACTERISTICS
4 OF THE NEW JOBS CREATED IN THIS STATE FOR WHICH PROJECTS HAVE BEEN FINANCED
5 UNDER THIS ARTICLE, INCLUDING A REPORT ON ANY SUCH NEW JOBS THAT DO NOT
6 CONTINUE TO EXIST AND THE CIRCUMSTANCES AND EFFECT OF ANY SUCH
7 DISCONTINUANCES. THE DIRECTOR SHALL SUBMIT COPIES OF THE REPORT TO THE
8 GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF
9 REPRESENTATIVES, THE CHAIRPERSONS OF THE SENATE COMMITTEE ON COMMERCE AND
10 ECONOMIC DEVELOPMENT AND THE HOUSE OF REPRESENTATIVES COMMITTEE ON COMMERCE,
11 OR THEIR SUCCESSOR COMMITTEES, AND THE SECRETARY OF STATE AND SHALL POST A
12 PUBLIC COPY OF THE REPORT ON THE DEPARTMENT'S OFFICIAL WEBSITE.

13 41-1545.09. Prohibiting impact program classes or training for
14 purposes of state assistance to educational
15 institutions

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

23 41-1545.10. Program termination

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

26 ARTICLE 5. ARIZONA OPPORTUNITY FUND

27 41-1546. Arizona opportunity fund

28 A. THE ARIZONA OPPORTUNITY FUND IS ESTABLISHED AS A DEDICATED ACCOUNT
29 IN THE STATE GENERAL FUND.

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

31 1. AMOUNTS APPROPRIATED BY THE LEGISLATURE TO THE FUND FOR THE
32 PURPOSES OF THIS ARTICLE.

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

34 3. GIFTS, GRANTS AND OTHER DONATIONS RECEIVED FOR THE PURPOSES OF THIS
35 ARTICLE.

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

39 5. FIFTY PER CENT OF WITHHOLDING TAX REVENUES DERIVED FROM NEW JOBS
40 CREATED FROM PARTICIPATION IN THE SUPPLEMENTAL JOB TRAINING PROGRAM UNDER
41 ARTICLE 4.1 OF THIS CHAPTER AND THE ARIZONA QUALITY JOBS PROGRAM UNDER
42 ARTICLE 5.1 OF THIS CHAPTER.

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

47 D. MONIES IN THE FUND ARE:

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

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

3 41-1546.01. Grants from the Arizona opportunity fund;
4 eligibility; grant agreements; economic and
5 fiscal impact statement

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

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

16 1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE
17 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY
18 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS
19 PERTAINING TO ENTITIES OR OTHER ORGANIZATIONS FORMED UNDER THE LAWS OF THAT
20 STATE.

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

22 3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION
23 41-1545.

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

28 5. INCLUDE HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE APPLICANT PAYS
29 AT LEAST SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST.

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

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

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

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

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

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

47 (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT
48 FOR NONCOMPLIANCE.

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

3 (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN
4 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE
5 IMPROVEMENT.

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

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

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

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

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

19 1. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
20 REPRESENTATIVES.

21 2. THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR ITS REVIEW AND
22 EVALUATION.

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

25 1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH
26 GRANT AGREEMENT.

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

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

34 1. FOR THE PERIOD COVERED BY THE GRANT:

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

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

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

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

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

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

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

9 (i) INDUSTRY GROUP 7132 OR 8131.

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

11 (iii) SUBSECTOR 722.

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

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

17 41-1547.01. Employment requirements in this state; application
18 for benefits

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

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

25 2. A QUALIFIED COMPANY MUST EXPAND AN EXISTING BUSINESS FACILITY,
26 OFFICE, DEPARTMENT OR OTHER OPERATION LOCATED IN THIS STATE. NOTWITHSTANDING
27 SECTION 41-1547, PARAGRAPH 5, SUBDIVISION (a), A COMPANY MAY BE CONSIDERED TO
28 BE A QUALIFIED COMPANY IF ITS HEADQUARTERS OR ADMINISTRATIVE OFFICES LOCATED
29 IN THIS STATE SERVE AN INTERNATIONAL OR MULTISTATE TERRITORY AND THE COMPANY
30 OTHERWISE MEETS THE REQUIREMENTS OF THIS ARTICLE.

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

32 1. A QUALIFIED COMPANY MUST HIRE NEW EMPLOYEES IN POSITIONS WITH A
33 PAYROLL OF AT LEAST TWO MILLION DOLLARS WITHIN SIX MONTHS AFTER THE DATE THE
34 COMPANY ENTERS INTO AN AGREEMENT WITH THE DIRECTOR PURSUANT TO SECTION
35 41-1547.02.

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

39 3. ALL NET NEW FULL-TIME EMPLOYMENT POSITIONS MUST INCLUDE HEALTH
40 INSURANCE COVERAGE FOR THE EMPLOYEES FOR WHICH THE COMPANY PAYS AT LEAST
41 SIXTY-FIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT
42 PERCENTAGE OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS THAT OFFER
43 STANDARD COMPREHENSIVE COVERAGE.

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

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

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

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

8 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS
9 UNDER THIS ARTICLE.

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

12 H. THE DIRECTOR SHALL NOT APPROVE THE APPLICATION OF A QUALIFIED
13 COMPANY THAT IS A PARTY TO AN IMPACT PROJECT AGREEMENT PURSUANT TO ARTICLE
14 4.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION IN BOTH
15 THE IMPACT PROJECT AND THE ARIZONA QUALITY JOBS PROGRAM WOULD GENERATE, OVER
16 THE PERIOD OF THE BENEFITS UNDER THIS ARTICLE, AN ECONOMIC AND FISCAL IMPACT
17 IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX ALLOCATED TO BOTH
18 PROGRAMS.

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

22 41-1547.03. Withholding tax report to department of revenue

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

28 41-1547.04. Annual review of qualified company activities

29 A. THE DIRECTOR SHALL CONDUCT AN ANNUAL REVIEW OF THE ACTIVITIES
30 UNDERTAKEN BY EACH QUALIFIED COMPANY PURSUANT TO THIS ARTICLE TO ENSURE THAT
31 THE COMPANY IS IN COMPLIANCE WITH THIS ARTICLE AND RULES ADOPTED PURSUANT TO
32 THIS ARTICLE AND THE BENEFIT AGREEMENT UNDER SECTION 41-1547.02. THE
33 QUALIFIED COMPANY MUST MAKE AVAILABLE FOR INSPECTION BY THE DIRECTOR, OR THE
34 DIRECTOR'S AGENT, ITS BOOKS AND RECORDS CONCERNING EMPLOYMENT, WAGES AND
35 WITHHOLDING TAXES OF ANY EMPLOYEES FOR WHICH THE COMPANY HAS PAID WITHHOLDING
36 TAXES.

37 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE
38 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY FOR PURPOSES OF
39 COMPLIANCE WITH THIS ARTICLE.

40 41-1547.05. Annual report

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

- 44 1. THE NAMES OF QUALIFIED COMPANIES.
- 45 2. THE TYPES OF QUALIFIED COMPANIES USING THIS ARTICLE.
- 46 3. THE LOCATION OF QUALIFIED COMPANIES AND THE LOCATION OF THE
47 BUSINESS OPERATIONS IN THIS STATE.
- 48 4. THE NUMBER OF NEW EMPLOYEES HIRED.

- 1 5. THE WAGES PAID FOR THE NEW EMPLOYEES.
- 2 6. THE ANNUAL AMOUNT OF BENEFITS PROVIDED UNDER THIS ARTICLE.
- 3 7. THE ESTIMATED NET STATE FISCAL IMPACT, INCLUDING THE DIRECT AND
- 4 INDIRECT NEW STATE TAXES DERIVED FROM THE NEW EMPLOYEES.
- 5 8. AN ESTIMATE OF THE MULTIPLIER EFFECT ON THE ECONOMY OF THIS STATE
- 6 FROM THE BENEFITS RECEIVED UNDER THIS ARTICLE.
- 7 B. THE DIRECTOR SHALL TRANSMIT COPIES OF THE REPORT TO:
- 8 1. THE GOVERNOR.
- 9 2. THE CHAIRPERSONS OF THE SENATE COMMITTEES ON COMMERCE AND ECONOMIC
- 10 DEVELOPMENT AND FINANCE, OR THEIR SUCCESSOR COMMITTEES.
- 11 3. THE CHAIRPERSONS OF THE HOUSE OF REPRESENTATIVES COMMITTEES ON
- 12 COMMERCE AND WAYS AND MEANS, OR THEIR SUCCESSOR COMMITTEES.
- 13 4. THE SECRETARY OF STATE.
- 14 41-1547.06. Program termination
- 15 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT
- 16 TO SECTION 41-3102.

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

- 19 41-1554.01. Greater Arizona development authority; board;
20 staff; conflict of interest prohibited;
21 violation; classification
- 22 A. The greater Arizona development authority is established. The
 - 23 authority shall be governed by a board of directors consisting of the
 - 24 following members:
 - 25 1. The director of the department of commerce or the director's
 - 26 designee who shall serve as the chairperson.
 - 27 2. The director of the department of environmental quality or the
 - 28 director's designee.
 - 29 3. The director of the department of transportation or the director's
 - 30 designee.
 - 31 4. The state treasurer or the state treasurer's designee.
 - 32 5. Five members, one of whom is a representative of a tribal nation of
 - 33 Arizona, appointed by the governor pursuant to section 38-211. All appointed
 - 34 members shall reside in different counties, and no more than three members
 - 35 may be members of the same political party.
 - 36 B. Members appointed by the governor serve staggered five year terms.
 - 37 C. Members of the board are not eligible to receive compensation for
 - 38 their services but are eligible for reimbursement of expenses pursuant to
 - 39 title 38, chapter 4, article 2.
 - 40 D. Members of the board are public officers for purposes of title 38,
 - 41 chapter 3, article 8 and the authority is a public body for purposes of title
 - 42 38, chapter 3, article 3.1. **THE DIRECTOR OF THE DEPARTMENT OF COMMERCE OR**
 - 43 **THE DIRECTOR'S DESIGNEE SHALL NOT PARTICIPATE IN ANY CONSIDERATION OR VOTE ON**
 - 44 **FINANCIAL ASSISTANCE FOR IMPACT PROGRAMS PURSUANT TO ARTICLE 4.1 OF THIS**
 - 45 **CHAPTER.**
 - 46 E. No appointed member may serve more than two consecutive terms,
 - 47 except that service for a partial term of less than three years shall not be
 - 48 counted toward the two term limitation.

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

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

6 H. Members of the board shall not participate in any direct
7 discussions or actions related to any project financed under this article in
8 which the member has any direct or indirect personal financial interest. For
9 purposes of this subsection, a member of the board who is an employee or
10 official of a participant in or applicant for a loan shall not be considered
11 to have a direct or indirect personal financial interest in a project by
12 virtue of the member's services alone. A violation of this subsection is a
13 class 1 misdemeanor.

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

16 41-1554.02. Powers and duties of authority

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

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

22 1. Issue bonds to provide financial assistance to political
23 subdivisions, special districts and Indian tribes for acquiring,
24 constructing, improving or equipping infrastructure or for refinancing
25 outstanding bonds or other obligations of the political subdivisions, special
26 districts or Indian tribes that were issued to acquire, construct, improve or
27 equip infrastructure. The bonds shall be in the name of the authority.

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

30 3. Guarantee debt obligations of political subdivisions, special
31 districts and Indian tribes that are issued to finance or refinance
32 infrastructure projects.

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

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

37 ~~5-~~ 6. Apply for, accept and administer grants and other monetary
38 assistance from the United States government and from other public and
39 private sources to carry out its responsibilities under this article.

40 ~~6-~~ 7. Hire professional assistance as needed to carry out this
41 article.

42 C. The board shall:

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

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

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

47 D. The authority may impose administrative fees and penalties that are
48 necessary to recover the costs incurred in connection with entering into or

1 enforcing a loan repayment agreement or providing financial or technical
2 assistance.

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

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

8 41-1554.03. Greater Arizona development authority revolving
9 fund

10 A. The greater Arizona development authority revolving fund is
11 established consisting of:

12 1. Monies appropriated by the legislature.

13 2. Monies received from the United States government to carry out this
14 article.

15 3. Monies received from political subdivisions, Indian tribes, tribal
16 subdivisions and special districts as loan repayments, technical assistance
17 repayments, interest, administrative fees and penalties.

18 4. MONIES RECEIVED FROM THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT
19 PROGRAM FUND PURSUANT TO SECTION 41-1545.05.

20 ~~4.~~ 5. Interest and other income received from investing monies in the
21 fund.

22 ~~5.~~ 6. Gifts, grants and donations received from any public or private
23 source to carry out this article.

24 ~~6.~~ 7. Any other monies received by the authority.

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

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

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

38 E. Monies in the fund received pursuant to subsection A, paragraphs 2,
39 3, 4, 5, ~~and~~ 6 AND 7 of this section may be used for:

40 1. Providing technical assistance to political subdivisions, special
41 districts, Indian tribes and tribal subdivisions.

42 2. Providing financial assistance to political subdivisions, special
43 districts and Indian tribes.

44 3. PROVIDING FINANCING FOR IMPACT PROGRAMS FOR SUPPLEMENTAL JOB
45 TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER.

46 ~~3.~~ 4. Paying the compensation and employment related expenses
47 associated with the employees hired pursuant to section 41-1554.01,
48 subsection G.

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

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

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

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

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

19 41-1554.06. Financial assistance

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

24 1. Loans as provided in this section.

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

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

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

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

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

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

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

1 3. Shall be repayable in at least annual principal installments and at
2 least semiannual interest installments.

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

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

11 6. Shall be either:

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

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

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

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

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

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

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

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

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

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

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

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

29 42-1116. Disposition of tax revenues

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

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

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

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

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

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

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

3 6. AMOUNTS COLLECTED AS WITHHOLDING TAX SUFFICIENT TO MEET THE
4 REQUIREMENTS OF TITLE 41, CHAPTER 10, ARTICLES 4.1 AND 5.1 TO THE JOB
5 RECOVERY WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.

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

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

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

14 42-2003. Authorized disclosure of confidential information

15 A. Confidential information relating to:

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

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

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

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

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

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

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

41 B. Confidential information may be disclosed to:

42 1. Any employee of the department whose official duties involve tax
43 administration.

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

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

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

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

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

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

24 (c) An organization of states, federation of tax administrators or
25 multistate tax commission that operates an information exchange for tax
26 administration purposes.

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

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

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

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

38 (a) The processing, storage, transmission, destruction and
39 reproduction of the information.

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

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

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

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

1 9. The United States treasury inspector general for tax administration
2 for the purpose of reporting a violation of internal revenue code section
3 7213A (26 United States Code section 7213A), unauthorized inspection of
4 returns or return information.

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

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

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

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

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

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

18 (d) Fulfilling its annual reporting responsibility pursuant to section
19 41-1511, subsections T and U and section 41-1517, subsections S and T.

20 (e) **ADMINISTERING THE BENEFITS UNDER TITLE 41, CHAPTER 10, ARTICLES**
21 **4.1, 5 AND 5.1 THAT ARE BASED ON WITHHOLDING TAX REVENUES.**

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

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

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

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

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

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

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

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

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

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

44 E. The department, upon the request of any person, shall provide the
45 names and addresses of bingo licensees as defined in section 5-401, verify
46 whether or not a person has a privilege license and number, a distributor's
47 license and number or a withholding license and number or disclose the
48 information to be posted on the department's ~~web-site~~ **WEBSITE** or otherwise

1 publicly accessible pursuant to section 42-1124, subsection F and section
2 42-3201, subsection A.

3 F. A department employee, in connection with the official duties
4 relating to any audit, collection activity or civil or criminal
5 investigation, may disclose return information to the extent that disclosure
6 is necessary to obtain information which is not otherwise reasonably
7 available. These official duties include the correct determination of and
8 liability for tax, the amount to be collected or the enforcement of other
9 state tax revenue laws.

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

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

22 1. May only be used for internal purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 address, the taxpayer's signature and any attachments containing any of the
2 foregoing information are redacted and if either:

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

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

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

17 W. The department may provide the name and address of qualifying
18 hospitals and qualifying health care organizations, as defined in section
19 42-5001, to a business classified and reporting transaction privilege tax
20 under the utilities classification.

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

23 42-12006. Class six property

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

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

27 2. Real and personal property that is located within the area of a
28 foreign trade zone or subzone established under 19 United States Code section
29 81 and title 44, chapter 18, that is activated for foreign trade zone use by
30 the district director of the United States customs service pursuant to
31 19 Code of Federal Regulations section 146.6 and that is valued at full cash
32 value. Property that is classified under this paragraph shall not thereafter
33 be classified under paragraph 7 of this section.

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

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

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

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

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

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

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

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

13 (a) FOR PROPERTY LOCATED IN A CITY OR TOWN WITH A POPULATION OF FIFTY
14 THOUSAND PERSONS OR MORE, A BUSINESS MAKING A CAPITAL INVESTMENT OF AT LEAST
15 FIVE MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED UNDER
16 SECTION 41-1525.01, AND EMPLOYING AT LEAST TWENTY-FIVE NEW EMPLOYEES, THE
17 PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN TAX YEARS.

18 (b) FOR PROPERTY LOCATED IN ANY OTHER LOCATION, A BUSINESS MAKING A
19 CAPITAL INVESTMENT OF AT LEAST ONE MILLION DOLLARS WITHIN THREE YEARS AFTER
20 FIRST BEING CERTIFIED UNDER SECTION 41-1525.01, AND EMPLOYING AT LEAST
21 FIFTEEN NEW EMPLOYEES, THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH
22 FOR UP TO TEN TAX YEARS.

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

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

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

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

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

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

39 6. That portion of real and personal property that is used on or after
40 January 1, 1999 specifically and solely for remediation of the environment by
41 an action that has been determined to be reasonable and necessary to respond
42 to the release or threatened release of a hazardous substance by the
43 department of environmental quality pursuant to section 49-282.06 or pursuant
44 to its corrective action authority under rules adopted pursuant to section
45 49-922, subsection B, paragraph 4 or by the United States environmental
46 protection agency pursuant to the national contingency plan (40 Code of
47 Federal Regulations part 300) and that is valued at full cash value.
48 Property that is not being used specifically and solely for the remediation

1 objectives described in this paragraph shall not be classified under this
2 paragraph. For the purposes of this paragraph, "remediation of the
3 environment" means one or more of the following actions:

4 (a) Monitoring, assessing or evaluating the release or threatened
5 release.

6 (b) Excavating, removing, transporting, treating and disposing of
7 contaminated soil.

8 (c) Pumping and treating contaminated water.

9 (d) Treatment, containment or removal of contaminants in groundwater
10 or soil.

11 7. Real and personal property and improvements constructed or
12 installed from and after December 31, 2004 through December 31, 2010 and
13 owned by a qualified business under section 41-1516 and used solely for the
14 purpose of harvesting, transporting or the initial processing of qualifying
15 forest products removed from qualifying projects as defined in section
16 41-1516. The classification under this paragraph is subject to the following
17 terms and conditions:

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

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

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

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

28 8. Real and personal property and improvements to the property that
29 are used specifically and solely to manufacture from and after December 31,
30 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent
31 biodiesel and its by-products and that are valued at full cash value. This
32 paragraph applies only to the portion of property that is used specifically
33 for manufacturing and processing one hundred per cent biodiesel fuel, or its
34 related by-products, from raw feedstock obtained from off-site sources,
35 including necessary on-site storage facilities that are intrinsically
36 associated with the manufacturing process. Any other commercial or
37 industrial use disqualifies the entire property from classification under
38 this paragraph.

39 9. Real and personal property and improvements that are certified
40 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
41 renewable energy manufacturing or headquarters operations as provided by
42 section 42-12057. This paragraph applies only to property that is used in
43 manufacturing and headquarters operations of renewable energy companies,
44 including necessary on-site research and development, testing and storage
45 facilities that are associated with the manufacturing process. Up to ten per
46 cent of the aggregate full cash value of the property may be derived from
47 uses that are ancillary to and intrinsically associated with the
48 manufacturing process or headquarters operation. Any additional ancillary

1 property is not qualified for classification under this paragraph. No new
2 properties may be classified pursuant to this paragraph from and after
3 December 31, 2014. Classification under this paragraph is limited to the
4 time periods determined by the department of commerce pursuant to section
5 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
6 classified under this paragraph shall not thereafter be classified under any
7 other paragraph of this section.

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

10 42-12009. Class nine property

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

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

14 (a) The improvements become the property of the federal, state, county
15 or municipal owner of the property on termination of the leasehold interest
16 in the property.

17 (b) Both the improvements and the property are used primarily for
18 athletic, recreational, entertainment, artistic, cultural or convention
19 activities.

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

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

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

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

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

32 3. Property that is defined as "contractor-acquired property" or
33 "government-furnished property" in the federal acquisition regulations
34 (48 Code of Federal Regulations section 45.101) and that is leased to or
35 acquired by the government and used to perform a government contract.

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

43 5. Real property and improvements, including land, buildings,
44 furniture and equipment, regardless of ownership, that are leased for the
45 entire valuation year to, and used exclusively by, a nonprofit organization
46 that is recognized under section 501(c)(3) of the internal revenue code and
47 that operates on the premises as a charter school pursuant to section 15-183.
48 If only part of a parcel of real property or improvements to real property is

1 leased for operation of a charter school as provided by this paragraph, only
2 the portion so leased qualifies for classification under this section. A
3 property owner who leases property to a charter school shall file an
4 affidavit with the county assessor stating that the charter school shall be
5 the sole beneficiary of the change in property tax classification pursuant to
6 this section and that the lease rate that is charged to the charter school is
7 consistent with the lease rates that are charged to other tenants of the
8 property or a fair market rate.

9 6. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO
10 A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, AND
11 REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE LOCATED AND
12 OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE PURSUANT
13 TO SECTION 41-1525.01 AND THAT IS MAKING A CAPITAL INVESTMENT OF AT LEAST TWO
14 HUNDRED FIFTY MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST BEING CERTIFIED
15 UNDER SECTION 41-1525.01 AND EMPLOYING AT LEAST ONE HUNDRED FIFTY NEW
16 EMPLOYEES. THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH FOR UP TO TEN
17 TAX YEARS. PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT
18 THEREAFTER BE CLASSIFIED UNDER SECTION 42-12006.

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

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

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

25 42-13054. Taxable value of personal property; depreciated
26 values of personal property in class one and class
27 two (P)

28 A. The taxable value of personal property that is valued by the county
29 assessor is the result of acquisition cost less any appropriate depreciation
30 as prescribed by tables adopted by the department. The taxable value shall
31 not exceed the market value.

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

36 1. For personal property that is initially classified during tax year
37 1994 through tax year 2007 as class one, paragraph 8, 9, 10 or 13 pursuant to
38 section 42-12001 and personal property that is initially classified during
39 tax year 1995 through tax year 2007 as class two (P) pursuant to section
40 42-12002:

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

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

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

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

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

4 2. For personal property that is initially classified during ~~or after~~
5 tax year 2008 THROUGH TAX YEAR 2010 as class one, paragraph 8, 9, 10 or 13
6 pursuant to section 42-12001 and personal property that is initially
7 classified during ~~or after~~ tax year 2008 THROUGH TAX YEAR 2010 as class two
8 (P) pursuant to section 42-12002:

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

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

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

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

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

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

22 3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
23 TAX YEAR 2011 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION
24 42-12001 AND PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
25 TAX YEAR 2011 AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

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

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

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

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

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

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

39 C. The additional depreciation prescribed in subsection B of this
40 section:

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

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

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

3 42-15001. Assessed valuation of class one property

4 The assessed valuation of class one property described in section
5 42-12001 is:

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

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

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

13 ~~3.~~ (c) Twenty-four per cent beginning from and after December 31,
14 2006 through December 31, 2007.

15 ~~4.~~ (d) Twenty-three per cent beginning from and after December 31,
16 2007 through December 31, 2008.

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

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

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

22 2. FOR TAX YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011, FOR THE
23 PURPOSES OF ASSESSING SECONDARY PROPERTY TAXES LEVIED BY COUNTIES, CITIES,
24 TOWNS, COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS FOR THE PAYMENT OF
25 PRINCIPAL, INTEREST AND REDEMPTION CHARGES ON BONDED INDEBTEDNESS OR OTHER
26 LAWFUL LONG-TERM OBLIGATIONS AUTHORIZED BY THE VOTERS FROM AND AFTER DECEMBER
27 31, 2011 AND FOR THE PAYMENT OF COSTS APPROVED BY AN OVERRIDE ELECTION HELD
28 FROM AND AFTER DECEMBER 31, 2011, SIXTEEN PER CENT. THE ASSESSED VALUATION
29 DETERMINED PURSUANT TO THIS PARAGRAPH DOES NOT APPLY FOR THE PURPOSES OF
30 COMPUTING DEBT LIMITATIONS PURSUANT TO ARTICLE IX, SECTIONS 8 AND 8.1,
31 CONSTITUTION OF ARIZONA, OR THE LIMITATION ON CLASS B BONDED INDEBTEDNESS
32 PURSUANT TO SECTION 15-1021.

33 Sec. 23. Section 43-206, Arizona Revised Statutes, is amended to read:

34 43-206. Urban revenue sharing fund; allocation; distribution

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

46 B. Each city or town shall share in the urban revenue sharing fund in
47 the proportion that the population of each bears to the population of all.
48 Except as provided by sections 42-5033 and 42-5033.01, the population of a

1 city or town as determined by the most recent United States decennial census
2 plus any revisions to the decennial census certified by the United States
3 bureau of the census shall be used as the basis for apportioning monies
4 pursuant to this subsection.

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

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

13 E. On receipt of a certificate of default from the greater Arizona
14 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
15 treasurer, to the extent not otherwise expressly prohibited by law, shall
16 withhold from the next succeeding distribution of monies pursuant to this
17 section due to the city or town the amount specified in the certificate of
18 default and immediately deposit the amount withheld in the greater Arizona
19 development authority revolving fund. The state treasurer shall continue to
20 withhold and deposit the monies until the authority certifies to the state
21 treasurer that the default has been cured. In no event shall the state
22 treasurer withhold any amount that is necessary, as certified by the
23 defaulting political subdivision to the state treasurer and the authority, to
24 make any required deposits then due for the payment of principal and interest
25 on bonds of the political subdivision that were issued prior to the date of
26 the loan repayment agreement or bonds and that have been secured by a pledge
27 of distributions made pursuant to this section.

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

29 43-222. Income tax credit review schedule

30 The joint legislative income tax credit review committee shall review
31 the following income tax credits:

32 1. For years ending in 0 and 5, sections 43-1074, 43-1075, 43-1075.01,
33 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1161, 43-1163, 43-1163.01,
34 43-1167.01, 43-1175 and 43-1182.

35 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083, 43-1085,
36 43-1164 and 43-1183.

37 3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,
38 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
39 and 43-1181.

40 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,
41 43-1170 and 43-1178.

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

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

46 43-409. Job recovery withholdings clearing fund

47 A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED
48 CONSISTING OF UP TO ONE HUNDRED PER CENT OF WITHHOLDING TAX REVENUES ON NEW

1 JOBS CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 4.1 AND NEW EMPLOYEES
2 HIRED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 5.1. ON NOTICE FROM THE
3 DIRECTOR OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH MONTH, THE
4 DIRECTOR OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND SUFFICIENT
5 MONIES EACH MONTH TO MEET THE REQUIREMENTS OF THE SUPPLEMENTAL JOB TRAINING,
6 ARIZONA OPPORTUNITY FUND AND ARIZONA QUALITY JOBS PROGRAMS.

7 B. ON THE LAST DAY OF EACH MONTH, THE DEPARTMENT OF REVENUE SHALL
8 NOTIFY THE STATE TREASURER TO TRANSFER MONIES FROM THE JOB RECOVERY
9 WITHHOLDINGS CLEARING FUND TO THE IMPACT PROGRAM FUND ESTABLISHED BY SECTION
10 41-1545.06, THE ARIZONA OPPORTUNITY FUND ESTABLISHED BY SECTION 41-1546 AND
11 THE ARIZONA QUALITY JOBS FUND ESTABLISHED BY SECTION 41-1547.02.

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

14 43-1022. Subtractions from Arizona gross income

15 In computing Arizona adjusted gross income, the following amounts shall
16 be subtracted from Arizona gross income:

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

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

21 (a) The United States government service retirement and disability
22 fund, retired or retainer pay of the uniformed services of the United States,
23 the United States foreign service retirement and disability system and any
24 other retirement system or plan established by federal law.

25 (b) The Arizona state retirement system, the corrections officer
26 retirement plan, the public safety personnel retirement system, the elected
27 officials' retirement plan, an optional retirement program established by the
28 Arizona board of regents under section 15-1628, an optional retirement
29 program established by a community college district board under section
30 15-1451 or a retirement plan established for employees of a county, city or
31 town in this state.

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

35 4. The amount of any distributions from an individual retirement
36 account as provided for in section 408 of the internal revenue code or from a
37 qualified retirement plan of a self-employed individual as provided for in
38 section 401 of the internal revenue code to the extent that total adjustments
39 made pursuant to this paragraph in all tax years do not exceed the total of
40 all contributions made by the taxpayer to such plans prior to December 31,
41 1975, which were included in computing Arizona taxable income.

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

46 6. Interest income received on obligations of the United States, less
47 any interest on indebtedness, or other related expenses, and deducted in

1 arriving at Arizona gross income, which were incurred or continued to
2 purchase or carry such obligations.

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

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

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

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

15 11. The amount by which the adjusted basis of property described in
16 this paragraph and computed pursuant to this title and the income tax act of
17 1954, as amended, exceeds the adjusted basis of such property computed
18 pursuant to the internal revenue code. This paragraph shall apply to all
19 property which is held for the production of income and which is sold or
20 otherwise disposed of during the taxable year other than depreciable property
21 used in a trade or business.

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

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

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

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

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

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

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

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

9 20. The amount of unreimbursed medical and hospital costs, adoption
10 counseling, legal and agency fees and other nonrecurring costs of adoption
11 not to exceed three thousand dollars. In the case of a husband and wife who
12 file separate returns, the subtraction may be taken by either taxpayer or may
13 be divided between them, but the total subtractions allowed both husband and
14 wife shall not exceed three thousand dollars. The subtraction under this
15 paragraph may be taken for the costs that are described in this paragraph and
16 that are incurred in prior years, but the subtraction may be taken only in
17 the year during which the final adoption order is granted.

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

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

22 (a) An eligible individual may subtract:

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

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

30 (b) The individual's employer may subtract the amount of contributions
31 made by the employer to a medical savings account established on the
32 individual's behalf to the extent that the contributions are not deductible
33 under the internal revenue code.

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

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

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

45 26. The amount authorized by section 43-1030 relating to holocaust
46 survivors.

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

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

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

12 30. With respect to property for which an adjustment was made under
13 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of
14 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which
15 the amount was adjusted under section 43-1021, paragraph 27 and in each of
16 the following four years.

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

23 (a) Seven hundred fifty dollars for a single individual or a head of
24 household.

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

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

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

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

40 43-1074. Credit for new employment; definitions

41 A. A credit is allowed against the taxes imposed by this title for net
42 increases in FULL-TIME EMPLOYEES HIRED IN qualified employment positions ~~of~~
43 ~~residents of this state by a business located in an enterprise zone~~
44 ~~established under title 41, chapter 10, article 2~~ AS CERTIFIED BY THE
45 DEPARTMENT OF COMMERCE PURSUANT TO SECTION 41-1525, except employment
46 positions at a ~~zone~~ location where more than ten per cent of the business
47 conducted at the location consists of retail sales of tangible personal
48 property, measured by either the number of employees assigned to retail sales

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

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

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

8 3. Products sold to company employees.

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

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

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

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

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

24 1. A TAXPAYER MUST:

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

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

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

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

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

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

46 (b) The job duties must be performed primarily at the ~~zone~~ locations
47 of the business. If an eligible employee in a qualified employment position
48 is transferred or assigned to work in the taxpayer's workplace at a different

1 location ~~that is also located in an enterprise zone and qualifies as a zone~~
2 ~~location~~, it may be considered to be continuous employment if it continues to
3 meet all qualified employment position requirements.

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

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

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

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

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

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

36 F. A taxpayer who claims a credit under section 43-1077, 43-1079 or
37 43-1083.01 shall not claim a credit under this section with respect to the
38 same employment positions.

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

45 H. Co-owners of a business, including partners in a partnership and
46 shareholders of an S corporation, as defined in section 1361 of the internal
47 revenue code, may each claim only the pro rata share of the credit allowed
48 under this section based on the ownership interest. The total of the credits

1 allowed all such owners of the business may not exceed the amount that would
2 have been allowed for a sole owner of the business.

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

14 J. A failure to timely report and certify to the department of
15 commerce and the department of revenue the information prescribed by section
16 41-1525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the manner prescribed
17 by section 41-1525, subsection ~~C~~ D disqualifies the taxpayer from the credit
18 under this section. The department of revenue shall require written evidence
19 of the timely report to the department of commerce.

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

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

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

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

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

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

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

36 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
37 an ultimate consumer.

38 ~~3.~~ 4. "Retail sales activities" means all activities persons
39 operating a retail business normally engage in, including taking orders,
40 filling orders, billing orders, receiving and processing payment and
41 shipping, stocking and delivering tangible personal property to the ultimate
42 consumer, except drop shipments by a company acting on behalf of an unrelated
43 company that has made a sale to a final consumer.

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

1 Sec. 28. Section 43-1139, Arizona Revised Statutes, is amended to
2 read:

3 43-1139. Allocation of business income

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

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

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

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

14 2. December 31, 2007 through December 31, 2008 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 one and one-half times the property factor plus one and one-half times the
20 payroll factor plus seven times the sales factor, and the denominator of
21 which is ten.

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

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

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

29 4. DECEMBER 31, 2014 THROUGH DECEMBER 31, 2015 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 EIGHTEEN TIMES THE SALES
35 FACTOR, AND THE DENOMINATOR OF WHICH IS TWENTY.

36 5. 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 SOLELY BY THE SALES FACTOR.

41 B. All business income of a taxpayer engaged in air commerce shall be
42 apportioned to this state by multiplying the income by a fraction, the
43 numerator of which is the revenue aircraft miles flown within this state for
44 flights beginning or ending in this state and the denominator of which is the
45 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
46 This subsection applies to each taxpayer, including a combined group filing a
47 combined return or an affiliated group electing to file a consolidated return

1 under section 43-947, if fifty per cent or more of that taxpayer's gross
2 income is derived from air commerce. For the purposes of this subsection:

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

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

9 Sec. 29. Section 43-1161, Arizona Revised Statutes, is amended to
10 read:

11 43-1161. 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 IN 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 hire ~~in an enterprise zone that is located~~ in the same county in which the
6 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~~ SIXTY-FIVE per cent of
25 the premium or membership cost. If the taxpayer is self-insured, the
26 taxpayer must pay at least ~~fifty~~ SIXTY-FIVE per cent of a predetermined fixed
27 cost per employee for an insurance program that is payable whether or not the
28 employee has filed 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 may not exceed ~~two~~ FOUR hundred
6 qualified employment positions per taxpayer each year.

7 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
8 43-1167 may not claim a credit under this section with respect to the same
9 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 years'
14 income tax liability for the period, 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, may
17 each claim only the pro rata share of the credit allowed under this section
18 based on the ownership interest. The total of the credits allowed all such
19 owners of the business may not exceed the amount that would have been allowed
20 for a sole owner of the business.

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

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

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

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

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

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

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

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

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

6 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to
7 an ultimate consumer.

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

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

17 Sec. 30. Laws 1996, chapter 344, section 12, as amended by Laws 2001,
18 chapter 370, section 8 and Laws 2006, chapter 387, section 5, is amended to
19 read:

20 Sec. 12. Delayed repeal

21 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections
22 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from
23 and after June 30, ~~2011~~ 2016.

24 Sec. 31. Short title

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

27 Sec. 32. Legislative intent

28 It is the intent of the legislature that:

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

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

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

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

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

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

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

1 Sec. 33. Continuation of enterprise zone tax incentives from
2 prior law

3 The changes made by this act to the requirements for qualifying for tax
4 incentives for investment and employment in enterprise zones do not affect
5 the prior qualification under previous law with respect to:

6 1. Property classified as class six pursuant to section 42-12006,
7 paragraph 4, Arizona Revised Statutes, as in effect before the effective date
8 of this act. Property that previously qualified for classification under
9 that provision may maintain that classification for the original term of up
10 to five tax years if it continues to meet the original terms of
11 qualification.

12 2. Insurers and taxpayers who have employees in the second and third
13 years of employment in qualified employment positions under section
14 20-224.03, subsection A, paragraphs 2 and 3, Arizona Revised Statutes,
15 section 43-1074, subsections A, B and C, Arizona Revised Statutes, and
16 section 43-1161, subsections A, B and C, Arizona Revised Statutes, including
17 any excess credit amounts carried forward from prior taxable years."

18 Amend title to conform

JACK W. HARPER

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