

REFERENCE TITLE: private school tuition; tax credit

State of Arizona
House of Representatives
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1997

HB 2074

Introduced by
Representatives Anderson, Brimhall, Johnson, Burns R, Weiers: Cooley,
Griffin, Jarrett, McGibbon, Schottel

AN ACT

AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; AMENDING TITLE 43,
CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1087;
RELATING TO INDIVIDUAL INCOME TAX CREDITS.

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

2 Section 1. Section 43-1022, Arizona Revised Statutes, is amended to
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall
6 be subtracted from Arizona gross income:

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

8 2. Benefits, annuities and pensions in an amount totalling not more
9 than two thousand five hundred dollars received from one or more of the
10 following:

11 (a) The United States government service retirement and disability
12 fund, retired or retainer pay of the uniformed services of the United States,
13 the United States foreign service retirement and disability system and any
14 other retirement system or plan established by federal law.

15 (b) The state retirement system, the state retirement plan, the
16 corrections officer retirement plan, the public safety personnel retirement
17 system, the elected officials' retirement plan, an optional retirement
18 program established by the Arizona board of regents under section 15-1628 or
19 a retirement plan established for employees of a county, city or town in this
20 state.

21 3. A beneficiary's share of trust or estate income recognized pursuant
22 to the internal revenue code.

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

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

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

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

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

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

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

28 11. The amount by which the adjusted basis of property described in
29 this paragraph and computed pursuant to this title and the income tax act of
30 1954, as amended, exceeds the adjusted basis of such property computed
31 pursuant to the internal revenue code. This paragraph shall apply to all
32 property which is held for the production of income and which is sold or
33 otherwise disposed of during the taxable year other than depreciable property
34 used in a trade or business.

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

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

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

43 15. The amount of prizes or winnings less than five thousand dollars
44 in a single taxable year from any of the state lotteries established and

1 operated pursuant to title 5, chapter 5, article 1, except that all such
2 winnings before March 22, 1983, including periodic distributions from such
3 winnings made after March 22, 1983, may be subtracted.

4 16. The amount of exploration expenses determined pursuant to section
5 617 of the internal revenue code which have been deferred in a taxable year
6 ending before January 1, 1990 and for which a subtraction has not previously
7 been made. The subtraction shall be made on a ratable basis as the units of
8 produced ores or minerals discovered or explored as a result of this
9 exploration are sold.

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

13 18. To the extent not already excluded from Arizona gross income under
14 section 112 of the internal revenue code, compensation received for active
15 service as a member of the armed forces of the United States for any month
16 during any part of which the member served in a combat zone as determined
17 under section 112 of the internal revenue code or in an area given the same
18 treatment as a combat zone for purposes of section 112 of the internal
19 revenue code.

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

29 20. The amount authorized by section 43-1026 for the taxable year for
30 purchases of, and equipment relating to, alternative fuel vehicles.

31 21. The amount authorized by section 43-1027 for the taxable year for
32 purchases of, and nonoptional equipment directly related to the operation of,
33 qualified wood stoves, wood fireplaces or gas fired fireplaces.

34 22. With respect to an individual medical savings account established
35 pursuant to section 43-1028:

36 (a) The account holder may subtract:

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

41 (ii) The amount deposited by the taxpayer in the account during the
42 taxable year.

1 (b) The account holder's employer may subtract the amount of
2 contributions made by the employer to an individual medical savings account
3 established on the employee's behalf to the extent that the contributions are
4 not deductible under the internal revenue code.

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

9 24. THE AMOUNT OF ANY DEDUCTION CLAIMED IN COMPUTING ARIZONA GROSS
10 INCOME FOR DONATIONS TO A SCHOOL TUITION ORGANIZATION FOR WHICH A CREDIT IS
11 CLAIMED UNDER SECTION 43-1087.

12 Sec. 2. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
13 amended by adding section 43-1087, to read:

14 43-1087. Credit for tuition or voluntary contributions to
15 school tuition organization; definitions

16 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 1997, A
17 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE AMOUNT OF
18 VOLUNTARY CASH CONTRIBUTIONS MADE BY THE TAXPAYER DURING THE TAXABLE YEAR TO
19 A SCHOOL TUITION ORGANIZATION, BUT NOT EXCEEDING FIVE HUNDRED DOLLARS IN ANY
20 TAXABLE YEAR.

21 B. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
22 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
23 TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE
24 TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE TAXABLE YEARS' INCOME
25 TAX LIABILITY.

26 C. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF A DEDUCTION FOR
27 THE SAME CONTRIBUTION FOR PURPOSES OF THE TAX IMPOSED BY THIS TITLE.

28 D. FOR PURPOSES OF THIS SECTION:

29 1. "QUALIFIED SCHOOL" MEANS A NONGOVERNMENTAL PRIMARY OR SECONDARY
30 SCHOOL IN THIS STATE THAT DOES NOT DISCRIMINATE ON THE BASIS OF RACE AND THAT
31 SATISFIES THE REQUIREMENTS PRESCRIBED BY LAW FOR PRIVATE SCHOOLS IN THIS
32 STATE ON JANUARY 1, 1997.

33 2. "SCHOOL TUITION ORGANIZATION" MEANS A CHARITABLE ORGANIZATION IN
34 THIS STATE THAT IS EXEMPT FROM FEDERAL TAXATION UNDER SECTION 501(c)(3) OF
35 THE INTERNAL REVENUE CODE AND THAT ALLOCATES AT LEAST NINETY PER CENT OF ITS
36 ANNUAL REVENUE FOR EDUCATIONAL SCHOLARSHIPS OR TUITION GRANTS TO CHILDREN TO
37 ALLOW THEM TO ATTEND A QUALIFIED SCHOOL OF THEIR PARENTS' CHOICE.