



649 North Fourth Avenue, First Floor
Phoenix, Arizona 85003
(602) 382-4078

Kory Langhofer, Ariz. Bar No. 024722
kory@statecraftlaw.com
Thomas Basile, Ariz. Bar No. 031150
tom@statecraftlaw.com

Attorneys for Plaintiffs

**IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

ARIZONA FREE ENTERPRISE CLUB, an
Arizona nonprofit corporation; SCOT
MUSSI, an individual; and DIANE
SCHAFFER, an individual,

Plaintiffs,

v.

KATIE HOBBS, in her capacity as the
Secretary of State of Arizona,

Defendant,

and

INVEST IN ARIZONA (SPONSORED BY
AEA AND STAND FOR CHILDREN),

Real Party in Interest.

No. CV 2021-011491

VERIFIED COMPLAINT

**(Expedited Election Case Pursuant to
A.R.S. § 19-122(C))**

Plaintiffs bring this action for declaratory, injunctive and special action relief pursuant to A.R.S. § 19-122(C) and the Arizona Rules of Special Action Procedure, and hereby allege as follows:

SUMMARY OF THE CASE

1. This action challenges the validity of three proposed referenda (collectively, the “Proposed Referenda”), which seek to refer to the November 8, 2022 general election ballot the following legislation:

- a. 2021 Ariz. Laws ch. 412, §§ 13, 15 (Senate Bill 1828), which amend the income tax brackets and rates imposed by current law and provide for a single income tax rate of 2.5%, conditioned on the attainment of certain general fund revenue thresholds;
- b. 2021 Ariz. Laws ch. 411, § 4 (Senate Bill 1827), which provides that a taxpayer’s taxable income will not be subject to an overall marginal tax rate that is higher than 4.5%; and
- c. 2021 Ariz. Laws ch. 436 (Senate Bill 1783), which allows certain small business owners to pay an alternative small business tax and to deduct small business taxable income from their personal gross income.

Because these statutory provisions prescribe income taxation rates and brackets to generate revenues “for the support and maintenance of the departments of state government and state institutions,” they are immune from referral. *See* Ariz. Const. art. IV, pt. 1, § 1(3). Each of the Proposed Referenda thus is invalid and unconstitutional as a matter of law.

2. The Secretary of State has a nondiscretionary legal duty to reject any petition in support of any of the Proposed Referenda that is proffered for filing.

3. Plaintiffs accordingly are entitled to declaratory, injunctive, and special action remedies to ensure that the Defendant fully and effectively discharges the duties imposed upon her by state law.

JURISDICTION

4. This Court has jurisdiction over this action pursuant to Article 6, § 14 of the Arizona Constitution, Arizona Rules for Special Actions 4(a), and A.R.S. §§ 12-1801, 12-1831, and 19-122(C) and (D).

5. Venue for this action lies in Maricopa County pursuant to A.R.S. § 12-401(16) because the Defendant holds office in this county.

PARTIES

6. Plaintiff Arizona Free Enterprise Club is an Arizona nonprofit corporation that is organized and operated for the promotion of social welfare, within the meaning of section 501(c)(4) of the Internal Revenue Code of 1986, as amended. The Arizona Free Enterprise Club engages in public education and advocacy in support of free markets and economic growth in the State of Arizona.

7. Plaintiff Scot Mussi is a citizen of the United States of America, and a resident and qualified elector of Maricopa County and the State of Arizona.

8. Plaintiff Diane Schafer is a citizen of the United States of America, and a resident and qualified elector of Yavapai County and the State of Arizona.

9. Defendant Katie Hobbs is the Secretary of State of Arizona and is named in this action in her official capacity only. The Secretary of State is a public officer responsible for assigning petition serial numbers to applicants seeking to circulate a statewide referendum petition, accepting or rejecting completed petition sheets proffered for filing, and determining the legal sufficiency of such petitions and the signatures presented therein. See A.R.S. §§ 19-111, -121.01, -121.04.

10. Real Party in Interest Invest in Arizona (Sponsored by AEA and Stand for Children) (the "Committee") is an Arizona political committee organized to support the Proposed Referenda.

GENERAL ALLEGATIONS

11. On or around June 30, 2021 Governor Douglas Ducey signed and transmitted to the Secretary of State Senate Bill 1828, the omnibus appropriations bill for fiscal year 2022.

12. Sections 13 and 15 of the legislation amend the rates at which income is taxed as well as the income brackets to which such rates correspond, subject to the attainment of

1 specified state general fund revenue thresholds. A true and correct copy of the relevant
2 excerpts of Senate Bill 1828 are attached hereto as Exhibit A.

3 13. On or around July 2, 2021 the Committee filed with the Secretary of State an
4 Application for Serial Number to refer Sections 13 and 15 of Senate Bill 1828. A true and
5 correct copy of the Committee's application is attached hereto as Exhibit B.

6 14. The Secretary of State issued to the Committee serial number R-03-2021 in
7 connection with the proposed referendum of Sections 13 and 15 of Senate Bill 1828.

8 15. On or around June 30, 2021 Governor Douglas Ducey signed and transmitted
9 to the Secretary of State Senate Bill 1827, which, *inter alia*, provides that individual taxable
10 income may not be taxed at an overall marginal rate that exceeds 4.5%. A true and correct
11 copy of Senate Bill 1827 is attached hereto as Exhibit C.

12 16. On or around July 2, 2021 the Committee filed with the Secretary of State an
13 Application for Serial Number to refer Section 4 of Senate Bill 1827. A true and correct
14 copy of the Committee's application is attached hereto as Exhibit D.

15 17. The Secretary of State issued to the Committee serial number R-04-2021 in
16 connection with the proposed referendum of Section 4 of Senate Bill 1827.

17 18. On or around July 9, 2021 Governor Douglas Ducey signed and transmitted
18 to the Secretary of State Senate Bill 1783, which, *inter alia*, allows certain Arizona small
19 business owners to choose to pay a new alternative tax on income received from their
20 business. Eligible electing taxpayers then may deduct small business taxable income from
21 their personal gross income for purposes of computing their personal income tax liability.
22 The legislation also prescribes taxation rates and brackets for trusts and estates. A true and
23 correct copy of Senate Bill 1783 is attached hereto as Exhibit E.

24 19. On or around July 12, 2021 the Committee filed with the Secretary of State
25 an Application for Serial Number to refer Senate Bill 1783. A true and correct copy of the
26 Committee's application is attached hereto as Exhibit F.

27 20. The Secretary of State issued to the Committee serial number R-06-2021 in
28 connection with the proposed referendum of Senate Bill 1783.

21. Upon information and belief, the Committee currently is circulating and obtaining signatures for petitions in support of the Proposed Referenda.

22. Upon information and belief, the Committee intends to submit to the Secretary of State petitions in support of each of the Proposed Referenda on or before September 28, 2021.

23. Upon information and belief, the Secretary of State intends to accept for filing and verification any facially sufficient petition in support of any of the Proposed Referenda that is submitted on or before September 28, 2021.

24. The Arizona Constitution generally permits the referral of measures (or portions thereof) enacted by the Legislature to a vote of the statewide electorate. *See* Ariz. Const. art. IV, pt. 1, § 1(3).

25. Upon the Governor's assent to legislation, its effective date is deferred for a period of ninety days following the adjournment of the legislative session, during which time proponents may collect signatures in support of a referendum effort.

26. If the referendum proponents submit to the Secretary of State on or before the deadline a petition containing a number of valid signatures equal to at least five percent of the votes cast for the office of Governor in the preceding general election, the legislation remains suspended pending its approval or rejection by the electorate at the next ensuing general election. *See* Ariz. Const. art. IV, pt. 1, § 1(3), 1(4), 1(5), 1(7).

27. Two categories of legislative enactments, however, are immune from the electorate's power of referendum.

28. The first category consists of "laws immediately necessary for the preservation of the public peace, health, or safety." Ariz. Const. art. IV, pt. 1, § 1(3). The Legislature may designate such "emergency measures" by including a declaratory clause in the legislation, which requires the assent of a two-thirds majority in each house. Emergency measures are effective immediately upon the Governor's signature. *Id.*

29. The second category are laws "for the support and maintenance of the departments of state government and state institutions." *Id.* Such support and maintenance

laws need not qualify as “emergency measures,” and may be enacted upon the vote of a simple majority in each legislative house and the Governor’s signature. *See Garvey v. Trew*, 64 Ariz. 342 (1946).

30. Laws, to include the provisions of the Proposed Referenda, that provide for or prescribe taxes and/or rates of taxation generate public revenues, and hence are “for the support and maintenance of the departments of state government and state institutions.” *See Wade v. Greenlee County*, 173 Ariz. 462, 463 (App. 1992). They accordingly may not be the subject of a referendum petition.

31. The filing of petitions in support of the Proposed Referenda will injure the Plaintiffs and all Arizona taxpayers by unconstitutionally delaying the effective date of non-referrable laws duly enacted by the elected Legislature and approved by the Governor.

32. Arizona law permits “[a]ny person” to “contest the validity of an initiative or referendum” in this Court. A.R.S. § 19-122(C).

33. Claims alleging that a measure cannot be lawfully the subject of a referendum are ripe and can be adjudicated prior to the measure’s adoption by the electorate. *See Respect Promise in Opposition to R-14-02-Neighbors for a Better Glendale v. Hanna*, 238 Ariz. 296 (App. 2015) (holding that municipal settlement agreement was not referrable and thus city clerk could not accept petitions for filing).

COUNT I

Declaratory Relief (A.R.S. §§ 12-1831, *et seq.*)

27. Plaintiffs incorporate by reference the allegations contained in the foregoing paragraphs as if fully set forth herein.

28. An actual and justiciable controversy exists regarding the legal sufficiency of the Proposed Referenda, and a judgment of this Court will end the controversy.

29. The Defendant may lawfully issue a petition serial number and/or accept a referendum petition for filing and verification only if the measure to which the petition relates is a referrable legislative act, within the meaning of Article IV, Part 1, Section 1(3) of the Arizona Constitution.

3 31. Because they provide for, and directly relate to, the generation of revenues
4 that are remitted to the general fund and appropriated to various agencies, departments and
5 instrumentalities of the state government, the provisions of the Proposed Referenda are “for
6 the support and maintenance” of the state government, and hence may not be the subject of
7 a referendum.

8 32. Plaintiffs accordingly are entitled to a declaration that the Proposed Referenda
9 are unconstitutional and unlawful, and that any petition in support of them cannot be
10 accepted for filing by the Secretary of State.

COUNT II

Injunctive Relief (A.R.S. §§ 12-1801, *et seq.*, 19-122(C))

13 33. Plaintiffs incorporate by reference the allegations contained in the foregoing
14 paragraphs as if fully set forth herein.

15 34. Arizona law provides that “[a]ny person may contest the validity of an
16 initiative or referendum,” and “may seek to enjoin the secretary of state or other officer
17 from certifying or printing the official ballot for the election that will include the proposed
18 initiative or referendum measure and to enjoin the certification or printing of the ballot.”
19 A.R.S. § 19-122(C).

35. The Defendant may lawfully issue a petition serial number and/or accept a referendum petition for filing and verification only if the measure to which the petition relates is a referable legislative act, within the meaning of Article IV, Part 1, Section 1(3) of the Arizona Constitution.

24 36. Legislative enactments “for the support and maintenance of the departments
25 of state government and state institutions” are not referable legislative acts.

37. Because they provide for, and directly relate to, the generation of revenues that are remitted to the general fund and appropriated to various agencies, departments and instrumentalities of the state government, the provisions of the Proposed Referenda are “for

the support and maintenance” of the state government, and hence may not be the subject of a referendum.

38. The filing and verification of any petition in support of any of the Proposed Referenda will irreparably injure the Plaintiffs and all Arizona residents by unconstitutionally delaying the effective date of valid and non-referrable legislative acts.

39. The balance of equities and the public policy imperative of enforcing the Arizona Constitution’s limitations on the right of referendum favor the entry of injunctive relief.

40. Accordingly, Plaintiffs are entitled to preliminary and permanent injunctions prohibiting the Secretary of State from accepting, verifying or certifying for the ballot any petition in support of any of the Proposed Referenda.

COUNT III

Mandamus Relief (A.R.S. § 12-2021, *et seq.*)

41. Plaintiffs incorporate by reference the allegations contained in the foregoing paragraphs as if fully set forth herein.

42. The Secretary of State has a non-discretionary legal duty to reject and refuse to accept for filing any petition that seeks to refer a measure that the Arizona Constitution provides is not a referrable legislative act.

43. Legislative enactments “for the support and maintenance of the departments of state government and state institutions” are not referrable legislative acts.

44. Because they provide for, and directly relate to, the generation of revenues that are remitted to the general fund and appropriated to various agencies, departments and instrumentalities of the state government, the provisions of the Proposed Referenda are “for the support and maintenance” of the state government, and hence may not be the subject of a referendum.

45. Plaintiffs lack a plain, speedy and adequate remedy at law to compel the Secretary of State to perform the non-discretionary duties imposed upon her by Arizona law.

1 46. Accordingly, Plaintiffs seek mandamus relief requiring the Secretary of State
2 to reject and refuse to accept for filing, verification or certification any petition in support
3 of any of the Proposed Referenda.

4 **DEMAND FOR RELIEF**

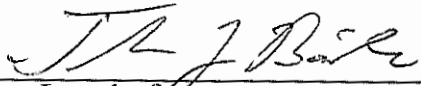
5 WHEREFORE, the Plaintiffs demand relief in the following forms:

- 6 A. A declaration that sections 13 and 15 of Senate Bill 1828, section 4 of
7 Senate Bill 1827, and Senate Bill 1783 provide “for the support and
8 maintenance of the departments of state government and state
9 institutions,” and thus are not referable to a vote of the statewide
10 electorate, pursuant to Ariz. Const. art. IV, pt. 1, § 1(3).
- 11 B. An injunction pursuant to A.R.S. § 19-122(C) prohibiting the
12 Secretary of State from (1) accepting for filing any petition in support
13 of referendum number R-03-2021, R-04-2021 or R-06-2021; or (2)
14 certifying referendum number R-03-2021, R-04-2021 or R-06-2021
15 for placement on the statewide election ballot.
- 16 C. A writ of mandamus compelling the Secretary of State to discharge her
17 non-discretionary legal duty to refuse to accept for filing any petition
18 in support of referendum number R-03-2021, R-04-2021 or R-06-
19 2021; and
- 20 D. Such other relief as the Court deems necessary, equitable, proper, or
21 just.
- 22
23
24
25
26
27
28

1 DATED this 21st day of July, 2021.

2 STATECRAFT PLLC

3
4 By:


Kory Langhofer
Thomas Basile
649 North Fourth Avenue, First Floor
Phoenix, Arizona 85003

5
6
7 *Attorneys for Plaintiffs*
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28



Verification

I, Scot Mussi, affirm that I have read the foregoing Verified Complaint and know the contents thereof by personal knowledge. I know the allegations of the Verified Complaint to be true, except the matters stated therein on information and belief, which I believe to be true.

Signed under penalty of perjury on this 21ST day of July, 2021.

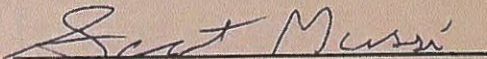
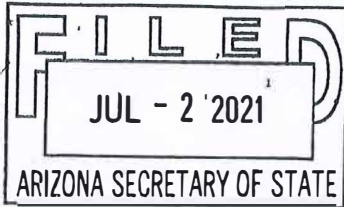

Scot Mussi

Exhibit A



Senate Engrossed

omnibus; taxation

FILED

KATIE HOBBS
SECRETARY OF STATE

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 412
SENATE BILL 1828

AN ACT

AMENDING SECTIONS 15-972, 23-622, 23-771, 23-779 AND 23-780, ARIZONA REVISED STATUTES; AMENDING TITLE 23, CHAPTER 4, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 23-799.01; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 273, SECTION 7 AND CHAPTER 288, SECTION 1; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 273, SECTION 8 AND CHAPTER 288, SECTION 2; AMENDING SECTIONS 42-5159, 42-15001, 43-206 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-243; AMENDING SECTIONS 43-581, 43-1011, 43-1022 AND 43-1041, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1076.01; AMENDING SECTIONS 43-1089.01 AND 43-1122, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1162; AMENDING SECTIONS 43-1184, 43-1504, 43-1603 AND 48-807, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)



1 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
2 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

3 Sec. 13. Title 43, chapter 2, article 3, Arizona Revised Statutes,
4 is amended by adding section 43-243, to read:

5 43-243. State general fund revenue notification: tax rate
6 adjustment

7 A. ON OR BEFORE SEPTEMBER 30, 2022, THE DIRECTOR OF THE JOINT
8 LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR'S OFFICE OF
9 STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY NOTIFY THE DEPARTMENT
10 WHETHER THE FISCAL YEAR 2021-2022 STATE GENERAL FUND REVENUE, EXCLUDING
11 THE BEGINNING BALANCE, WAS \$12,782,800,000 OR MORE.

12 B. ON OR BEFORE SEPTEMBER 30, 2023 AND ON OR BEFORE SEPTEMBER 30 OF
13 EACH YEAR UNTIL THE NOTICE IS PROVIDED AS PRESCRIBED IN SUBSECTION A OF
14 THIS SECTION OR PARAGRAPH 1 OF THIS SUBSECTION, AND PARAGRAPH 2 OF THIS
15 SUBSECTION, THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
16 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
17 SHALL JOINTLY NOTIFY THE DEPARTMENT WHETHER THE PREVIOUS FISCAL YEAR STATE
18 GENERAL FUND REVENUE, EXCLUDING THE BEGINNING BALANCE, WAS EITHER OF THE
19 FOLLOWING AMOUNTS:

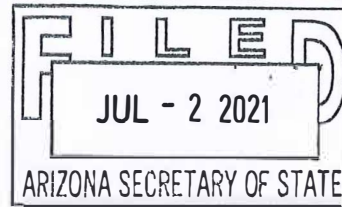
20 1. MORE THAN \$12,782,800,000 BUT LESS THAN \$12,976,300,000. THE
21 NOTICE REQUIRED PURSUANT TO THIS PARAGRAPH IS NOT REQUIRED IF THE NOTICE
22 REQUIRED PURSUANT TO SUBSECTION A OF THIS SECTION WAS PROVIDED ON OR
23 BEFORE SEPTEMBER 30, 2022.

24 2. \$12,976,300,000 OR MORE.

25 C. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR
26 SUBSECTION B, PARAGRAPH 1 OF THIS SECTION, THE DEPARTMENT SHALL USE THE
27 TAX RATES PROVIDED IN SECTION 43-1011, SUBSECTION A, PARAGRAPH 8 FOR
28 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH
29 THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR SUBSECTION B, PARAGRAPH 1
30 OF THIS SECTION IS RECEIVED. THE TAX RATE PRESCRIBED IN SECTION 43-1011,
31 SUBSECTION A, PARAGRAPH 8 APPLIES UNTIL THE DEPARTMENT RECEIVES THE NOTICE
32 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.

33 D. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION B,
34 PARAGRAPH 2 OF THIS SECTION, THE DEPARTMENT SHALL USE THE TAX RATES
35 PROVIDED IN SECTION 43-1011, SUBSECTION A, PARAGRAPH 9 FOR TAXABLE YEARS
36 BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH THE NOTICE
37 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION IS
38 RECEIVED.

39 E. THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
40 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
41 SHALL NOTIFY THE DEPARTMENT AS REQUIRED PURSUANT TO SUBSECTION B,
42 PARAGRAPHS 1 AND 2 OF THIS SECTION ONLY ON THE FIRST OCCURRENCE THAT EACH
43 STATE GENERAL FUND REVENUE THRESHOLD IS MET.



1 Sec. 14. Section 43-581, Arizona Revised Statutes, is amended to
2 read:

3 43-581. Payment of estimated tax: rules: penalty: forms

4 A. An individual who is subject to the tax imposed by ~~this title~~
5 SECTION 43-1011 and whose Arizona gross income, as defined by section
6 43-1001, or as described by section 43-1091 in the case of nonresidents,
7 for the taxable year exceeds ~~seventy-five thousand dollars~~ \$75,000 or ~~one~~
8 ~~hundred fifty thousand dollars~~ \$150,000 if a joint return is filed and
9 whose Arizona gross income was greater than ~~seventy-five thousand dollars~~
10 \$75,000 in the preceding taxable year or ~~one hundred fifty thousand~~
11 ~~dollars~~ \$150,000 in the preceding taxable year if a joint return is filed
12 shall make payments of estimated tax during the individual's taxable
13 year. The amount of the payments of estimated tax shall be an amount that
14 reasonably reflects a taxpayer's Arizona income tax liability that will be
15 unpaid at the end of the taxpayer's taxable year. This amount shall be
16 paid in four installments on or before the due dates established by the
17 internal revenue code and shall total, when combined with the taxpayer's
18 withholding tax, at least ninety percent of the tax due for the current
19 taxable year or one hundred percent of the tax due for the preceding
20 taxable year.

21 B. Any other individual who is subject to the tax imposed by this
22 title may make payments of estimated tax during the individual's taxable
23 year. The amount of any estimated tax payments for the taxable year shall
24 be an amount that reasonably reflects a taxpayer's Arizona income tax
25 liability that will be unpaid at the end of the taxpayer's taxable year.

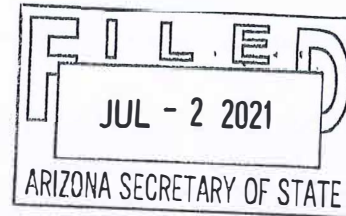
26 C. The department shall prescribe rules for the payments of
27 estimated tax that shall provide for estimated payments in a manner
28 similar to the manner prescribed in the internal revenue code.

29 D. If the taxpayer does not pay the estimated tax required by
30 subsection A of this section on or before the prescribed dates, there is
31 assessed and the department shall collect a penalty on the unpaid amount
32 as prescribed by section 42-1125, subsection Q. ~~No~~ Penalties or interest
33 shall NOT be assessed or collected if either of the following applies:

34 1. The estimated tax payments made pursuant to this section are
35 allowable exceptions under section 6654 of the internal revenue code.

36 2. The taxpayer's Arizona income tax liability due on the
37 taxpayer's return is less than ~~one thousand dollars~~ \$1,000. For the
38 purposes of this paragraph, "Arizona income tax liability due on the
39 taxpayer's return" means the amount of tax due on the return minus the
40 amount of Arizona income tax withheld and tax credits claimed by the
41 taxpayer.

42 E. The department shall make available suitable forms and
43 instructions to taxpayers who make estimated tax payments pursuant to this
44 article.



1 Sec. 15. Section 43-1011, Arizona Revised Statutes, is amended to
2 read:

3 43-1011. Taxes and tax rates

4 A. There shall be levied, collected and paid for each taxable year
5 on the entire taxable income of every resident of this state and on the
6 entire taxable income of every nonresident that is derived from sources
7 within this state taxes determined in the following manner:

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

10 (a) In the case of a single person or a married person filing
11 separately:

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

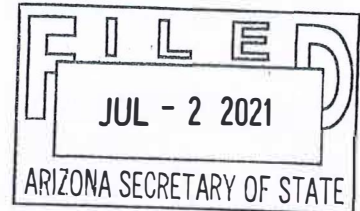
12 (b) In the case of a married couple filing a joint return or a
13 single person who is a head of a household:

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

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

16 (a) In the case of a single person or a married person filing
17 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
\$0 - \$10,000	2.88% of taxable income
\$10,001 - \$25,000	\$288, plus 3.24% of the excess over \$10,000
\$25,001 - \$50,000	\$774, plus 3.82% of the excess over \$25,000



1	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess
2		over \$50,000
3	\$150,001 and over	\$6,469, plus 5.10% of the excess
4		over \$150,000

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

7	<u>If taxable income is:</u>	<u>The tax is:</u>
8	\$0 - \$20,000	2.88% of taxable income
9	\$20,001 - \$50,000	\$576, plus 3.24% of the excess
10		over \$20,000
11	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess
12		over \$50,000
13	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess
14		over \$100,000
15	\$300,001 and over	\$12,938, plus 5.10% of the
16		excess over \$300,000

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

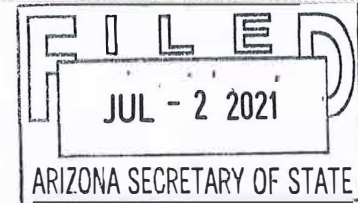
19 (a) In the case of a single person or a married person filing
 20 separately:

21	<u>If taxable income is:</u>	<u>The tax is:</u>
22	\$0 - \$10,000	2.87% of taxable income
23	\$10,001 - \$25,000	\$287, plus 3.20% of the excess
24		over \$10,000
25	\$25,001 - \$50,000	\$767, plus 3.74% of the excess
26		over \$25,000
27	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess
28		over \$50,000
29	\$150,001 and over	\$6,422, plus 5.04% of the excess
30		over \$150,000

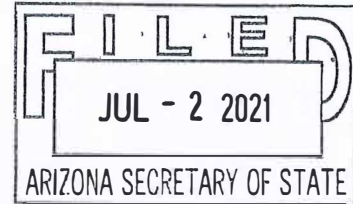
31 (b) In the case of a married couple filing a joint return or a
 32 single person who is a head of a household:

33	<u>If taxable income is:</u>	<u>The tax is:</u>
34	\$0 - \$20,000	2.87% of taxable income
35	\$20,001 - \$50,000	\$574, plus 3.20% of the excess
36		over \$20,000
37	\$50,001 - \$100,000	\$1,534, plus 3.74% of the excess
38		over \$50,000
39	\$100,001 - \$300,000	\$3,404, plus 4.72% of the excess
40		over \$100,000
41	\$300,001 and over	\$12,844, plus 5.04% of the
42		excess over \$300,000

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



1	(a) In the case of a single person or a married person filing	
2	separately:	
3	<u>If taxable income is:</u>	<u>The tax is:</u>
4	\$0 - \$10,000	2.73% of taxable income
5	\$10,001 - \$25,000	\$273, plus 3.04% of the excess
6		over \$10,000
7	\$25,001 - \$50,000	\$729, plus 3.55% of the excess
8		over \$25,000
9	\$50,001 - \$150,000	\$1,617, plus 4.48% of the excess
10		over \$50,000
11	\$150,001 and over	\$6,097, plus 4.79% of the excess
12		over \$150,000
13	(b) In the case of a married couple filing a joint return or a	
14	single person who is a head of a household:	
15	<u>If taxable income is:</u>	<u>The tax is:</u>
16	\$0 - \$20,000	2.73% of taxable income
17	\$20,001 - \$50,000	\$546, plus 3.04% of the excess
18		over \$20,000
19	\$50,001 - \$100,000	\$1,458, plus 3.55% of the excess
20		over \$50,000
21	\$100,001 - \$300,000	\$3,233, plus 4.48% of the excess
22		over \$100,000
23	\$300,001 and over	\$12,193, plus 4.79% of the
24		excess over \$300,000
25	5. Subject to subsections B and C of this section, for taxable	
26	years beginning from and after December 31, 2006 through December 31,	
27	2018:	
28	(a) In the case of a single person or a married person filing	
29	separately:	
30	<u>If taxable income is:</u>	<u>The tax is:</u>
31	\$0 - \$10,000	2.59% of taxable income
32	\$10,001 - \$25,000	\$259, plus 2.88% of the excess
33		over \$10,000
34	\$25,001 - \$50,000	\$691, plus 3.36% of the excess
35		over \$25,000
36	\$50,001 - \$150,000	\$1,531, plus 4.24% of the excess
37		over \$50,000
38	\$150,001 and over	\$5,771, plus 4.54% of the excess
39		over \$150,000
40	(b) In the case of a married couple filing a joint return or a	
41	single person who is a head of a household:	
42	<u>If taxable income is:</u>	<u>The tax is:</u>
43	\$0 - \$20,000	2.59% of taxable income
44	\$20,001 - \$50,000	\$518, plus 2.88% of the excess
45		over \$20,000



1	\$50,001 - \$100,000	\$1,382, plus 3.36% of the excess
2		over \$50,000
3	\$100,001 - \$300,000	\$3,062, plus 4.24% of the excess
4		over \$100,000
5	\$300,001 and over	\$11,542, plus 4.54% of the
6		excess over \$300,000

7 6. Subject to ~~subsection~~ SUBSECTIONS D AND E of this section, for
 8 taxable years beginning from and after December 31, 2018 THROUGH DECEMBER
 9 31, 2021:

10 (a) In the case of a single person or a married person filing
 11 separately:

12	<u>If taxable income is:</u>	<u>The tax is:</u>
13	\$0 - \$26,500	2.59% of taxable income
14	\$26,501 - \$53,000	\$686, plus 3.34% of the amount
15		over \$26,500
16	\$53,001 - \$159,000	\$1,571, plus 4.17% of the
17		amount over \$53,000
18	\$159,001 and over	\$5,991, plus 4.50% of the amount
19		over \$159,000

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

22	<u>If taxable income is:</u>	<u>The tax is:</u>
23	\$0 - \$53,000	2.59% of taxable income
24	\$53,001 - \$106,000	\$1,373, plus 3.34% of the amount
25		over \$53,000
26	\$106,001 - \$318,000	\$3,143, plus 4.17% of the amount
27		over \$106,000
28	\$318,001 and over	\$11,983, plus 4.50% of the
29		amount over \$318,000

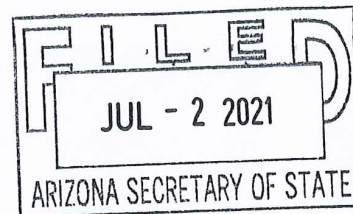
30 7. SUBJECT TO SUBSECTIONS E AND F OF THIS SECTION, FOR TAXABLE
 31 YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021 THROUGH DECEMBER 31 OF
 32 THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION
 33 43-243, SUBSECTION A OR SUBSECTION B, PARAGRAPH 1:

34 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
 35 SEPARATELY:

36	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
37	\$0 - \$27,272	2.55% OF TAXABLE INCOME
38	\$27,273 AND OVER	\$695, PLUS 2.98% OF THE AMOUNT
39		OVER \$27,272

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

42	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
43	\$0 - \$54,544	2.55% OF TAXABLE INCOME
44	\$54,545 AND OVER	\$1,391, PLUS 2.98% OF THE AMOUNT
45		OVER \$54,544



8. SUBJECT TO SUBSECTIONS E AND F OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION A OR SUBSECTION B, PARAGRAPH 1 THROUGH DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 2:

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

IF TAXABLE INCOME IS:

\$0 - \$27,272
\$27,273 AND OVER

THE TAX IS:

2.53% OF TAXABLE INCOME
\$690, PLUS 2.75% OF THE AMOUNT
OVER \$27,272

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

IF TAXABLE INCOME IS:

\$0 - \$54,544
\$54,545 AND OVER

THE TAX IS:

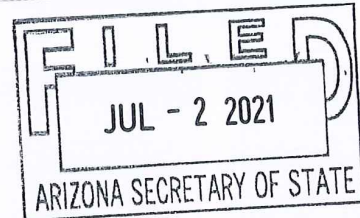
2.53% OF TAXABLE INCOME
\$1,380, PLUS 2.75% OF THE AMOUNT
OVER \$54,544

9. SUBJECT TO SUBSECTION F OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 2, THE TAX IS 2.5% OF TAXABLE INCOME.

B. For the taxable year beginning from and after December 31, 2014 through December 31, 2015, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

C. For each taxable year beginning from and after December 31, 2015 through December 31, 2018, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

D. For each taxable year beginning from and after December 31, 2019 THROUGH DECEMBER 31, 2021, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraph 6 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of



1 labor, bureau of labor statistics. The revised dollar amounts shall be
2 raised to the nearest whole dollar. The income dollar amounts for each
3 rate bracket may not be revised below the amounts prescribed in the prior
4 taxable year.

5 E. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31,
6 2021, THE DEPARTMENT SHALL ADJUST THE INCOME DOLLAR AMOUNT FOR EACH RATE
7 BRACKET PRESCRIBED BY SUBSECTION A, PARAGRAPHS 7 AND 8 OF THIS SECTION, AS
8 APPLICABLE, ACCORDING TO THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN
9 PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF
10 LABOR, BUREAU OF LABOR STATISTICS. THE REVISED DOLLAR AMOUNTS SHALL BE
11 RAISED TO THE NEAREST WHOLE DOLLAR. THE INCOME DOLLAR AMOUNTS FOR EACH
12 RATE BRACKET MAY NOT BE REVISED BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR
13 TAXABLE YEAR.

14 Sec. 16. Section 43-1022, Arizona Revised Statutes, is amended to
15 read:

16 43-1022. Subtractions from Arizona gross income
17 In computing Arizona adjusted gross income, the following amounts
18 shall be subtracted from Arizona gross income:

- 19 1. The amount of exemptions allowed by section 43-1023.
20 2. Benefits, annuities and pensions in an amount totaling not more
21 than \$2,500 received from one or more of the following:

22 (a) The United States government service retirement and disability
23 fund, the United States foreign service retirement and disability system
24 and any other retirement system or plan established by federal law, except
25 retired or retainer pay of the uniformed services of the United States
26 that qualifies for a subtraction under paragraph 27 of this section.

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

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

37 4. Interest income received on obligations of the United States,
38 minus any interest on indebtedness, or other related expenses, and
39 deducted in arriving at Arizona gross income, that were incurred or
40 continued to purchase or carry such obligations.

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

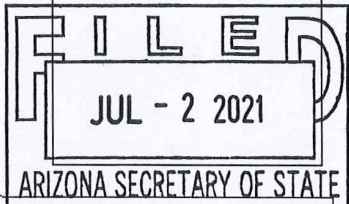
Exhibit B



STATE OF ARIZONA

Application for Serial Number
Referendum Petition
A.R.S. § 19-111

FOR OFFICE USE ONLY



The undersigned intends to circulate and file a referendum petition and hereby makes application for the issuance of an official serial number to be printed in the lower right-hand corner of each side of each signature sheet of such petition. Attached hereto is the full title and text, in no less than eight point type, of the measure intended to be referred at the next general election.

Measure to be Referred	<u>SB1828, Sec. 13, 15</u>
Date of Application	<u>7/2/2021</u>
Signatures Required	<u>118,823</u>
Deadline for Filing	<u>9/28/2021</u>
Serial Number Issued	<u>R-03-2021</u>

This petition seeks to refer sections 13 and 15 of 2021 Laws, Chapter 412 (SB 1828). Sections 13 and 15 together create new income tax brackets and rates that apply when state general fund revenue exceeds certain amounts.

Dacey Montoya

Name of Applicant

P.O. Box 97241

Address

Phoenix AZ 85060

City

State

Zip

602-228-8902

Telephone Number

dacey@tmwcompliance.com

E-mail Address

Invest in Arizona (Sponsored by AEA and Stand for Children)

Committee Name

100204

Committee ID No.

Amber Gould

Chairperson

Dacey Montoya

Treasurer

2828 N Central Ave Fl 10

Committee Address

Phoenix AZ 85004

City

State

Zip

602-228-8902

Committee Telephone Number

dacey@tmwcompliance.com

Committee E-mail Address

By submitting this Application for Serial Number and checking all boxes below, I acknowledge the following:



That I have received and will review the accompanying Instructions for Statewide Referenda, including the Secretary of State's recommended best practices for printing copies of the Statewide Referendum Petition to be circulated.



That at the time of filing, I was provided instructions regarding accurate completion of the Statewide Referendum Petition form.

Applicant Signature

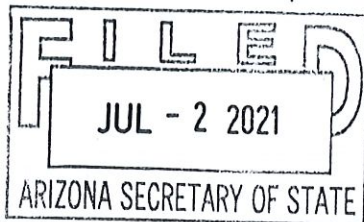
07/02/2021

Date

Office of the Secretary of State
1700 W. Washington Street
Phoenix, Arizona 85007

Rev. 03/04/2019

Exhibit C



Senate Engrossed

revenue; budget reconciliation; 2021-2022

FILED
KATIE HOBBS
SECRETARY OF STATE

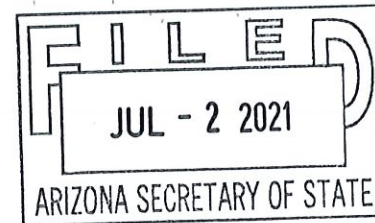
State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 411
SENATE BILL 1827

AN ACT

AMENDING TITLE 23, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 11; AMENDING SECTION 42-5029, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5041, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES; AMENDING LAWS 2016, CHAPTER 125, SECTION 21, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 1; AMENDING LAWS 2016, CHAPTER 125, SECTION 22, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 2; AMENDING LAWS 2016, CHAPTER 125, SECTION 26, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 3; AMENDING LAWS 2016, CHAPTER 125, SECTION 28, AS AMENDED BY LAWS 2017, CHAPTER 215, SECTION 4; APPROPRIATING MONIES; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)



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

2 Section 1. Title 23, Arizona Revised Statutes, is amended by adding
3 chapter 11, to read:

4 CHAPTER 11

5 MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT

6 ARTICLE 1. GENERAL PROVISIONS

7 23-1701. Definitions

8 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

9 1. "COMMISSION" MEANS THE INDUSTRIAL COMMISSION OF ARIZONA.

10 2. "FIREFIGHTER" HAS THE SAME MEANING PRESCRIBED IN SECTION
11 23-901.09.

12 3. "FIRE INVESTIGATOR" HAS THE SAME MEANING PRESCRIBED IN SECTION
13 23-901.09.

14 4. "FUND" MEANS THE MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT
15 FUND.

16 5. "MUNICIPAL PAYOR" MEANS ANY OF THE FOLLOWING:

17 (a) A WORKERS' COMPENSATION INSURER USED BY A CITY OR TOWN.

18 (b) A SELF-INSURANCE PROGRAM APPROVED PURSUANT TO SECTION 23-961
19 USED BY A CITY OR TOWN.

20 (c) A PUBLIC AGENCY POOL THAT IS ESTABLISHED PURSUANT TO SECTION
21 11-952.01 AND THAT IS USED BY A CITY OR TOWN.

22 23-1702. Municipal firefighter cancer reimbursement fund:
23 exemption; rulemaking; annual report

24 A. THE MUNICIPAL FIREFIGHTER CANCER REIMBURSEMENT FUND IS
25 ESTABLISHED CONSISTING OF MONIES DEPOSITED IN THE FUND PURSUANT TO SECTION
26 23-1703. THE COMMISSION SHALL ADMINISTER THE FUND. MONIES IN THE FUND
27 SHALL BE USED TO REIMBURSE MUNICIPAL PAYORS FOR THE COMPENSATION AND
28 BENEFITS PAID BY MUNICIPAL PAYORS TO MUNICIPAL FIREFIGHTERS AND MUNICIPAL
29 FIRE INVESTIGATORS UNDER SECTION 23-901.09 FOR:

30 1. COMPENSATION FOR TEMPORARY PARTIAL DISABILITY, PERMANENT PARTIAL
31 DISABILITY AND LOST EARNING CAPACITY AS PRESCRIBED IN SECTION 23-1044.

32 2. COMPENSATION FOR TEMPORARY TOTAL DISABILITY AND PERMANENT TOTAL
33 DISABILITY AS PRESCRIBED IN SECTION 23-1045.

34 3. MEDICAL, SURGICAL AND HOSPITAL BENEFITS AS PRESCRIBED IN SECTION
35 23-1062.

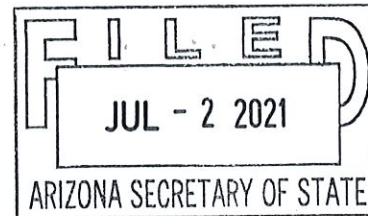
36 4. DEATH BENEFITS AS PRESCRIBED IN SECTION 23-1046.

37 B. THE FUND CONSISTS OF THE FOLLOWING:

38 1. FEES FROM CITIES AND TOWNS DEPOSITED PURSUANT TO SECTION
39 23-1703.

40 2. MONIES RECEIVED FROM ANY OTHER SOURCE, INCLUDING FEDERAL MONIES,
41 INVESTMENT INCOME AND PRIVATE GRANTS, GIFTS, CONTRIBUTIONS AND DEVISES.

42 C. THE COMMISSION SHALL ANNUALLY DISTRIBUTE THE MONIES IN THE FUND
43 ON A PRORATED BASIS BASED ON THE AMOUNT OF THE INDIVIDUAL COMPENSATION AND
44 BENEFITS PAID BY A MUNICIPAL PAYOR FOR COMPENSATION AND BENEFITS TO A
45 MUNICIPAL FIREFIGHTER OR MUNICIPAL FIRE INVESTIGATOR FOR A DISEASE,



1 INFIRMITY OR IMPAIRMENT AS PRESCRIBED IN SECTION 23-901.09 IN PROPORTION
2 TO THE STATEWIDE AGGREGATE OF ALL COMPENSATION AND BENEFITS PAID TO
3 MUNICIPAL FIREFIGHTERS AND MUNICIPAL FIRE INVESTIGATORS PURSUANT TO
4 SECTION 23-901.09 FOR THE FISCAL YEAR. THE COMMISSION MAY NOT REIMBURSE
5 MONIES FOR EXPENSES RELATING TO CASE MANAGEMENT, VOCATIONAL REHABILITATION
6 OR SIMILAR NONMEDICAL COSTS. THE PRORATED SHARE SHALL BE DISTRIBUTED TO
7 THE MUNICIPAL PAYORS ENTITLED TO A SHARE WITHOUT REGARD TO THE ORDER IN
8 WHICH THE RESPECTIVE COMPENSATION AND BENEFITS WERE PAID IN THE FISCAL
9 YEAR.

10 D. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT
11 FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
12 APPROPRIATIONS.

13 E. ON OR BEFORE JANUARY 1, 2022, THE COMMISSION SHALL ADOPT RULES
14 PURSUANT TO TITLE 41, CHAPTER 6 TO CARRY OUT THIS CHAPTER.

15 F. ON OR BEFORE APRIL 1 OF EACH YEAR, THE COMMISSION SHALL SUBMIT A
16 REPORT TO THE LEGISLATURE AND THE MUNICIPAL PAYORS REIMBURSED FROM THE
17 FUND ON THE FINANCIAL STATUS OF THE FUND. THE REPORT SHALL INCLUDE ALL OF
18 THE FOLLOWING:

19 1. THE TOTAL NUMBER OF FUND REIMBURSEMENT CLAIMS THE COMMISSION
20 RECEIVED IN THE IMMEDIATELY PRECEDING FISCAL YEAR.

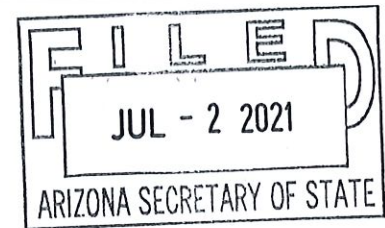
21 2. FOR THE IMMEDIATELY PRECEDING FISCAL YEAR, THE NUMBER OF FUND
22 REIMBURSEMENT CLAIMS APPROVED, THE TOTAL DOLLAR AMOUNT OF FUND
23 REIMBURSEMENT CLAIMS PAID BY THE FUND AND THE AMOUNT PAID TO EACH
24 MUNICIPAL PAYOR REIMBURSED BY THE FUND.

25 3. THE AMOUNT OF ANY ANTICIPATED SURPLUS IN THE FUND.

26 23-1703. Assessment

27 A. FROM AND AFTER JUNE 30, 2021, THE COMMISSION SHALL ASSESS AND
28 COLLECT FEES FROM CITIES AND TOWNS FOR DEPOSIT IN THE FUND. THE FEE SHALL
29 BE ASSESSED TO EACH CITY AND TOWN THAT RECEIVES STATE SHARED REVENUES
30 PURSUANT TO SECTIONS 42-5029 AND 43-206. THE TOTAL AMOUNT OF FEES FOR ALL
31 CITIES AND TOWNS MAY NOT EXCEED \$15,000,000 IN EACH FISCAL YEAR. THE
32 SHARE OF FEES ASSESSED IN EACH FISCAL YEAR TO EACH CITY AND TOWN SHALL BE
33 BASED ON THE POPULATION OF THE CITY OR TOWN AS DETERMINED BY THE MOST
34 RECENT POPULATION ESTIMATES OF THE UNITED STATES CENSUS BUREAU AS OF
35 JULY 1 IN PROPORTION TO THE TOTAL POPULATION OF ALL INCORPORATED CITIES
36 AND TOWNS.

37 B. THE COMMISSION SHALL ASSESS THE FEES UNDER THIS SECTION NOT
38 LATER THAN JULY 31 OF EACH YEAR, AND THE FEES ARE PAYABLE IMMEDIATELY ON
39 ASSESSMENT. IF A CITY OR TOWN FAILS TO PAY THE ASSESSMENT IN FULL ON OR
40 BEFORE SEPTEMBER 30, THE COMMISSION SHALL NOTIFY THE STATE TREASURER WHO
41 SHALL WITHHOLD THE DELINQUENT AMOUNT FROM THE DISTRIBUTION OF MONIES TO
42 THE APPROPRIATE CITY OR TOWN PURSUANT TO SECTIONS 42-5029 AND 43-206 AND
43 SHALL CONTINUE TO WITHHOLD MONIES UNTIL THE CITY OR TOWN HAS PAID THE
44 ENTIRE AMOUNT OF THE ASSESSMENT.



1 C. ALL MONIES PAID TO THE COMMISSION OR WITHHELD BY THE STATE
2 TREASURER FOR THE FEES ASSESSED PURSUANT TO THIS SECTION SHALL BE
3 DEPOSITED IN THE FUND.

4 D. CITIES AND TOWNS MAY MEET THEIR OBLIGATION FOR THE ASSESSMENT
5 FROM ANY SOURCE OF CITY OR TOWN REVENUE DESIGNATED BY THE APPROPRIATE CITY
6 OR TOWN. CITY AND TOWN PAYMENTS MADE PURSUANT TO THIS SECTION ARE
7 EXCLUDED FROM THE APPLICABLE EXPENDITURE LIMITATIONS.

8 Sec. 2. Section 42-5029, Arizona Revised Statutes, is amended to
9 read:

10 42-5029. Remission and distribution of monies; withholding;
11 definition

12 A. The department shall deposit, pursuant to sections 35-146 and
13 35-147, all revenues collected under this article and articles 4, 5 and 8
14 of this chapter pursuant to section 42-1116, separately accounting for:

15 1. Payments of estimated tax under section 42-5014, subsection D.

16 2. Revenues collected pursuant to section 42-5070.

17 3. Revenues collected under this article and article 5 of this
18 chapter from and after June 30, 2000 from sources located on Indian
19 reservations in this state.

20 4. Revenues collected pursuant to section 42-5010, subsection G and
21 section 42-5155, subsection D.

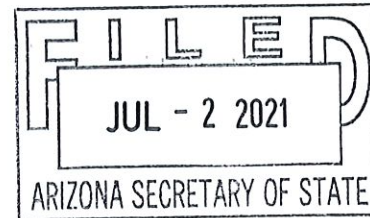
22 5. Revenues collected pursuant to section 42-5010.01 and section
23 42-5155, subsection E.

24 B. The department shall credit payments of estimated tax to an
25 estimated tax clearing account and each month shall transfer all monies in
26 the estimated tax clearing account to a fund designated as the transaction
27 privilege and severance tax clearing account. The department shall credit
28 all other payments to the transaction privilege and severance tax clearing
29 account, separately accounting for the monies designated as distribution
30 base under sections 42-5010, 42-5164 and 42-5205. Each month the
31 department shall report to the state treasurer the amount of monies
32 collected pursuant to this article and articles 4, 5 and 8 of this
33 chapter.

34 C. On notification by the department, the state treasurer shall
35 distribute the monies deposited in the transaction privilege and severance
36 tax clearing account in the manner prescribed by this section and by
37 sections 42-5164 and 42-5205, after deducting warrants drawn against the
38 account pursuant to sections 42-1118 and 42-1254.

39 D. Of the monies designated as distribution base, ~~and subject to~~
40 ~~the requirements of section 42-5041,~~ the department shall:

41 1. Pay twenty-five percent to the various incorporated
42 municipalities in this state in proportion to their population to be used
43 by the municipalities for any municipal purpose.



1 2. Pay 38.08 percent to the counties in this state by averaging the
2 following proportions:

3 (a) The proportion that the population of each county bears to the
4 total state population.

5 (b) The proportion that the distribution base monies collected
6 during the calendar month in each county under this article, section
7 42-5164, subsection B and section 42-5205, subsection B bear to the total
8 distribution base monies collected under this article, section 42-5164,
9 subsection B and section 42-5205, subsection B throughout the state for
10 the calendar month.

11 3. Pay an additional 2.43 percent to the counties in this state as
12 follows:

13 (a) Average the following proportions:

14 (i) The proportion that the assessed valuation used to determine
15 secondary property taxes of each county, after deducting that part of the
16 assessed valuation that is exempt from taxation at the beginning of the
17 month for which the amount is to be paid, bears to the total assessed
18 valuations used to determine secondary property taxes of all the counties
19 after deducting that portion of the assessed valuations that is exempt
20 from taxation at the beginning of the month for which the amount is to be
21 paid. Property of a city or town that is not within or contiguous to the
22 municipal corporate boundaries and from which water is or may be withdrawn
23 or diverted and transported for use on other property is considered to be
24 taxable property in the county for purposes of determining assessed
25 valuation in the county under this item.

26 (ii) The proportion that the distribution base monies collected
27 during the calendar month in each county under this article, section
28 42-5164, subsection B and section 42-5205, subsection B bear to the total
29 distribution base monies collected under this article, section 42-5164,
30 subsection B and section 42-5205, subsection B throughout the state for
31 the calendar month.

32 (b) If the proportion computed under subdivision (a) of this
33 paragraph for any county is greater than the proportion computed under
34 paragraph 2 of this subsection, the department shall compute the
35 difference between the amount distributed to that county under paragraph 2
36 of this subsection and the amount that would have been distributed under
37 paragraph 2 of this subsection using the proportion computed under
38 subdivision (a) of this paragraph and shall pay that difference to the
39 county from the amount available for distribution under this paragraph.
40 Any monies remaining after all payments under this subdivision shall be
41 distributed among the counties according to the proportions computed under
42 paragraph 2 of this subsection.

43 4. After any distributions required by sections 42-5030,
44 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
45 any transfer to the water quality assurance revolving fund as required by



1 section 49-282, subsection B, credit the remainder of the monies
2 designated as distribution base to the state general fund. From this
3 amount the legislature shall annually appropriate to:

4 (a) The department of revenue sufficient monies to administer and
5 enforce this article and articles 5 and 8 of this chapter.

6 (b) The department of economic security monies to be used for the
7 purposes stated in title 46, chapter 1.

8 (c) The firearms safety and ranges fund established by section
9 17-273, fifty thousand dollars derived from the taxes collected from the
10 retail classification pursuant to section 42-5061 for the current fiscal
11 year.

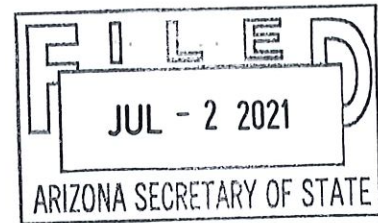
12 E. If approved by the qualified electors voting at a statewide
13 general election, all monies collected pursuant to section 42-5010,
14 subsection G and section 42-5155, subsection D shall be distributed each
15 fiscal year pursuant to this subsection. The monies distributed pursuant
16 to this subsection are in addition to any other appropriation, transfer or
17 other allocation of public or private monies from any other source and
18 shall not supplant, replace or cause a reduction in other school district,
19 charter school, university or community college funding sources. The
20 monies shall be distributed as follows:

21 1. If there are outstanding state school facilities revenue bonds
22 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
23 amount that is necessary to pay the fiscal year's debt service on
24 outstanding state school improvement revenue bonds for the current fiscal
25 year shall be transferred each month to the school improvement revenue
26 bond debt service fund established by section 15-2084. The total amount
27 of bonds for which these monies may be allocated for the payment of debt
28 service shall not exceed a principal amount of eight hundred million
29 dollars exclusive of refunding bonds and other refinancing obligations.

30 2. After any transfer of monies pursuant to paragraph 1 of this
31 subsection, twelve per cent of the remaining monies collected during the
32 preceding month shall be transferred to the technology and research
33 initiative fund established by section 15-1648 to be distributed among the
34 universities for the purpose of investment in technology and
35 research-based initiatives.

36 3. After the transfer of monies pursuant to paragraph 1 of this
37 subsection, three per cent of the remaining monies collected during the
38 preceding month shall be transferred to the workforce development account
39 established in each community college district pursuant to section 15-1472
40 for the purpose of investment in workforce development programs.

41 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
42 this subsection, one-twelfth of the amount a community college that is
43 owned, operated or chartered by a qualifying Indian tribe on its own
44 Indian reservation would receive pursuant to section 15-1472, subsection
45 D, paragraph 2 if it were a community college district shall be



1 distributed each month to the treasurer or other designated depository of
2 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
3 are for the exclusive purpose of providing support to one or more
4 community colleges owned, operated or chartered by a qualifying Indian
5 tribe and shall be used in a manner consistent with section 15-1472,
6 subsection B. For the purposes of this paragraph, "qualifying Indian
7 tribe" has the same meaning as defined in section 42-5031.01,
8 subsection D.

9 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
10 this subsection, one-twelfth of the following amounts shall be transferred
11 each month to the department of education for the increased cost of basic
12 state aid under section 15-971 due to added school days and associated
13 teacher salary increases enacted in 2000:

- 14 (a) In fiscal year 2001-2002, \$15,305,900.
- 15 (b) In fiscal year 2002-2003, \$31,530,100.
- 16 (c) In fiscal year 2003-2004, \$48,727,700.
- 17 (d) In fiscal year 2004-2005, \$66,957,200.
- 18 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
19 \$86,280,500.

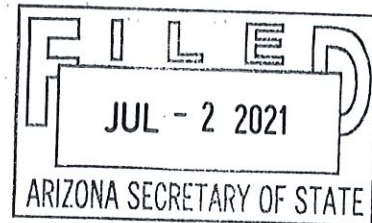
20 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
21 this subsection, seven million eight hundred thousand dollars is
22 appropriated each fiscal year, to be paid in monthly installments, to the
23 department of education to be used for school safety as provided in
24 section 15-154 and two hundred thousand dollars is appropriated each
25 fiscal year, to be paid in monthly installments to the department of
26 education to be used for the character education matching grant program as
27 provided in section 15-154.01.

28 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
29 this subsection, no more than seven million dollars may be appropriated by
30 the legislature each fiscal year to the department of education to be used
31 for accountability purposes as described in section 15-241 and title 15,
32 chapter 9, article 8.

33 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
34 this subsection, one million five hundred thousand dollars is appropriated
35 each fiscal year, to be paid in monthly installments, to the failing
36 schools tutoring fund established by section 15-241.

37 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
38 this subsection, twenty-five million dollars shall be transferred each
39 fiscal year to the state general fund to reimburse the general fund for
40 the cost of the income tax credit allowed by section 43-1072.01.

41 10. After the payment of monies pursuant to paragraphs 1 through 9
42 of this subsection, the remaining monies collected during the preceding
43 month shall be transferred to the classroom site fund established by
44 section 15-977. The monies shall be allocated as follows in the manner
45 prescribed by section 15-977:



1 (a) Forty per cent shall be allocated for teacher compensation
2 based on performance.

3 (b) Twenty per cent shall be allocated for increases in teacher
4 base compensation and employee related expenses.

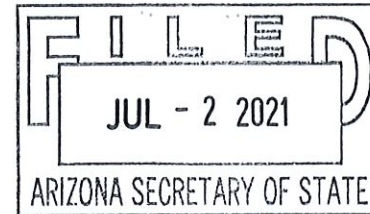
5 (c) Forty per cent shall be allocated for maintenance and operation
6 purposes.

7 F. The department shall credit the remainder of the monies in the
8 transaction privilege and severance tax clearing account to the state
9 general fund, subject to any distribution required by section 42-5030.01.

10 G. Notwithstanding subsection D of this section, if a court of
11 competent jurisdiction finally determines that tax monies distributed
12 under this section were illegally collected under this article or articles
13 5 and 8 of this chapter and orders the monies to be refunded to the
14 taxpayer, the department shall compute the amount of such monies that was
15 distributed to each city, town and county under this section. Each
16 city's, town's and county's proportionate share of the costs shall be
17 based on the amount of the original tax payment each municipality and
18 county received. Each month the state treasurer shall reduce the amount
19 otherwise distributable to the city, town and county under this section by
20 one thirty-sixth of the total amount to be recovered from the city, town
21 or county until the total amount has been recovered, but the monthly
22 reduction for any city, town or county shall not exceed ten percent of the
23 full monthly distribution to that entity. The reduction shall begin for
24 the first calendar month after the final disposition of the case and shall
25 continue until the total amount, including interest and costs, has been
26 recovered.

27 H. On receiving a certificate of default from the greater Arizona
28 development authority pursuant to section 41-2257 or 41-2258 and to the
29 extent not otherwise expressly prohibited by law, the state treasurer
30 shall withhold from the next succeeding distribution of monies pursuant to
31 this section due to the defaulting political subdivision the amount
32 specified in the certificate of default and immediately deposit the amount
33 withheld in the greater Arizona development authority revolving fund. The
34 state treasurer shall continue to withhold and deposit the monies until
35 the greater Arizona development authority certifies to the state treasurer
36 that the default has been cured. In no event may the state treasurer
37 withhold any amount that the defaulting political subdivision certifies to
38 the state treasurer and the authority as being necessary to make any
39 required deposits then due for the payment of principal and interest on
40 bonds of the political subdivision that were issued before the date of the
41 loan repayment agreement or bonds and that have been secured by a pledge
42 of distributions made pursuant to this section.

43 I. Except as provided by sections 42-5033 and 42-5033.01, the
44 population of a county, city or town as determined by the most recent
45 United States decennial census plus any revisions to the decennial census

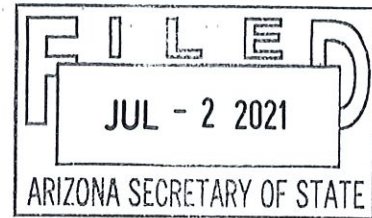


1 certified by the United States bureau of the census shall be used as the
2 basis for apportioning monies pursuant to subsection D of this section.

3 J. Except as otherwise provided by this subsection, on notice from
4 the department of revenue pursuant to section 42-6010, subsection B, the
5 state treasurer shall withhold from the distribution of monies pursuant to
6 this section to the affected city or town the amount of the penalty for
7 business location municipal tax incentives provided by the city or town to
8 a business entity that locates a retail business facility in the city or
9 town. The state treasurer shall continue to withhold monies pursuant to
10 this subsection until the entire amount of the penalty has been withheld.
11 The state treasurer shall credit any monies withheld pursuant to this
12 subsection to the state general fund as provided by subsection D,
13 paragraph 4 of this section. The state treasurer shall not withhold any
14 amount that the city or town certifies to the department of revenue and
15 the state treasurer as being necessary to make any required deposits or
16 payments for debt service on bonds or other long-term obligations of the
17 city or town that were issued or incurred before the location incentives
18 provided by the city or town.

19 K. On notice from the auditor general pursuant to section 9-626,
20 subsection D, the state treasurer shall withhold from the distribution of
21 monies pursuant to this section to the affected city the amount computed
22 pursuant to section 9-626, subsection D. The state treasurer shall
23 continue to withhold monies pursuant to this subsection until the entire
24 amount specified in the notice has been withheld. The state treasurer
25 shall credit any monies withheld pursuant to this subsection to the state
26 general fund as provided by subsection D, paragraph 4 of this section.

27 L. Except as otherwise provided by this subsection, on notice from
28 the attorney general pursuant to section 41-194.01, subsection B,
29 paragraph 1 that an ordinance, regulation, order or other official action
30 adopted or taken by the governing body of a county, city or town violates
31 state law or the Constitution of Arizona, the state treasurer shall
32 withhold the distribution of monies pursuant to this section to the
33 affected county, city or town and shall continue to withhold monies
34 pursuant to this subsection until the attorney general certifies to the
35 state treasurer that the violation has been resolved. The state treasurer
36 shall redistribute the monies withheld pursuant to this subsection among
37 all other counties, cities and towns in proportion to their population as
38 provided by subsection D of this section. The state treasurer shall not
39 withhold any amount that the county, city or town certifies to the
40 attorney general and the state treasurer as being necessary to make any
41 required deposits or payments for debt service on bonds or other long-term
42 obligations of the county, city or town that were issued or incurred
43 before committing the violation.



M. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state and, unless otherwise specified, includes a community college tuition financing district established pursuant to section 15-1409.

Sec. 3. Repeal

Section 42-5041, Arizona Revised Statutes, is repealed.

Sec. 4. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates

A. There shall be levied, collected and paid for each taxable year on the entire taxable income of every resident of this state and on the entire taxable income of every nonresident that is derived from sources within this state taxes determined in the following manner:

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

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

If taxable income is:

\$0 - \$10,000

\$10,001 - \$25,000

\$25,001 - \$50,000

\$50,001 - \$150,000

\$150,001 and over

The tax is:

2.90% of taxable income

\$290, plus 3.30% of the excess over \$10,000

\$785, plus 3.90% of the excess over \$25,000

\$1,760, plus 4.80% of the excess over \$50,000

\$6,560, plus 5.17% of the excess over \$150,000

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

If taxable income is:

\$0 - \$20,000

\$20,001 - \$50,000

\$50,001 - \$100,000

\$100,001 - \$300,000

\$300,001 and over

The tax is:

2.90% of taxable income

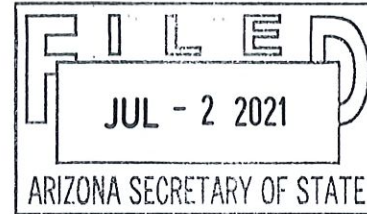
\$580, plus 3.30% of the excess over \$20,000

\$1,570, plus 3.90% of the excess over \$50,000

\$3,520, plus 4.80% of the excess over \$100,000

\$13,120, plus 5.17% of the excess over \$300,000

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



1 (a) In the case of a single person or a married person filing
2 separately:

3 If taxable income is:

4 \$0 - \$10,000

5 \$10,001 - \$25,000

7 \$25,001 - \$50,000

9 \$50,001 - \$150,000

11 \$150,001 and over

The tax is:

2.88% of taxable income

\$288, plus 3.24% of the excess
over \$10,000

\$774, plus 3.82% of the excess
over \$25,000

\$1,729, plus 4.74% of the excess
over \$50,000

\$6,469, plus 5.10% of the excess
over \$150,000

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

15 If taxable income is:

16 \$0 - \$20,000

17 \$20,001 - \$50,000

19 \$50,001 - \$100,000

21 \$100,001 - \$300,000

23 \$300,001 and over

The tax is:

2.88% of taxable income

\$576, plus 3.24% of the excess
over \$20,000

\$1,548, plus 3.82% of the excess
over \$50,000

\$3,458, plus 4.74% of the excess
over \$100,000

\$12,938, plus 5.10% of the
excess over \$300,000

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

27 (a) In the case of a single person or a married person filing
28 separately:

29 If taxable income is:

30 \$0 - \$10,000

31 \$10,001 - \$25,000

33 \$25,001 - \$50,000

35 \$50,001 - \$150,000

37 \$150,001 and over

The tax is:

2.87% of taxable income

\$287, plus 3.20% of the excess
over \$10,000

\$767, plus 3.74% of the excess
over \$25,000

\$1,702, plus 4.72% of the excess
over \$50,000

\$6,422, plus 5.04% of the excess
over \$150,000

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

41 If taxable income is:

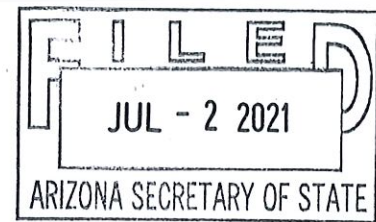
42 \$0 - \$20,000

43 \$20,001 - \$50,000

The tax is:

2.87% of taxable income

\$574, plus 3.20% of the excess
over \$20,000



1	\$50,001 - \$100,000	\$1,534, plus 3.74% of the excess
2		over \$50,000
3	\$100,001 - \$300,000	\$3,404, plus 4.72% of the excess
4		over \$100,000
5	\$300,001 and over	\$12,844, plus 5.04% of the
6		excess over \$300,000

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

9 (a) In the case of a single person or a married person filing
10 separately:

11	<u>If taxable income is:</u>	<u>The tax is:</u>
12	\$0 - \$10,000	2.73% of taxable income
13	\$10,001 - \$25,000	\$273, plus 3.04% of the excess
14		over \$10,000
15	\$25,001 - \$50,000	\$729, plus 3.55% of the excess
16		over \$25,000
17	\$50,001 - \$150,000	\$1,617, plus 4.48% of the excess
18		over \$50,000
19	\$150,001 and over	\$6,097, plus 4.79% of the excess
20		over \$150,000

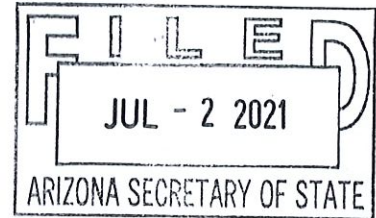
21 (b) In the case of a married couple filing a joint return or a
22 single person who is a head of a household:

23	<u>If taxable income is:</u>	<u>The tax is:</u>
24	\$0 - \$20,000	2.73% of taxable income
25	\$20,001 - \$50,000	\$546, plus 3.04% of the excess
26		over \$20,000
27	\$50,001 - \$100,000	\$1,458, plus 3.55% of the excess
28		over \$50,000
29	\$100,001 - \$300,000	\$3,233, plus 4.48% of the excess
30		over \$100,000
31	\$300,001 and over	\$12,193, plus 4.79% of the
32		excess over \$300,000

33 5. Subject to subsections B and C of this section, for taxable
34 years beginning from and after December 31, 2006 through December 31,
35 2018:

36 (a) In the case of a single person or a married person filing
37 separately:

38	<u>If taxable income is:</u>	<u>The tax is:</u>
39	\$0 - \$10,000	2.59% of taxable income
40	\$10,001 - \$25,000	\$259, plus 2.88% of the excess
41		over \$10,000
42	\$25,001 - \$50,000	\$691, plus 3.36% of the excess
43		over \$25,000
44	\$50,001 - \$150,000	\$1,531, plus 4.24% of the excess
45		over \$50,000



1	\$150,001 and over	\$5,771, plus 4.54% of the excess
2		over \$150,000
3	(b) In the case of a married couple filing a joint return or a	
4	single person who is a head of a household:	
5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 - \$20,000	2.59% of taxable income
7	\$20,001 - \$50,000	\$518, plus 2.88% of the excess
8		over \$20,000
9	\$50,001 - \$100,000	\$1,382, plus 3.36% of the excess
10		over \$50,000
11	\$100,001 - \$300,000	\$3,062, plus 4.24% of the excess
12		over \$100,000
13	\$300,001 and over	\$11,542, plus 4.54% of the
14		excess over \$300,000

15 6. Subject to ~~subsection~~ SUBSECTIONS D AND E of this section, for
 16 taxable years beginning from and after December 31, 2018:

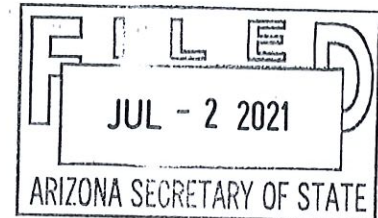
17 (a) In the case of a single person or a married person filing
 18 separately:

19	<u>If taxable income is:</u>	<u>The tax is:</u>
20	\$0 - \$26,500	2.59% of taxable income
21	\$26,501 - \$53,000	\$686, plus 3.34% of the amount
22		over \$26,500
23	\$53,001 - \$159,000	\$1,571, plus 4.17% of the
24		amount over \$53,000
25	\$159,001 and over	\$5,991, plus 4.50% of the amount
26		over \$159,000

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

29	<u>If taxable income is:</u>	<u>The tax is:</u>
30	\$0 - \$53,000	2.59% of taxable income
31	\$53,001 - \$106,000	\$1,373, plus 3.34% of the amount
32		over \$53,000
33	\$106,001 - \$318,000	\$3,143, plus 4.17% of the amount
34		over \$106,000
35	\$318,001 and over	\$11,983, plus 4.50% of the
36		amount over \$318,000

37 B. For the taxable year beginning from and after December 31, 2014
 38 through December 31, 2015, the department shall adjust the income dollar
 39 amounts for each rate bracket prescribed by subsection A, paragraph 5 of
 40 this section according to the average annual change in the metropolitan
 41 Phoenix consumer price index published by the United States department of
 42 labor, bureau of labor statistics. The revised dollar amounts shall be
 43 raised to the nearest whole dollar. The income dollar amounts for each
 44 rate bracket may not be revised below the amounts prescribed in the prior
 45 taxable year.



1 C. For each taxable year beginning from and after December 31, 2015
2 through December 31, 2018, the department shall adjust the income dollar
3 amounts for each rate bracket prescribed by subsection A, paragraph 5 of
4 this section according to the average annual change in the metropolitan
5 Phoenix consumer price index published by the United States department of
6 labor, bureau of labor statistics. The revised dollar amounts shall be
7 raised to the nearest whole dollar. The income dollar amounts for each
8 rate bracket may not be revised below the amounts prescribed in the prior
9 taxable year.

10 D. For each taxable year beginning from and after December 31,
11 2019, the department shall adjust the income dollar amount for each rate
12 bracket prescribed by subsection A, paragraph 6 of this section according
13 to the average annual change in the metropolitan Phoenix consumer price
14 index published by the United States department of labor, bureau of labor
15 statistics. The revised dollar amounts shall be raised to the nearest
16 whole dollar. The income dollar amounts for each rate bracket may not be
17 revised below the amounts prescribed in the prior taxable year.

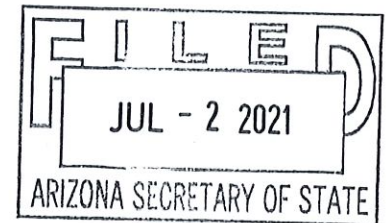
18 E. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31,
19 2020, FOR TAXABLE INCOME THAT IS SUBJECT TO THE INCOME TAX SURCHARGE
20 IMPOSED BY SECTION 43-1013, THE COMBINED TAX RATE OF THE INCOME TAX
21 SURCHARGE IMPOSED BY SECTION 43-1013 AND THE HIGHEST TAX RATE IMPOSED BY
22 SUBSECTION A, PARAGRAPH 6, 7, 8 OR 9 OF THIS SECTION MAY NOT EXCEED FOUR
23 AND ONE-HALF PERCENT. IF THE COMBINED TAX RATE EXCEEDS FOUR AND ONE-HALF
24 PERCENT, THE HIGHEST TAX RATE IMPOSED BY SUBSECTION A, PARAGRAPH 6, 7, 8
25 OR 9 OF THIS SECTION SHALL BE REDUCED SO THAT THE COMBINED TAX RATE IS
26 FOUR AND ONE-HALF PERCENT. THE DEPARTMENT MAY ADOPT RULES PURSUANT TO
27 TITLE 41, CHAPTER 6 TO CARRY OUT THIS SUBSECTION.

28 Sec. 5. Laws 2016, chapter 125, section 21, as amended by Laws
29 2017, chapter 215, section 1, is amended to read:

30 Sec. 21. Veterans' income tax settlement fund: exemption from
31 lapsing

32 A. The veterans' income tax settlement fund is established
33 consisting of monies appropriated by the legislature and other monies
34 donated or accruing to the fund. Monies in the fund are continuously
35 appropriated to the department of revenue for the purposes of Laws 2016,
36 chapter 125, sections 19 through 27.

37 B. The department of revenue shall administer the fund. On notice
38 from the department, the state treasurer shall invest and divest monies in
39 the fund as provided by section 35-313, Arizona Revised Statutes, and
40 monies earned from investment shall be credited to the fund. Monies in
41 the fund are exempt from the provisions of section 35-190, Arizona Revised
42 Statutes, relating to lapsing of appropriations, except that unexpended
43 and unencumbered monies remaining in the fund on June 30, ~~2021~~ 2023 revert
44 to the state general fund.



1 C. Five percent of the monies in the fund at the beginning of each
2 fiscal year are appropriated separately to both the department of revenue
3 and the department of veterans' services for administrative costs incurred
4 under Laws 2016, chapter 125, sections 19 through 27 ~~of this act~~ during
5 the fiscal year. Any unexpended and unencumbered balance of either
6 appropriation remaining at the end of the fiscal year reverts to the fund.

7 Sec. 6. Laws 2016, chapter 125, section 22, as amended by Laws
8 2017, chapter 215, section 2, is amended to read:

9 Sec. 22. Income tax settlement claims; requirements;
10 procedure; approval or denial of claim

11 A. A veteran or, if the veteran is deceased, the veteran's
12 surviving spouse, personal representative, executor or other official
13 representative of the estate, as designated pursuant to applicable state
14 or tribal law or tradition, may file a claim for a settlement payment for
15 any period of active duty in the armed forces of the United States during
16 which the veteran:

17 1. Was an enrolled member of a tribe.

18 2. Maintained a domicile within the boundaries of the veteran's
19 reservation or the reservation of the veteran's spouse or within the
20 boundaries of lands held in trust by the United States for the benefit of
21 the veteran, the veteran's spouse or the tribe of the veteran or spouse.

22 3. Had Arizona state income tax withheld from the veteran's active
23 duty military pay on or after July 1, 1977 and before January 1, 2006, and
24 the amount withheld:

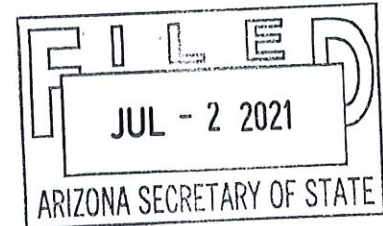
25 (a) Has not already been refunded to the veteran or the deceased
26 veteran's estate.

27 (b) Cannot be claimed as a refund by filing a state income tax
28 return because the period for filing a claim for refund has lapsed under
29 the applicable statute of limitations.

30 B. The claim for a settlement payment must include evidence of the
31 veteran's eligibility for and the amount of the claim as follows:

32 1. The claimant must provide a copy of the veteran's certificate of
33 release or discharge from active duty (DD Form 214) or other proof of
34 service provided by the United States department of defense and approved
35 by the department of veterans' services. If a claimant does not have a
36 copy of the veteran's DD Form 214 or other proof of service, the claimant
37 may request that the department of veterans' services request the
38 veteran's DD Form 214 or other proof of service from the United States
39 department of defense.

40 2. The claimant must provide a statement, signed by the claimant,
41 that the veteran is or was duly registered on the tribal rolls of a tribe
42 during the period or periods of the veteran's active duty in the armed
43 forces.



1 3. The claimant must provide evidence of domicile within the
2 boundaries of the veteran's reservation or the reservation of the
3 veteran's spouse or within the boundaries of lands held in trust by the
4 United States for the benefit of the veteran, the veteran's spouse or the
5 tribe of the veteran or spouse during the taxable years the state income
6 tax was withheld from active duty military pay. If the veteran's address
7 shown on the veteran's DD Form 214 or other proof of service:

8 (a) Is on the veteran's tribal land, that evidence is sufficient
9 for the purposes of this paragraph.

10 (b) Is not on the veteran's tribal land or if the veteran has no
11 DD Form 214 and the claimant cannot otherwise establish that the veteran's
12 domicile was on the veteran's tribal land, the claimant must provide a
13 signed statement, under penalty of perjury, that the veteran was domiciled
14 on tribal land during the period or periods the state income tax was
15 withheld. The statement must include the veteran's address on the tribal
16 land for each period, and an official designated by the tribe must attest
17 that each address is on tribal land.

18 4. The claimant must provide evidence of the amount of state income
19 tax withheld from active duty military pay by providing copies of the
20 United States internal revenue service Form W-2 covering active duty
21 military pay for the year or years during which state personal income tax
22 was withheld. If the claimant does not have copies of the applicable Form
23 W-2 for one or more of those years, the claimant may request that the
24 department of revenue obtain the veteran's Form W-2, or other withholding
25 information in a form approved by the department of revenue, from the
26 United States department of defense.

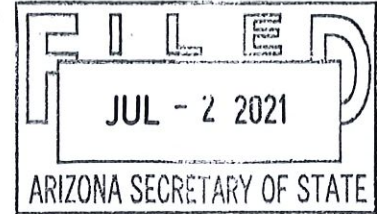
27 5. The claimant must provide a signed statement attesting, under
28 penalty of perjury, that the veteran has not received a refund of the
29 state income tax withheld for the years for which the claimant is filing a
30 claim for a settlement payment.

31 C. A claim for settlement payment under this section must be filed
32 by the eligible veteran or, if the veteran is deceased, by the veteran's
33 surviving spouse, successor or other personal representative. The
34 following apply if the claim is made for a deceased veteran:

35 1. The claimant must include a copy of the veteran's death
36 certificate or other proof of death.

37 2. If the veteran's estate exceeds ~~thirty thousand dollars~~ \$30,000,
38 only the surviving spouse, personal representative, executor or other
39 official representative of the estate, as designated pursuant to
40 applicable state or tribal law or tradition, may file the claim.

41 3. If the claimant is a successor who is not the surviving spouse,
42 personal representative, executor or other official representative of the
43 estate, the claimant must include a dated and notarized statement, signed
44 under penalty of perjury, that:



1 (a) The value of the entire probate estate of the deceased veteran,
2 wherever located, minus liens and encumbrances, does not exceed ~~thirty~~
3 ~~thousand dollars~~ \$30,000.

4 (b) At least thirty days have elapsed since the veteran's death.

5 (c) The successor is entitled to receive the settlement payment.

6 4. If the claimant is a personal representative, executor or other
7 official representative of the estate, the claimant must include:

8 (a) A signed, dated and notarized statement that the claimant has
9 been duly appointed as the personal representative, executor or other
10 representative of the veteran's estate pursuant to applicable state or
11 tribal law or tradition.

12 (b) A copy of the claimant's appointment.

13 D. A claim for a settlement payment shall be denied for any amount
14 of withholding tax that can be claimed as a refund by filing a state
15 income tax return pursuant to title 43, Arizona Revised Statutes. A state
16 income tax return may be filed by a veteran to claim the refund by the
17 later of December 31 of the year three years after:

18 1. The veteran separated from military service.

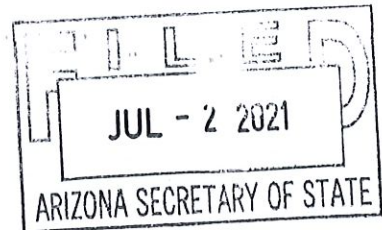
19 2. The year in which Arizona withholding tax was withheld from the
20 veteran's active duty pay.

21 E. A claim for a settlement payment must be made on a claim form
22 prescribed by the department of revenue and filed with the department of
23 veterans' services.

24 F. The department of veterans' services shall not accept claims
25 submitted from and after December 31, ~~2019~~ 2022.

26 G. Within two hundred ten days after receiving a complete and
27 correct claim form, the department of veterans' services shall determine
28 whether the claim meets the requirements of subsection B, paragraphs 1, 2
29 and 3 of this section; transmit qualifying claim forms to the department
30 of revenue and notify the claimant of the department's approval or denial.
31 The failure of the department of veterans' services to respond within two
32 hundred ten days after receiving a complete and correct claim form is
33 considered to be a denial.

34 H. Within two hundred ten days after receiving the claim form from
35 the department of veterans' services, the department of revenue shall
36 determine whether the claim meets the requirements of subsection A,
37 paragraph 3 and subsection B, paragraphs 4 and 5 of this section and
38 notify the claimant and the department of veterans' services of its
39 approval or denial. The failure of the department of revenue to respond
40 within two hundred ten days after receiving the claim form is considered
41 to be a denial.



1 Sec. 7. Laws 2016, chapter 125, section 26, as amended by Laws
2 2017, chapter 215, section 3, is amended to read:

3 Sec. 26. Veterans' income tax settlement: annual reports

4 The director of the department of revenue shall report the following
5 information to the senate appropriations and finance committees and to the
6 house of representatives appropriations and ways and means committees on
7 or before October 1 in each of years 2017 through ~~2021~~ 2023:

8 1. Estimates of the amount of state income tax withholdings subject
9 to payments under Laws 2016, chapter 125, sections 22 and 23.

10 2. The number of veterans affected by withholdings subject to
11 payments under Laws 2016, chapter 125, sections 22 and 23.

12 3. Expenditures from the veterans' income tax settlement fund
13 during the previous fiscal year.

14 4. Anticipated expenditures from the veterans' income tax
15 settlement fund during the current fiscal year.

16 5. Anticipated appropriations to the fund necessary to meet
17 expected payments in the next fiscal year.

18 Sec. 8. Laws 2016, chapter 125, section 28, as amended by Laws
19 2017, chapter 215, section 4, is amended to read:

20 Sec. 28. Repeal

21 ~~Laws 2016, chapter 125, sections 19 through 26~~ THE FOLLOWING are
22 repealed from and after December 31, ~~2021~~ 2023:

23 1. LAWS 2016, CHAPTER 125, SECTION 19.

24 2. LAWS 2016, CHAPTER 125, SECTION 20.

25 3. LAWS 2016, CHAPTER 125, SECTION 21, AS AMENDED BY LAWS 2017,
26 CHAPTER 215, SECTION 1 AND THIS ACT.

27 4. LAWS 2016, CHAPTER 125, SECTION 22, AS AMENDED BY LAWS 2017,
28 CHAPTER 215, SECTION 2 AND THIS ACT.

29 5. LAWS 2016, CHAPTER 125, SECTION 23.

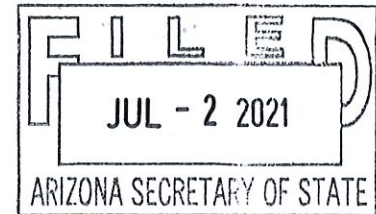
30 6. LAWS 2016, CHAPTER 125, SECTION 24.

31 7. LAWS 2016, CHAPTER 125, SECTION 25.

32 8. LAWS 2016, CHAPTER 125, SECTION 26, AS AMENDED BY LAWS 2017,
33 CHAPTER 215, SECTION 3 AND THIS ACT.

34 Sec. 9. Department of gaming regulatory assessment:
35 pari-mutuel pool

36 Notwithstanding any other law, in fiscal year 2021-2022, the
37 department of gaming shall establish and collect a regulatory assessment
38 from each commercial racing permittee, payable from amounts deducted from
39 pari-mutuel pools by the permittee, in addition to the amounts the
40 permittee is authorized to deduct pursuant to section 5-111, subsection B,
41 Arizona Revised Statutes, from amounts wagered on live and simulcast races
42 from in-state and out-of-state wagering handled by the permittee, in the
43 amount of 0.5 percent of the amounts wagered.



1 Sec. 10. Agricultural fees: continuation: intent: rulemaking
2 exemption

3 A. Notwithstanding any other law, the director of the Arizona
4 department of agriculture, with the assistance of the department of
5 agriculture advisory council, may continue, increase or lower existing
6 fees from fiscal years 2019-2020 and 2020-2021 in fiscal year 2021-2022
7 for services provided in fiscal year 2021-2022.

8 B. The legislature intends that the additional revenue generated by
9 the fees prescribed in subsection A of this section not exceed \$218,000 to
10 the state general fund, \$113,000 to the pesticide trust fund established
11 by section 3-350, Arizona Revised Statutes, and \$26,000 to the dangerous
12 plants, pests and diseases trust fund established by section 3-214.01,
13 Arizona Revised Statutes, in fiscal year 2021-2022.

14 C. The Arizona department of agriculture is exempt from the
15 rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes,
16 until July 1, 2022 for the purpose of establishing fees pursuant to this
17 section.

18 Sec. 11. County fiscal obligations: report

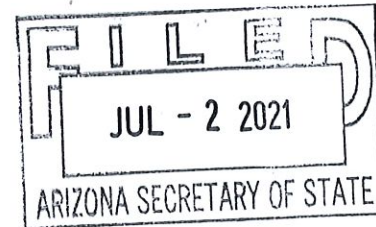
19 A. Notwithstanding any other law, for fiscal year 2021-2022, a
20 county with a population of less than two hundred fifty thousand persons
21 according to the 2010 United States decennial census may meet any county
22 fiscal obligation from any source of county revenue designated by the
23 county, including monies of any countywide special taxing jurisdiction of
24 which the board of supervisors serves as the board of directors. Under
25 the authority provided in this subsection, a county may not use more than
26 \$1,250,000 for purposes other than the purposes of the revenue source.

27 B. On or before October 1, 2021, each county with a population of
28 less than two hundred fifty thousand persons according to the 2010 United
29 States decennial census shall report to the director of the joint
30 legislative budget committee whether the county used a revenue source for
31 purposes other than the purposes of the revenue source to meet a county
32 fiscal obligation pursuant to subsection A of this section and, if so, the
33 specific source and amount of revenues that the county intends to use in
34 fiscal year 2021-2022.

35 Sec. 12. City of Flagstaff: local minimum wage assessment:
36 retroactivity

37 A. Pursuant to section 35-121.01, Arizona Revised Statutes, the
38 department of administration shall assess and collect the amount of
39 \$1,110,992 from the City of Flagstaff in fiscal year 2021-2022 to
40 reimburse this state for costs to this state attributable to the
41 establishment of a minimum wage that exceeds the minimum wage established
42 by this state pursuant to section 23-363, Arizona Revised Statutes.

43 B. This section applies retroactively to from and after June 30,
44 2021.



1 Sec. 13. Exemption from rulemaking

2 A. Notwithstanding any other law, for the purposes of title 23,
3 chapter 11, Arizona Revised Statutes, as added by this act, the industrial
4 commission of Arizona is exempt from the rulemaking requirements of title
5 41, chapter 6, Arizona Revised Statutes, for one year after the effective
6 date of this act, except that the commission shall provide the public with
7 a reasonable opportunity to comment on proposed rules and shall publish
8 otherwise exempt rules.

9 B. Notwithstanding any other law, for the purposes of section
10 43-1011, subsection E, Arizona Revised Statutes, as added by this act, the
11 department of revenue is exempt from the rulemaking requirements of title
12 41, chapter 6, Arizona Revised Statutes, for one year after the effective
13 date of this act.

14 Sec. 14. Legislative intent

15 The legislature intends that:

16 1. Title 23, chapter 11, Arizona Revised Statutes, as added by this
17 act, does not convey any responsibility of firefighter cancer compensation
18 and benefits claims onto this state. All costs incurred shall be paid for
19 by monies collected from cities and towns pursuant to section 23-1703,
20 Arizona Revised Statutes, as added by this act.

21 2. Any monies in the municipal firefighter cancer reimbursement
22 fund established by section 23-1702, Arizona Revised Statutes, as added by
23 this act, are not subject to transfer from the municipal firefighter
24 cancer reimbursement fund to the state general fund in any fiscal year.

25 Sec. 15. Retroactivity

26 A. Title 23, chapter 11, Arizona Revised Statutes, as added by this
27 act, section 42-5029, Arizona Revised Statutes, as amended by this act,
28 and section 42-5041, Arizona Revised Statutes, as repealed by this act,
29 apply retroactively to from and after June 30, 2021.

30 B. The following apply retroactively to from and after December 31,
31 2019:

32 1. Laws 2016, chapter 125, section 21, as amended by Laws 2017,
33 chapter 215, section 1 and this act.

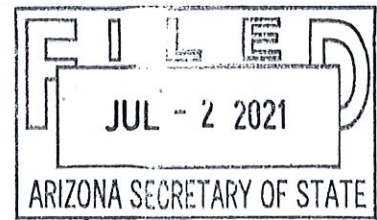
34 2. Laws 2016, chapter 125, section 22, as amended by Laws 2017,
35 chapter 215, section 2 and this act.

36 3. Laws 2016, chapter 125, section 26, as amended by Laws 2017,
37 chapter 215, section 3 and this act.

38 4. Laws 2016, chapter 125, section 28, as amended by Laws 2017,
39 chapter 215, section 4 and this act.

APPROVED BY THE GOVERNOR JUNE 30, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 30, 2021.



Passed the House June 24, 2021,

by the following vote: 31 Ayes,

29 Nays, 0 Not Voting

[Signature]
Speaker of the House
No Teyore

[Signature]
Chief Clerk of the House

Passed the Senate June 22, 2021,

by the following vote: 16 Ayes,

14 Nays, 0 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

28 day of June, 2021,

at 12:52 o'clock P M.

[Signature]
Secretary to the Governor

Approved this 30 day of

June, 2021,

at 9:12 o'clock A M.

[Signature]
Governor of Arizona

S.B. 1827

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 30th day of June, 2021,

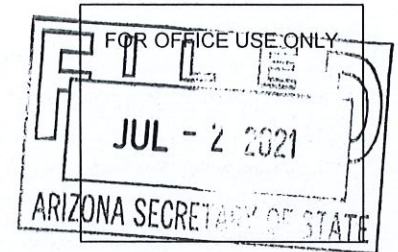
at 4:00 o'clock P M.

[Signature]
Secretary of State

Exhibit D



STATE OF ARIZONA
Application for Serial Number
Referendum Petition
A.R.S. § 19-111



The undersigned intends to circulate and file a referendum petition and hereby makes application for the issuance of an official serial number to be printed in the lower right-hand corner of each side of each signature sheet of such petition. Attached hereto is the full title and text, in no less than eight point type, of the measure intended to be referred at the next general election.

Measure to be Referred	SB1827, Sec. 4
Date of Application	7/2/2021
Signatures Required	118,823
Deadline for Filing	9/28/2021
Serial Number Issued	R-04-2021

This petition seeks to refer Section 4 of 2021 Laws, Chapter 411 (SB 1827). Section 4 creates a maximum combined individual income tax rate of 4.5%, inclusive of the regular income tax imposed by A.R.S. § 43-1011 and the 3.5% income tax surcharge imposed by A.R.S. § 43-1013 (which was approved by Arizona voters in 2020 as Proposition 208). If a taxpayer's total tax rate exceeds 4.5%, the regular income tax rate imposed by A.R.S. § 43-1011 would be automatically reduced to cap the taxpayer's total tax rate at 4.5%.

Dacey Montoya

Name of Applicant

P.O. Box 97241

Address

Phoenix AZ 85060

City

State

Zip

602-228-8902

Telephone Number

dacey@tmwcompliance.com

E-mail Address

Invest in Arizona (Sponsored by AEA and Stand for Children)

Committee Name

100204

Committee ID No.

Amber Gould

Chairperson

Dacey Montoya

Treasurer

2828 N Central Ave Fl 10

Committee Address

Phoenix AZ 85004

City

State

Zip

602-228-8902

Committee Telephone Number

dacey@tmwcompliance.com

Committee E-mail Address

By submitting this Application for Serial Number and checking all boxes below, I acknowledge the following:

- ☒ That I have received and will review the accompanying Instructions for Statewide Referenda, including the Secretary of State's recommended best practices for printing copies of the Statewide Referendum Petition to be circulated.
- ☒ That at the time of filing, I was provided instructions regarding accurate completion of the Statewide Referendum Petition form.

Applicant Signature

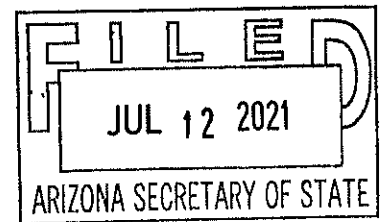
07/02/2021

Date

Office of the Secretary of State
1700 W. Washington Street
Phoenix, Arizona 85007

Rev. 03/04/2019

Exhibit E



House Engrossed Senate Bill

small businesses; alternate income tax

FILED
KATIE HOBBS
SECRETARY OF STATE

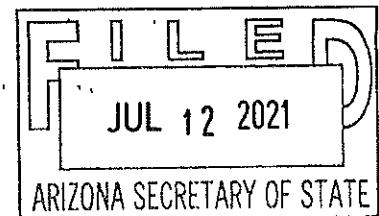
State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 436
SENATE BILL 1783

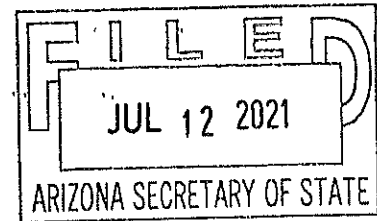
AN ACT

AMENDING SECTIONS 43-104 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-243; AMENDING TITLE 43, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-302; AMENDING TITLE 43, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-583; AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1075; AMENDING SECTION 43-1311, ARIZONA REVISED STATUTES; AMENDING TITLE 43, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 17; RELATING TO TAXATION OF INCOME.

(TEXT OF BILL BEGINS ON NEXT PAGE)



1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-104, Arizona Revised Statutes, is amended to
3 read:
4 43-104. Definitions
5 In this title, unless the context otherwise requires:
6 1. "Assessment" includes A ~~—~~ proposed additional assessment~~—~~.
7 2. "Board" means the state board of tax appeals or, ~~when~~ IF
8 applicable, a division of the state board.
9 3. "Corporation" means a corporation, joint stock company, bank,
10 insurance company, business trust or so-called "Massachusetts trust",
11 investment company or building and loan association and any other
12 association whether incorporated or unincorporated.
13 4. "Department" means the department of revenue, the director or
14 ~~his~~ THE DIRECTOR'S authorized delegate, as the context requires.
15 5. "Director" means the director of the department of revenue.
16 6. "Fiduciary" means a guardian, trustee, personal representative,
17 executor, administrator, receiver or conservator, whether individual or
18 corporate, or any person acting in any fiduciary capacity for any person,
19 estate or trust.
20 7. "Fiscal year" means an accounting period of twelve months ending
21 on the last day of any month other than December.
22 8. "Foreign country" means any jurisdiction other than one embraced
23 within the United States.
24 9. "Income derived from or attributable to sources within this
25 state" includes income from tangible or intangible property located or
26 having a situs in this state and income from any activities carried on in
27 this state, regardless of whether carried on in intrastate, interstate or
28 foreign commerce.
29 10. "Income tax act of 1954" means THIS title ~~43, Arizona Revised~~
30 ~~Statutes~~, as enacted by Laws 1954, chapter 65, as amended.
31 11. "Income year" means "taxable year".
32 12. "Individual" means a natural person.
33 13. "Military or naval forces of the United States" includes the
34 army, the navy, the air force, the marine corps, the coast guard, the army
35 nurse corps, female, the women's army auxiliary corps, the navy nurse
36 corps, female, and the women's reserve branch of the naval reserve, and
37 all auxiliary branches of service.
38 14. "Nonresident" means every individual other than a resident.
39 15. "Paid or incurred" and "paid or accrued" shall be construed
40 according to the method of accounting ~~upon~~ ON the basis of which the
41 taxable income is computed under this title.
42 16. "Partner" means a member of a partnership.
43 17. "Partnership" includes a syndicate, group, pool, joint venture
44 or other unincorporated organization, through or by means of which any



1 business, financial operation or venture is carried on and ~~which~~ THAT is
2 not, within the meaning of this title, a trust, estate or corporation.

3 18. "Person" includes individuals, fiduciaries, partnerships and
4 corporations.

5 19. "Resident" includes:

6 (a) Every individual who is in this state for other than a
7 temporary or transitory purpose.

8 (b) Every individual who is domiciled in this state and who is
9 outside the state for a temporary or transitory purpose. Any individual
10 who is a resident of this state continues to be a resident even though
11 temporarily absent from the state.

12 (c) Every individual who spends in the aggregate more than nine
13 months of the taxable year within this state shall be presumed to be a
14 resident. The presumption may be overcome by competent evidence that the
15 individual is in ~~the~~ THIS state for a temporary or transitory purpose.

16 20. "SMALL BUSINESS TAXPAYER" MEANS ANY INDIVIDUAL TAXPAYER WHO
17 REPORTS ON THE TAXPAYER'S FEDERAL INCOME TAX RETURN ANY INCOME THAT
18 CONSTITUTES ARIZONA SMALL BUSINESS GROSS INCOME AS DEFINED IN SECTION
19 43-1701.

20 ~~20.~~ 21. "State" includes the states of the United States, the
21 District of Columbia and the possessions of the United States.

22 ~~21.~~ 22. "Tax" means the taxes imposed under this title.

23 ~~22.~~ 23. "Taxable year" means:

24 (a) The calendar year or the fiscal year, ending during such
25 calendar year, ~~upon~~ ON the basis of which the taxable income is computed
26 under this title.

27 (b) If no fiscal year has been established, ~~"taxable year"~~ means
28 the calendar year.

29 ~~(b)~~ (c) In the case of a return made for a fractional part of a
30 year under this title or under rules prescribed by the department, the
31 period for which the return is made.

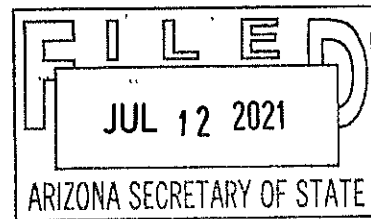
32 ~~23.~~ 24. "Taxpayer":

33 (a) Means any person subject to a tax imposed by this title. ~~, but~~
34 ~~in no case shall it~~

35 (b) DOES NOT include the United States, this state, counties,
36 cities, towns, school districts or other political subdivisions or units
37 of this state or the federal government.

38 ~~24.~~ 25. "Trade or business" includes the performance of the
39 functions of a public office.

40 ~~25.~~ 26. "United States", when used in a geographical sense,
41 includes the states, the District of Columbia, and the possessions of the
42 United States.



1 Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to
2 read:

3 43-222. Income tax credit review schedule

4 The joint legislative income tax credit review committee shall
5 review the following income tax credits:

6 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
7 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

8 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
9 43-1075, 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

10 3. For years ending in 2 and 7, sections 43-1073, 43-1085, 43-1086,
11 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

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

14 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
15 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

16 Sec. 3. Title 43, chapter 2, article 3, Arizona Revised Statutes,
17 is amended by adding section 43-243, to read:

18 43-243. State general fund revenue notification; tax rate
19 adjustment

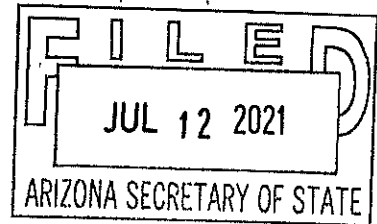
20 A. ON OR BEFORE SEPTEMBER 30, 2022, THE DIRECTOR OF THE JOINT
21 LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR'S OFFICE OF
22 STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY NOTIFY THE DEPARTMENT
23 WHETHER THE FISCAL YEAR 2021-2022 STATE GENERAL FUND REVENUE, EXCLUDING
24 THE BEGINNING BALANCE, WAS \$12,782,800,000 OR MORE.

25 B. ON OR BEFORE SEPTEMBER 30, 2023 AND ON OR BEFORE SEPTEMBER 30 OF
26 EACH YEAR UNTIL THE NOTICE IS PROVIDED AS PRESCRIBED IN SUBSECTION A OF
27 THIS SECTION OR PARAGRAPH 1 OF THIS SUBSECTION, AND PARAGRAPH 2 OF THIS
28 SUBSECTION, THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
29 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
30 SHALL JOINTLY NOTIFY THE DEPARTMENT WHETHER THE PREVIOUS FISCAL YEAR STATE
31 GENERAL FUND REVENUE, EXCLUDING THE BEGINNING BALANCE, WAS EITHER OF THE
32 FOLLOWING AMOUNTS:

33 1. MORE THAN \$12,782,800,000 BUT LESS THAN \$12,976,300,000. THE
34 NOTICE REQUIRED PURSUANT TO THIS PARAGRAPH IS NOT REQUIRED IF THE NOTICE
35 REQUIRED PURSUANT TO SUBSECTION A OF THIS SECTION WAS PROVIDED ON OR
36 BEFORE SEPTEMBER 30, 2022.

37 2. \$12,976,300,000 OR MORE.

38 C. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR
39 SUBSECTION B, PARAGRAPH 1 OF THIS SECTION, THE DEPARTMENT SHALL USE THE
40 TAX RATES PROVIDED IN SECTION 43-1311, SUBSECTION B, PARAGRAPH 3 FOR
41 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH
42 THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR SUBSECTION B, PARAGRAPH 1
43 OF THIS SECTION IS RECEIVED. THE TAX RATE PRESCRIBED IN SECTION 43-1311,
44 SUBSECTION B, PARAGRAPH 3 APPLIES UNTIL THE DEPARTMENT RECEIVES THE NOTICE
45 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.



1 D. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION B,
2 PARAGRAPH 2 OF THIS SECTION, THE DEPARTMENT SHALL USE THE TAX RATES
3 PROVIDED IN SECTION 43-1311, SUBSECTION B, PARAGRAPH 4 FOR TAXABLE YEARS
4 BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH THE NOTICE
5 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION IS
6 RECEIVED.

7 E. THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
8 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
9 SHALL NOTIFY THE DEPARTMENT AS REQUIRED PURSUANT TO SUBSECTION B,
10 PARAGRAPHS 1 AND 2 OF THIS SECTION ONLY ON THE FIRST OCCURRENCE THAT EACH
11 STATE GENERAL FUND REVENUE THRESHOLD IS MET.

12 Sec. 4. Title 43, chapter 3, article 1, Arizona Revised Statutes,
13 is amended by adding section 43-302, to read:

14 43-302. Arizona small business income tax return; election;
15 revocation

16 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, A
17 SMALL BUSINESS TAXPAYER MAY ELECT TO FILE A RETURN FOR THE TAXABLE YEAR
18 WITH THE DEPARTMENT TO REPORT THAT SMALL BUSINESS TAXPAYER'S SHARE OF
19 ARIZONA SMALL BUSINESS GROSS INCOME. THE ELECTION SHALL BE MADE
20 SEPARATELY FOR EACH TAXABLE YEAR AND IS EFFECTIVE BY REPORTING ARIZONA
21 SMALL BUSINESS ADJUSTED GROSS INCOME ON A TIMELY FILED ARIZONA SMALL
22 BUSINESS INCOME TAX RETURN.

23 B. THE ELECTION UNDER SUBSECTION A OF THIS SECTION MAY BE REVOKED
24 ON A TIMELY FILED AMENDED ARIZONA SMALL BUSINESS INCOME TAX RETURN AND A
25 CORRESPONDING ARIZONA INDIVIDUAL INCOME TAX RETURN.

26 Sec. 5. Title 43, chapter 5, article 6, Arizona Revised Statutes,
27 is amended by adding section 43-583, to read:

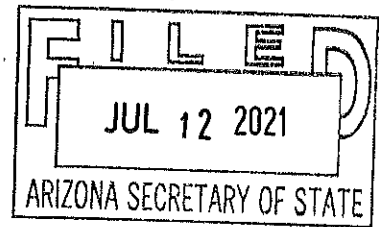
28 43-583. Payment of estimated tax by small business taxpayers;
29 penalty; forms

30 A. A SMALL BUSINESS TAXPAYER THAT IS SUBJECT TO THE TAX IMPOSED BY
31 CHAPTER 17 OF THIS TITLE SHALL PAY ESTIMATED TAX DURING THE SMALL BUSINESS
32 TAXPAYER'S TAXABLE YEAR IF THE SMALL BUSINESS TAXPAYER'S TAX LIABILITY
33 UNDER CHAPTER 17 OF THIS TITLE FOR THE TAXABLE YEAR IS AT LEAST \$1,000.
34 THE TAX LIABILITY UNDER CHAPTER 17 OF THIS TITLE IS THE EXCESS OF THE TAX
35 IMPOSED BY SECTION 43-1711 OVER ANY TAX CREDITS ALLOWED BY CHAPTER 17,
36 ARTICLE 5.

37 B. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE AMOUNT OF THE
38 REQUIRED ANNUAL ESTIMATED TAX PAYMENT IS THE LESSER OF:

39 1. NINETY PERCENT OF THE TAX SHOWN ON THE RETURN FOR THE TAXABLE
40 YEAR OR, IF NO RETURN IS FILED, NINETY PERCENT OF THE TAX FOR THAT YEAR.

41 2. ONE HUNDRED PERCENT OF THE TAX SHOWN ON THE SMALL BUSINESS
42 INCOME TAX RETURN FOR THE PRECEDING TAXABLE YEAR, EXCEPT THAT THIS
43 PARAGRAPH DOES NOT APPLY IF:



1 (a) THE PRECEDING TAXABLE YEAR WAS NOT A TAXABLE YEAR OF TWELVE
2 MONTHS.

3 (b) THE SMALL BUSINESS DID NOT FILE A RETURN FOR THE PRECEDING
4 TAXABLE YEAR SHOWING A LIABILITY FOR TAX.

5 3. ZERO FOR TAXABLE YEARS BEGINNING ON OR BEFORE DECEMBER 31, 2021.

6 C. FOUR INSTALLMENTS OF ESTIMATED TAX PAYMENTS ARE REQUIRED EACH
7 TAXABLE YEAR. THE DUE DATES FOR THE INSTALLMENTS ARE THE DUE DATES
8 PRESCRIBED BY SECTION 6654 OF THE INTERNAL REVENUE CODE. UNLESS OTHERWISE
9 PRESCRIBED BY THIS SECTION, THE AMOUNT OF EACH INSTALLMENT PAYMENT IS
10 TWENTY-FIVE PERCENT OF THE REQUIRED ANNUAL ESTIMATED TAX PAYMENT. IF A
11 TAXABLE YEAR BEGINS ON A DATE OTHER THAN JANUARY 1, THE INSTALLMENT
12 PAYMENTS ARE DUE DURING MONTHS OF THAT FISCAL YEAR THAT CORRESPOND TO THE
13 PRESCRIBED MONTHS OF A CALENDAR YEAR.

14 D. IF A TAXPAYER FAILS TO PAY THE FULL AMOUNT OF ESTIMATED TAX OR
15 ANY REQUIRED INSTALLMENT UNDER THIS SECTION, THE TAXPAYER IS SUBJECT TO A
16 PENALTY AS PRESCRIBED BY SECTION 42-1125, SUBSECTION Q. FOR THE PURPOSES
17 OF THIS SUBSECTION:

18 1. THE AMOUNT OF UNDERPAYMENT IS THE EXCESS OF THE REQUIRED
19 INSTALLMENT PAYMENT OVER THE AMOUNT, IF ANY, OF THE INSTALLMENT PAID ON OR
20 BEFORE THE DUE DATE FOR THE PAYMENT.

21 2. A PAYMENT OF ESTIMATED TAX SHALL BE CREDITED AGAINST UNPAID
22 REQUIRED INSTALLMENT PAYMENTS IN THE ORDER IN WHICH THE INSTALLMENTS ARE
23 REQUIRED TO BE PAID.

24 E. THE DEPARTMENT SHALL:

25 1. ADOPT RULES THAT ARE NECESSARY TO ADMINISTER AND ENFORCE THIS
26 SECTION.

27 2. MAKE AVAILABLE SUITABLE FORMS AND INSTRUCTIONS TO TAXPAYERS WHO
28 MAKE ESTIMATED TAX PAYMENTS PURSUANT TO THIS SECTION.

29 Sec. 6. Section 43-1022, Arizona Revised Statutes, is amended to
30 read:

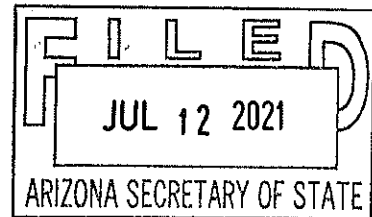
31 43-1022. Subtractions from Arizona gross income

32 In computing Arizona adjusted gross income, the following amounts
33 shall be subtracted from Arizona gross income:

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

35 2. Benefits, annuities and pensions in an amount totaling not more
36 than \$2,500 received from one or more of the following:

37 (a) The United States government service retirement and disability
38 fund, the United States foreign service retirement and disability system
39 and any other retirement system or plan established by federal law, except
40 retired or retainer pay of the uniformed services of the United States
41 that qualifies for a subtraction under paragraph 27 of this section.



1 (b) The Arizona state retirement system, the corrections officer
2 retirement plan, the public safety personnel retirement system, the
3 elected officials' retirement plan, an optional retirement program
4 established by the Arizona board of regents under section 15-1628, an
5 optional retirement program established by a community college district
6 board under section 15-1451 or a retirement plan established for employees
7 of a county, city or town in this state.

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

11 4. Interest income received on obligations of the United States,
12 minus any interest on indebtedness, or other related expenses, and
13 deducted in arriving at Arizona gross income, that were incurred or
14 continued to purchase or carry such obligations.

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

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

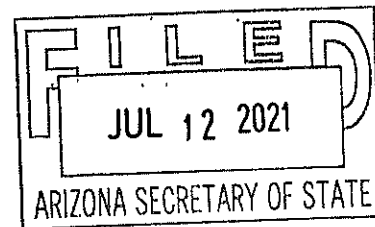
21 7. The amount allowed by section 43-1025 for contributions during
22 the taxable year of agricultural crops to charitable organizations.

23 8. The portion of any wages or salaries paid or incurred by the
24 taxpayer for the taxable year that is equal to the amount of the federal
25 work opportunity credit, the empowerment zone employment credit, the
26 credit for employer paid social security taxes on employee cash tips and
27 the Indian employment credit that the taxpayer received under sections
28 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

35 10. The amount included in federal adjusted gross income pursuant
36 to section 86 of the internal revenue code, relating to taxation of social
37 security and railroad retirement benefits.

38 11. To the extent not already excluded from Arizona gross income
39 under the internal revenue code, compensation received for active service
40 as a member of the reserves, the national guard or the armed forces of the
41 United States, including compensation for service in a combat zone as
42 determined under section 112 of the internal revenue code.



1 12. The amount of unreimbursed medical and hospital costs, adoption
2 counseling, legal and agency fees and other nonrecurring costs of adoption
3 not to exceed \$3,000. In the case of a husband and wife who file separate
4 returns, the subtraction may be taken by either taxpayer or may be divided
5 between them, but the total subtractions allowed both husband and wife
6 shall not exceed \$3,000. The subtraction under this paragraph may be
7 taken for the costs that are described in this paragraph and that are
8 incurred in prior years, but the subtraction may be taken only in the year
9 during which the final adoption order is granted.

10 13. The amount authorized by section 43-1027 for the taxable year
11 relating to qualified wood stoves, wood fireplaces or gas fired
12 fireplaces.

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

17 15. Any amount of qualified educational expenses that is
18 distributed from a qualified state tuition program determined pursuant to
19 section 529 of the internal revenue code and that is included in income in
20 computing federal adjusted gross income.

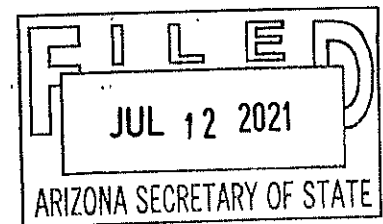
21 16. Any item of income resulting from an installment sale that has
22 been properly subjected to income tax in another state in a previous
23 taxable year and that is included in Arizona gross income in the current
24 taxable year.

25 17. The amount authorized by section 43-1030 relating to holocaust
26 survivors.

27 18. For property placed in service:

28 (a) In taxable years beginning before December 31, 2012, an amount
29 equal to the depreciation allowable pursuant to section 167(a) of the
30 internal revenue code for the taxable year computed as if the election
31 described in section 168(k) of the internal revenue code had been made for
32 each applicable class of property in the year the property was placed in
33 service.

34 (b) In taxable years beginning from and after December 31, 2012
35 through December 31, 2013, an amount determined in the year the asset was
36 placed in service based on the calculation in subdivision (a) of this
37 paragraph. In the first taxable year beginning from and after
38 December 31, 2013, the taxpayer may elect to subtract the amount necessary
39 to make the depreciation claimed to date for the purposes of this title
40 the same as it would have been if subdivision (c) of this paragraph had
41 applied for the entire time the asset was in service. Subdivision (c) of
42 this paragraph applies for the remainder of the asset's life. If the
43 taxpayer does not make the election under this subdivision, subdivision
44 (a) of this paragraph applies for the remainder of the asset's life.



1 (c) In taxable years beginning from and after December 31, 2013
2 through December 31, 2015, an amount equal to the depreciation allowable
3 pursuant to section 167(a) of the internal revenue code for the taxable
4 year as computed as if the additional allowance for depreciation had been
5 ten percent of the amount allowed pursuant to section 168(k) of the
6 internal revenue code.

7 (d) In taxable years beginning from and after December 31, 2015
8 through December 31, 2016, an amount equal to the depreciation allowable
9 pursuant to section 167(a) of the internal revenue code for the taxable
10 year as computed as if the additional allowance for depreciation had been
11 fifty-five percent of the amount allowed pursuant to section 168(k) of the
12 internal revenue code.

13 (e) In taxable years beginning from and after December 31, 2016, an
14 amount equal to the depreciation allowable pursuant to section 167(a) of
15 the internal revenue code for the taxable year as computed as if the
16 additional allowance for depreciation had been the full amount allowed
17 pursuant to section 168(k) of the internal revenue code.

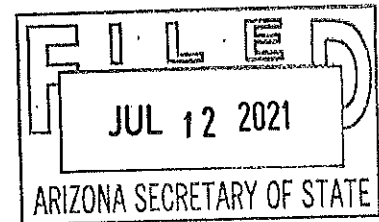
18 19. With respect to property that is sold or otherwise disposed of
19 during the taxable year by a taxpayer that complied with section 43-1021,
20 paragraph 12 with respect to that property, the amount of depreciation
21 that has been allowed pursuant to section 167(a) of the internal revenue
22 code to the extent that the amount has not already reduced Arizona taxable
23 income in the current or prior taxable years.

24 20. The amount contributed during the taxable year to college
25 savings plans established pursuant to section 529 of the internal revenue
26 code to the extent that the contributions were not deducted in computing
27 federal adjusted gross income. The amount subtracted shall not exceed:

28 (a) \$2,000 for a single individual or a head of household.

29 (b) \$4,000 for a married couple filing a joint return. In the case
30 of a husband and wife who file separate returns, the subtraction may be
31 taken by either taxpayer or may be divided between them, but the total
32 subtractions allowed both husband and wife shall not exceed \$4,000.

33 21. The portion of the net operating loss carryforward that would
34 have been allowed as a deduction in the current year pursuant to section
35 172 of the internal revenue code if the election described in section
36 172(b)(1)(H) of the internal revenue code had not been made in the year of
37 the loss that exceeds the actual net operating loss carryforward that was
38 deducted in arriving at federal adjusted gross income. This subtraction
39 only applies to taxpayers who made an election under section 172(b)(1)(H)
40 of the internal revenue code as amended by section 1211 of the American
41 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
42 section 13 of the worker, homeownership, and business assistance act of
43 2009 (P.L. 111-92).



1 22. For taxable years beginning from and after December 31, 2013,
2 the amount of any net capital gain included in federal adjusted gross
3 income for the taxable year derived from investment in a qualified small
4 business as determined by the Arizona commerce authority pursuant to
5 section 41-1518.

6 23. An amount of any net long-term capital gain included in federal
7 adjusted gross income for the taxable year that is derived from an
8 investment in an asset acquired after December 31, 2011, as follows:

9 (a) For taxable years beginning from and after December 31, 2012
10 through December 31, 2013, ten percent of the net long-term capital gain
11 included in federal adjusted gross income.

12 (b) For taxable years beginning from and after December 31, 2013
13 through December 31, 2014, twenty percent of the net long-term capital
14 gain included in federal adjusted gross income.

15 (c) For taxable years beginning from and after December 31, 2014,
16 twenty-five percent of the net long-term capital gain included in federal
17 adjusted gross income. For the purposes of this paragraph, a transferee
18 that receives an asset by gift or at the death of a transferor is
19 considered to have acquired the asset when the asset was acquired by the
20 transferor. If the date an asset is acquired cannot be verified, a
21 subtraction under this paragraph is not allowed.

22 24. If an individual is not claiming itemized deductions pursuant
23 to section 43-1042, the amount of premium costs for long-term care
24 insurance, as defined in section 20-1691.

25 25. The amount of eligible access expenditures paid or incurred
26 during the taxable year to comply with the requirements of the Americans
27 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
28 article 8 as provided by section 43-1024.

29 26. For taxable years beginning from and after December 31, 2017,
30 the amount of any net capital gain included in Arizona gross income for
31 the taxable year that is derived from the exchange of one kind of legal
32 tender for another kind of legal tender. For the purposes of this
33 paragraph:

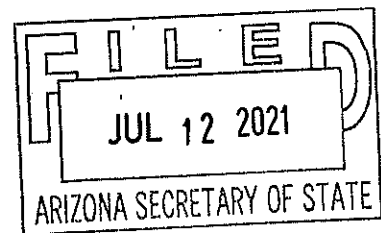
34 (a) "Legal tender" means a medium of exchange, including specie,
35 that is authorized by the United States Constitution or Congress to pay
36 debts, public charges, taxes and dues.

37 (b) "Specie" means coins having precious metal content.

38 27. Benefits, annuities and pensions received as retired or
39 retainer pay of the uniformed services of the United States in amounts as
40 follows:

41 (a) For taxable years through December 31, 2018, an amount totaling
42 not more than \$2,500.

43 (b) For taxable years beginning from and after December 31, 2018,
44 an amount totaling not more than \$3,500.



28. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME, BUT ONLY IF AN INDIVIDUAL TAXPAYER HAS ELECTED TO SEPARATELY REPORT AND PAY TAX ON THE TAXPAYER'S ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME ON THE ARIZONA SMALL BUSINESS INCOME TAX RETURN.

Sec. 7. Title 43, chapter 10, article 5, Arizona Revised Statutes, is amended by adding section 43-1075, to read:

43-1075. Credit for Arizona small business excess credit amount

A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS CHAPTER IN AN AMOUNT THAT IS EQUAL TO THE EXCESS AMOUNT DETERMINED PURSUANT TO SECTION 43-1742.

B. IF ANY PORTION OF THE ALLOWABLE CREDIT EXCEEDS THE TAXES DUE UNDER THIS CHAPTER OR IF THERE ARE NO TAXES DUE UNDER THIS CHAPTER, THE AMOUNT OF THE CREDIT NOT USED TO OFFSET THE TAXES UNDER THIS CHAPTER MAY BE CARRIED FORWARD AS A CREDIT UNDER SECTION 43-1742 TO THE FOLLOWING TAXABLE YEAR AS A CREDIT THAT IS FIRST AVAILABLE TO OFFSET THE TAX DUE UNDER CHAPTER 17 OF THIS TITLE.

Sec. 8. Section 43-1311, Arizona Revised Statutes, is amended to read:

43-1311. Tax imposed on estates and trusts; rates; annual adjustment

A. Except for trusts that are taxable as partnerships or corporations under the internal revenue code, the ~~taxes imposed by this title upon individuals apply to the~~ income of estates or of any kind of property held in trust IS SUBJECT ONLY TO THE INCOME TAX IMPOSED BY SUBSECTION B OF THIS SECTION.

~~B. The tax rates that are imposed on single individuals under section 43-1011 apply to the taxable income of estates and trusts.~~

B. THERE SHALL BE LEVIED, COLLECTED AND PAID FOR EACH TAXABLE YEAR ON THE ENTIRE TAXABLE INCOME OF EVERY RESIDENT TRUST OF THIS STATE AND ON THE ENTIRE TAXABLE INCOME OF NONRESIDENT TRUST THAT IS DERIVED FROM SOURCES WITHIN THIS STATE TAXES DETERMINED IN THE FOLLOWING MANNER:

1. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020 THROUGH DECEMBER 31, 2021:

IF TAXABLE INCOME IS:

\$0 - \$27,272

\$27,273 - \$54,544

\$54,545 - \$163,632

\$163,633 AND OVER

THE TAX IS:

2.59% OF TAXABLE INCOME

\$686, PLUS 3.34% OF THE AMOUNT

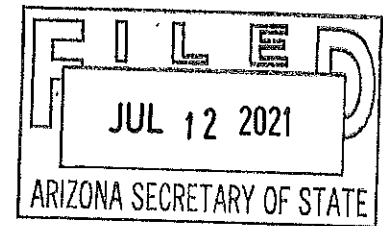
OVER \$27,272

\$1,571, PLUS 4.17% OF THE

AMOUNT OVER \$54,544

\$5,991, PLUS 4.50% OF THE AMOUNT

OVER \$163,632



2. SUBJECT TO SUBSECTION C OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021 THROUGH DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION A OR SUBSECTION B, PARAGRAPH 1:

IF TAXABLE INCOME IS:

THE TAX IS:

\$0 - \$27,272

2.55% OF TAXABLE INCOME

\$27,273 AND OVER

\$695, PLUS 2.98% OF THE AMOUNT
OVER \$27,272

3. SUBJECT TO SUBSECTION C OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION A OR SUBSECTION B, PARAGRAPH 1 THROUGH DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 2:

IF TAXABLE INCOME IS:

THE TAX IS:

\$0 - \$27,272

2.53% OF TAXABLE INCOME

\$27,273 AND OVER

\$690, PLUS 2.75% OF THE AMOUNT
OVER \$27,272

4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 2, THE TAX IS 2.5% OF TAXABLE INCOME.

C. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31, 2020, THE DEPARTMENT SHALL ADJUST THE INCOME DOLLAR AMOUNT FOR EACH RATE BRACKET PRESCRIBED BY SUBSECTION B, PARAGRAPHS 2 AND 3 OF THIS SECTION, AS APPLICABLE, ACCORDING TO THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS. THE REVISED DOLLAR AMOUNTS SHALL BE RAISED TO THE NEAREST WHOLE DOLLAR. THE INCOME DOLLAR AMOUNTS FOR EACH RATE BRACKET MAY NOT BE REVISED BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR TAXABLE YEAR.

Sec. 9. Title 43, Arizona Revised Statutes, is amended by adding chapter 17, to read:

CHAPTER 17

SMALL BUSINESSES

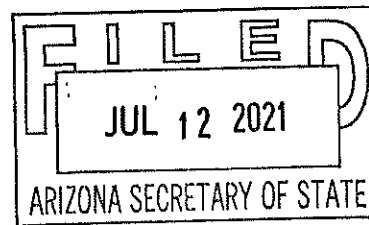
ARTICLE 1. GENERAL PROVISIONS

43-1701. Definitions

IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "ARIZONA SMALL BUSINESS" MEANS AN ACTIVITY THAT GENERATES ARIZONA SMALL BUSINESS GROSS INCOME.

2. "ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME" OF A RESIDENT TAXPAYER MEANS THE ARIZONA SMALL BUSINESS GROSS INCOME SUBJECT TO THE ADJUSTMENTS PROVIDED IN ARTICLE 3 OF THIS CHAPTER.



1 3. "ARIZONA SMALL BUSINESS GROSS INCOME" OF A RESIDENT TAXPAYER:
2 (a) MEANS THE SUM OF THE AMOUNTS, WHETHER POSITIVE OR NEGATIVE,
3 THAT ARE INCLUDED IN A TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR THE
4 TAXABLE YEAR, COMPUTED PURSUANT TO THE INTERNAL REVENUE CODE, AND THAT ARE
5 REPORTED ON THE FOLLOWING SCHEDULES AND FORMS OR ON EQUIVALENT SUCCESSOR
6 SCHEDULES AND FORMS DESIGNATED BY THE INTERNAL REVENUE SERVICE:

- 7 (i) SCHEDULE B, INTEREST AND ORDINARY DIVIDENDS.
8 (ii) SCHEDULE C, PROFIT OR LOSS FROM BUSINESS.
9 (iii) SCHEDULE E, SUPPLEMENTAL INCOME OR LOSS.
10 (iv) SCHEDULE F, PROFIT OR LOSS FROM FARMING.
11 (v) FORM 4797, SALE OF BUSINESS PROPERTY.
12 (vi) FORM 4835, FARM RENTAL INCOME AND EXPENSES.

13 (b) INCLUDES ANY AMOUNT REPORTED ON SCHEDULE D, CAPITAL GAINS AND
14 LOSSES, THAT IS RECOGNIZED WITH RESPECT TO EITHER THE TAXABLE DISPOSITION
15 OF AN OWNERSHIP INTEREST IN ANY ENTITY OTHER THAN A PUBLICLY TRADED
16 ENTITY, OR THE TAXABLE DISPOSITION OF CAPITAL ASSETS USED IN CONNECTION
17 WITH A TRADE OR BUSINESS ACTIVITY, INCLUDING GOODWILL AND GOING CONCERN
18 VALUE.

19 4. "ARIZONA SMALL BUSINESS TAXABLE INCOME" OF A RESIDENT TAXPAYER
20 MEANS THE ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME MINUS ANY
21 DEDUCTIONS ALLOWABLE IN ARTICLE 4 OF THIS CHAPTER.

22 43-1702. Rules

23 THE DEPARTMENT MAY ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
24 NECESSARY TO ADMINISTER THIS CHAPTER.

25 ARTICLE 2. TAX RATES AND TABLES

26 43-1711. Taxes and tax rate

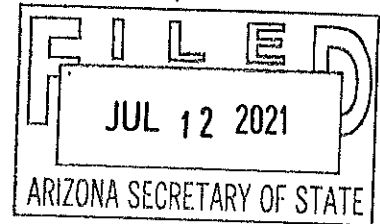
27 IF AN ARIZONA SMALL BUSINESS TAXPAYER MAKES THE ELECTION PURSUANT TO
28 SECTION 43-302, THERE SHALL BE LEVIED, COLLECTED AND PAID FOR EACH TAXABLE
29 YEAR ON THE ARIZONA SMALL BUSINESS TAXABLE INCOME TAXES AS DETERMINED IN
30 THE FOLLOWING MANNER:

31 1. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020
32 THROUGH DECEMBER 31, 2021, AN AMOUNT EQUAL TO 3.5% OF THE ARIZONA SMALL
33 BUSINESS TAXABLE INCOME.

34 2. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021
35 THROUGH DECEMBER 31, 2022, AN AMOUNT EQUAL TO 3.0% OF THE ARIZONA SMALL
36 BUSINESS TAXABLE INCOME.

37 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022
38 THROUGH DECEMBER 31, 2024, AN AMOUNT EQUAL TO 2.8% OF THE ARIZONA SMALL
39 BUSINESS TAXABLE INCOME.

40 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2024, AN
41 AMOUNT EQUAL TO 2.5% OF THE ARIZONA SMALL BUSINESS TAXABLE INCOME.



1 ARTICLE 3. ADJUSTMENTS TO ARIZONA SMALL BUSINESS GROSS INCOME
2 43-1721. Additions and subtractions to Arizona small business
3 gross income

4 IN COMPUTING ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME, THE
5 ADDITIONS AND SUBTRACTIONS PROVIDED IN SECTIONS 43-1021 AND 43-1022 SHALL
6 BE MADE BUT ONLY TO THE EXTENT THE ADDITIONS AND SUBTRACTIONS DIRECTLY
7 RELATE TO ARIZONA SMALL BUSINESS GROSS INCOME. THE SUBTRACTION PROVIDED IN
8 SECTION 43-1022, PARAGRAPH 28 MAY NOT BE INCLUDED AS A SUBTRACTION UNDER
9 THIS CHAPTER.

10 ARTICLE 4. DEDUCTIONS

11 43-1731. Deductions

12 DEDUCTIONS OTHER THAN THOSE DEDUCTIONS ALREADY REFLECTED IN THE NET
13 AMOUNTS REPORTED ON THE FEDERAL SCHEDULES PRESCRIBED IN SECTION 43-1701
14 MAY NOT BE TAKEN AGAINST ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME IN
15 COMPUTING ARIZONA SMALL BUSINESS TAXABLE INCOME.

16 ARTICLE 5. CREDITS

17 43-1741. Credit for income taxes paid to other states:
18 definitions

19 A. SUBJECT TO THE FOLLOWING CONDITIONS, RESIDENTS OF THIS STATE ARE
20 ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS CHAPTER FOR NET INCOME
21 TAXES IMPOSED BY AND PAID TO ANOTHER STATE OR COUNTRY ON INCOME TAXABLE
22 UNDER THIS CHAPTER:

23 1. THE CREDIT IS ALLOWED ONLY FOR TAXES PAID TO THE OTHER STATE OR
24 COUNTRY ON INCOME THAT IS DERIVED FROM SOURCES WITHIN THAT STATE OR
25 COUNTRY AND THAT IS TAXABLE UNDER ITS LAWS IRRESPECTIVE OF THE RESIDENCE
26 OR DOMICILE OF THE RECIPIENT.

27 2. THE CREDIT IS NOT ALLOWED IF THE OTHER STATE OR COUNTRY ALLOWS
28 RESIDENTS OF THIS STATE A CREDIT AGAINST THE TAXES IMPOSED BY THAT STATE
29 OR COUNTRY FOR TAXES PAID OR PAYABLE UNDER THIS CHAPTER.

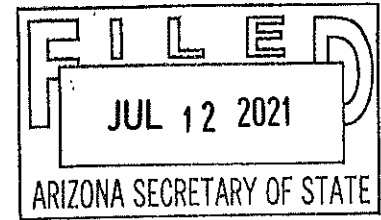
30 3. THE CREDIT MAY NOT EXCEED THE PROPORTION OF THE TAX PAYABLE
31 UNDER THIS CHAPTER AS THE SMALL BUSINESS INCOME SUBJECT TO TAX IN THE
32 OTHER STATE OR COUNTRY AND ALSO TAXABLE UNDER THIS CHAPTER BEARS TO THE
33 TAXPAYER'S ENTIRE SMALL BUSINESS INCOME ON WHICH THE TAX IS IMPOSED BY
34 THIS CHAPTER.

35 B. IF ANY TAXES PAID TO ANOTHER STATE OR COUNTRY FOR WHICH A
36 TAXPAYER HAS BEEN ALLOWED A CREDIT UNDER THIS SECTION ARE AT ANY TIME
37 CREDITED OR REFUNDED TO THE TAXPAYER:

38 1. THE TAXPAYER SHALL IMMEDIATELY REPORT THAT FACT TO THE
39 DEPARTMENT.

40 2. A TAX EQUAL TO THE CREDIT ALLOWED FOR THE TAXES CREDITED OR
41 REFUNDED BY THE OTHER STATE OR COUNTRY IS DUE AND PAYABLE FROM THE
42 TAXPAYER ON NOTICE AND DEMAND FROM THE DEPARTMENT.

43 3. INTEREST SHALL BE ADDED TO AND COLLECTED AS A PART OF THE TAX AT
44 THE RATE DETERMINED PURSUANT TO SECTION 42-1123 FROM THE DATE THE CREDIT
45 WAS ALLOWED UNDER THIS CHAPTER TO THE DATE OF THE NOTICE AND DEMAND.



1 4. IF THE TAX AND INTEREST ARE NOT PAID WITHIN TEN DAYS AFTER THE
2 DATE OF NOTICE AND DEMAND, THERE SHALL BE COLLECTED AS A PART OF THE TAX
3 INTEREST ON THE UNPAID AMOUNT OF TAX AND INTEREST AT THE RATE OF TWELVE
4 PERCENT A YEAR FROM THE DATE OF THE NOTICE AND DEMAND UNTIL THE AMOUNT IS
5 PAID.

6 C. THE CREDIT AGAINST THE TAXES IMPOSED BY THIS CHAPTER FOR NET
7 INCOME TAXES PAID TO ANOTHER STATE OR COUNTRY IS NOT ALLOWED TO ANY
8 TAXPAYER OR ANY CLASS OF TAXPAYERS IF THE ALLOWANCES OF THE CREDIT WILL
9 RESULT IN ANY INVALID OR ILLEGAL DISCRIMINATION AGAINST ANOTHER TAXPAYER
10 OR ANOTHER CLASS OF TAXPAYERS.

11 D. SUBJECT TO THE FOLLOWING CONDITIONS, A RESIDENT OF THIS STATE,
12 WHO IS ALSO CONSIDERED TO BE A RESIDENT OF ANOTHER STATE UNDER THE LAWS OF
13 THE OTHER STATE, IS ALLOWED A CREDIT AGAINST THE TAXES IMPOSED BY THIS
14 CHAPTER FOR NET INCOME TAXES IMPOSED BY AND PAID TO THAT STATE ON INCOME
15 TAXABLE UNDER THIS CHAPTER AS FOLLOWS:

16 1. THE CREDIT IS ALLOWED ONLY IF THE OTHER STATE TAXES THE INCOME
17 TO THE RESIDENT OF THIS STATE AND DOES NOT ALLOW THE TAXPAYER A CREDIT
18 AGAINST TAXES IMPOSED BY THAT STATE ON THAT INCOME FOR TAXES PAID OR
19 PAYABLE ON THAT INCOME UNDER THIS CHAPTER.

20 2. THE CREDIT IS ALLOWED ONLY FOR THE PROPORTION OF THE TAXES PAID
21 TO THE OTHER STATE AS THE INCOME TAXABLE UNDER THIS CHAPTER AND ALSO
22 SUBJECT TO TAX IN THE OTHER STATE BEARS TO THE ENTIRE INCOME UNDER THIS
23 CHAPTER ON WHICH THE TAXES PAID TO THE OTHER STATE ARE IMPOSED.

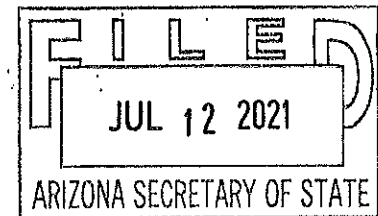
24 3. THE CREDIT MAY NOT EXCEED THE PROPORTION OF THE TAX PAYABLE
25 UNDER THIS CHAPTER AS THE INCOME TAXABLE UNDER THIS CHAPTER AND ALSO
26 SUBJECT TO TAX IN THE OTHER STATE BEARS TO THE ENTIRE INCOME TAXABLE UNDER
27 THIS CHAPTER.

28 4. FOR THE PURPOSE OF THE CREDIT ALLOWED UNDER THIS SUBSECTION,
29 "INCOME TAXABLE UNDER THIS CHAPTER AND ALSO SUBJECT TO TAX IN THE OTHER
30 STATE" MEANS INCOME THAT WOULD BE SOURCED TO THE OTHER STATE IF THE OTHER
31 STATE WERE IMPOSING ITS INCOME TAX ON THE TAXPAYER AS IF THE TAXPAYER WAS
32 A NONRESIDENT OF THAT OTHER STATE.

33 E. THE TAXPAYER MAY APPLY THE ALLOWABLE CREDIT ONLY AGAINST ARIZONA
34 INCOME TAX FOR THE SAME TAXABLE YEAR IN WHICH THE INCOME IS SUBJECT TO TAX
35 IN THE OTHER STATE.

36 F. A SMALL BUSINESS TAXPAYER WHO PARTICIPATES IN A COMPOSITE INCOME
37 TAX RETURN IN ANOTHER STATE MAY CLAIM A CREDIT FOR TAXES PAID TO THE OTHER
38 STATE IF THE TAXPAYER MEETS ALL THE REQUIREMENTS OF THIS SECTION AND THE
39 TAXES PAID TO THE OTHER STATE ARE IMPOSED ON AND PAID DIRECTLY BY THE
40 SMALL BUSINESS TAXPAYER AND NOT THE ENTITY. FOR THE PURPOSES OF THIS
41 SUBSECTION, TAXES ARE CONSIDERED TO BE IMPOSED ON AND PAID DIRECTLY BY THE
42 SMALL BUSINESS TAXPAYER UNDER ONE OR MORE OF THE FOLLOWING CIRCUMSTANCES:

43 1. THE SMALL BUSINESS TAXPAYER MAKES DIRECT PAYMENT TO THE OTHER
44 STATE.



1 2. THE SMALL BUSINESS TAXPAYER MAKES DIRECT PAYMENT TO THE ENTITY
2 FILING THE COMPOSITE INCOME TAX RETURN.

3 3. THE ENTITY CHARGES THE SMALL BUSINESS TAXPAYER'S LOAN ACCOUNT
4 FOR THE AMOUNT OF THE TAX.

5 4. THE ENTITY REDUCES THE SMALL BUSINESS TAXPAYER'S CAPITAL
6 ACCOUNT.

7 G. IF THE TAXPAYER CLAIMS THE CREDIT FOR TAXES PAID TO A FOREIGN
8 COUNTRY, THE TAXPAYER SHALL USE THE CONVERSION RATE IN EFFECT ON THE DATE
9 THE TAXPAYER PAID THE TAXES TO THE FOREIGN COUNTRY.

10 H. FOR THE PURPOSES OF THIS SECTION:

11 1. "COMPOSITE INCOME TAX RETURN" MEANS A SINGLE INCOME TAX RETURN
12 THAT IS FILED WITH ANOTHER STATE ON BEHALF OF A GROUP OF SMALL BUSINESS
13 TAXPAYERS WHO ARE PARTNERS OR SHAREHOLDERS OF THE PARTNERSHIP OR S
14 CORPORATION THAT FILED THE RETURN ON THEIR BEHALF.

15 2. "ENTIRE SMALL BUSINESS INCOME ON WHICH THE TAX IS IMPOSED BY
16 THIS CHAPTER" MEANS ARIZONA SMALL BUSINESS ADJUSTED GROSS INCOME AS
17 DEFINED AND COMPUTED UNDER SECTION 43-1701.

18 3. "INCOME SUBJECT TO TAX IN THE OTHER STATE OR COUNTRY AND ALSO
19 TAXABLE UNDER THIS CHAPTER" MEANS THE PORTION OF INCOME THAT IS INCLUDED
20 IN THE ENTIRE INCOME ON WHICH THE TAX IS IMPOSED BY THIS CHAPTER THAT IS
21 ALSO INCLUDED IN THE ENTIRE SMALL BUSINESS INCOME ON WHICH THE OTHER
22 STATE'S OR COUNTRY'S TAX IS IMPOSED. THE TAXPAYER SHALL INCREASE OR REDUCE
23 THE PORTION OF INCOME THAT IS INCLUDED IN THE ENTIRE SMALL BUSINESS INCOME
24 ON WHICH THE TAX IS IMPOSED BY THIS CHAPTER BY ANY RELATED ADDITIONS UNDER
25 SECTION 43-1021 AND BY ANY RELATED SUBTRACTIONS UNDER SECTION 43-1022. THE
26 TAXPAYER SHALL INCREASE OR REDUCE THE PORTION OF INCOME THAT IS INCLUDED
27 IN THE ENTIRE SMALL BUSINESS INCOME ON WHICH THE OTHER STATE'S OR
28 COUNTRY'S TAX IS IMPOSED BY ANY RELATED ADDITIONS AND SUBTRACTIONS UNDER
29 THE OTHER STATE'S EQUIVALENT OF SECTIONS 43-1021 AND 43-1022, AS
30 APPLICABLE.

31 4. "NET INCOME TAX":

32 (a) MEANS:

33 (i) A TAX THAT GRANTS DEDUCTIONS OR EXEMPTIONS FROM GROSS INCOME.

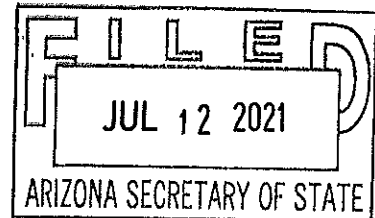
34 (ii) ANY TAX IMPOSED BY ANOTHER COUNTRY THAT QUALIFIES FOR A CREDIT
35 UNDER SECTIONS 901 AND 903 OF THE INTERNAL REVENUE CODE AND THE
36 REGULATIONS UNDER THOSE SECTIONS, EVEN IF WITHHELD FROM INCOME.

37 (b) EXCEPT AS SPECIFICALLY INCLUDED IN SUBDIVISION (a) OF THIS
38 PARAGRAPH, DOES NOT INCLUDE:

39 (i) A SYSTEM OF TAXATION THAT ASSESSES TAXES ON GROSS INCOME, GROSS
40 RECEIPTS OR GROSS DIVIDENDS.

41 (ii) TAXES WITHHELD FROM INCOME.

42 5. "SMALL BUSINESS INCOME ON WHICH THE OTHER STATE'S OR COUNTRY'S
43 TAX IS IMPOSED" MEANS THE OTHER STATE'S OR COUNTRY'S INCOME COMPUTED UNDER
44 THE EQUIVALENT OF SECTION 43-1094 BUT DOES NOT INCLUDE ANY EXEMPTION
45 ALLOWABLE UNDER THE EQUIVALENT OF SECTION 43-1023.



1 6. "TAX PAYABLE UNDER THIS CHAPTER" MEANS THE INCOME TAX IMPOSED BY
2 THIS STATE ON THE TAXPAYER'S TAXABLE INCOME AS DEFINED BY
3 SECTION 43-1001 MINUS ANY TAX CREDIT AMOUNT CLAIMED FOR THE TAXABLE YEAR
4 UNDER THIS ARTICLE BUT NOT INCLUDING THE CREDIT AMOUNT ALLOWED UNDER THIS
5 SECTION.

6 43-1742. Individual income tax credits: applicability

7 THE CREDITS ALLOWED UNDER CHAPTER 10, ARTICLE 5 OF THIS TITLE ARE
8 ALLOWED AGAINST THE TAX DUE UNDER THIS CHAPTER TO THE EXTENT THE CREDIT IS
9 DERIVED FROM ITEMS OTHERWISE INCLUDED IN COMPUTING ARIZONA SMALL BUSINESS
10 GROSS INCOME. TO THE EXTENT THE CREDITS ALLOWED BY THIS SECTION EXCEED
11 THE TAX DUE UNDER THIS CHAPTER FOR THE TAXABLE YEAR, THE EXCESS AMOUNT OF
12 THE CREDITS CLAIMED BY THE ARIZONA SMALL BUSINESS IS ALLOWED AS A CREDIT
13 AGAINST THE TAX IMPOSED ON THE SMALL BUSINESS TAXPAYER UNDER CHAPTER 10 OF
14 THIS TITLE.

15 ARTICLE 6. NONRESIDENTS

16 43-1751. Nonresidents

17 NOTWITHSTANDING ANY OTHER LAW, CHAPTER 10, ARTICLE 6 OF THIS TITLE
18 APPLIES IN THE CASE OF NONRESIDENTS SUCH THAT ARIZONA SMALL BUSINESS GROSS
19 INCOME INCLUDES ONLY THAT PORTION OF FEDERAL ADJUSTED GROSS INCOME THAT
20 REPRESENTS INCOME FROM SOURCES WITHIN THIS STATE. ALL OTHER PROVISIONS OF
21 CHAPTER 10, ARTICLE 6 OF THIS TITLE APPLY TO THE EXTENT THE PROVISIONS
22 DIRECTLY RELATE TO ARIZONA SMALL BUSINESS GROSS INCOME.

23 Sec. 10. Purpose

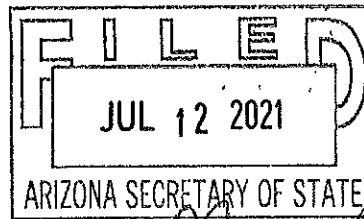
24 Pursuant to section 43-223, Arizona Revised Statutes, the
25 legislature enacts section 43-1075, Arizona Revised Statutes, as added by
26 this act, as part of a mechanism to provide Arizona small businesses with
27 an alternate option to report trade or business income for Arizona income
28 tax purposes.

29 Sec. 11. Retroactivity

30 This act applies retroactively to taxable years beginning from and
31 after December 31, 2020.

APPROVED BY THE GOVERNOR JULY 9, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 9, 2021.



Passed the House June 25, 2021,

by the following vote: 31 Ayes,
25 Nays, 4 Not Voting

[Signature]

Speaker of the House
Pro Tempore

[Signature]

Chief Clerk of the House

Passed the Senate March 3, 2021,

by the following vote: 16 Ayes,
14 Nays, 0 Not Voting

[Signature]

President of the Senate

[Signature]

Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

S.B. 1783

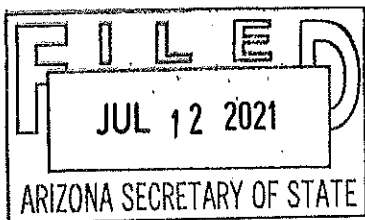
**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE**

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State



SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate June 29, 2021

by the following vote: 16 Ayes,

13 Nays, 1 Not Voting

Karen Farn

President of the Senate

Susan Reeves

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

30 day of June, 2021

at 11:05 o'clock A M.

Ryan Salas

Secretary to the Governor

Approved this 9 day of

July 2021

at 8:22 o'clock A M.

Doug Ducey

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 9th day of July, 2021

at 3:45 o'clock P M.

[Signature]

Secretary of State

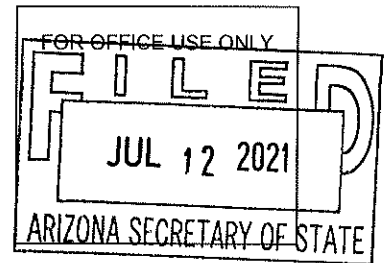
S.B. 1783

Exhibit F



STATE OF ARIZONA

Application for Serial Number
Referendum Petition
A.R.S. § 19-111



The undersigned intends to circulate and file a referendum petition and hereby makes application for the issuance of an official serial number to be printed in the lower right-hand corner of each side of each signature sheet of such petition. Attached hereto is the full title and text, in no less than eight point type, of the measure intended to be referred at the next general election.

Measure to be Referred	SB 1783
Date of Application	7/12/2021
Signatures Required	118,823
Deadline for Filing	9/28/2021
Serial Number Issued	R-06-2021

This petition seeks to refer 2021 Laws, Chapter 436 (SB 1783). The principal provisions of this bill would: (a) allow "small business taxpayer[s]," as defined in the bill, to elect to report certain forms of income as "small business income" and pay taxes on that income at rates set by the bill and (b) establish new income tax brackets and rates for trusts and estates.

Dacey Montoya

Name of Applicant

P.O. Box 97241

Address

Phoenix AZ 85060

City

State

Zip

602-228-8902

Telephone Number

dacey@tmwcompliance.com

E-mail Address

Invest in Arizona (Sponsored by AEA and Stand for Children)

Committee Name

100204

Committee ID No.

Amber Gould

Chairperson

Dacey Montoya

Treasurer

2828 N Central Ave Fl 10

Committee Address

Phoenix AZ 85004

City

State

Zip

602-228-8902

Committee Telephone Number

dacey@tmwcompliance.com

Committee E-mail Address

By submitting this Application for Serial Number and checking all boxes below, I acknowledge the following:

- ☒ That I have received and will review the accompanying Instructions for Statewide Referenda, including the Secretary of State's recommended best practices for printing copies of the Statewide Referendum Petition to be circulated.
- ☒ That at the time of filing, I was provided instructions regarding accurate completion of the Statewide Referendum Petition form.

Applicant Signature

07/12/2021

Date

Office of the Secretary of State
1700 W. Washington Street
Phoenix, Arizona 85007