

The seal of the State of Arizona is a large, faint watermark in the background. It is circular with the text "SEAL OF THE STATE OF ARIZONA" around the top and "1912" at the bottom, flanked by two stars. In the center is a shield depicting a landscape with a mountain, a river, and a sun rising over hills.

# **2017 Legislative Summaries**

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**State of Arizona  
Department  
of Revenue**

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This document contains summaries of 2017 legislation from the Fifty Third Legislature – First Regular Session.

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# 2017 Legislative Summaries

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The following is intended to give a brief summary of the major 2017 tax-related legislation impacting the Arizona Department of Revenue (ADOR) and not intended to discuss specifics of any particular enactment. Detailed summaries and the chaptered versions of these bills can also be found at [www.azleg.gov](http://www.azleg.gov). Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the First Regular Session is August 9, 2017. All legislation will have this effective date unless otherwise noted in the summary.

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## Income Tax

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### **HB 2158 (Chapter 215)**

#### **Tax settlement; Native American veterans**

Extends the deadline for claims to the Veterans' Income Tax Settlement Fund (Fund) to be accepted from December 31, 2017, to December 31, 2019 and delays the repeal of the Fund from January 1, 2020 to January 1, 2022. The bill also changes the date for withholdings to be eligible for refund from payments that were withheld after July 1, 1993, to payments that were withheld after July 1, 1977 and Extends the date that the remaining monies from the Fund revert to the state General Fund from June 30, 2019, to June 30, 2021.

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### **HB 2191 (Chapter 319)**

#### **Angel investor; tax credit cap**

Beginning July 1, 2017, authorizes the Arizona Commerce Authority (ACA) to grant an additional \$10 million in Angel Investment tax credits through June 30, 2021 and prohibits the ACA from authorizing more than \$2.5 million in tax credits in any FY, plus any unused credit capacity carried forward from the prior year.

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### **HB 2214 (Chapter 278)**

#### **Income tax subtraction; ADA retrofits**

Permits businesses to subtract qualifying investments made to comply with the federal Americans with Disabilities Act in calculating state income tax.

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### **HB 2523 (Chapter 172)**

#### **Spay and neuter; tax checkoff.**

Retroactive to January 1, 2017, allows a taxpayer to designate a voluntary contribution of their individual income tax refund to the Spay and Neutering of Animals Fund and modifies the membership requirements for the Companion Animal Spay and Neuter Committee.

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### **HB 2528 (Chapter 299)**

#### **Index exemptions; unused tax credits**

Increases the personal income tax exemptions for tax years (TY) 2017 and 2018, requires DOR, effective TY 2018, to index the allowable personal exemption according to inflation and repeals several unused income tax credits.

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### **SB 1290 (Chapter 2)**

#### **Internal revenue code conformity**

Incorporates the federal changes made in 2016 into Arizona's definition of "internal revenue code."

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**SB 1416 (Chapter 340)**  
**Quality jobs incentives; tax credits**

Continues the Quality Jobs tax credit and maintains the current rates for the Research and Development tax credit. Adds class six properties located within a foreign trade or military reuse zone to the current depreciation schedule. Exempts aircraft that will be entered into a FAA approved fractional ownership program from transaction privilege tax (TPT) and use tax. Modifies the distribution amounts of prime contracting TPT revenues used for public infrastructure improvements.

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**Transaction Privilege  
Tax/Use Tax**

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**HB 2064 (Chapter 50)**  
**Municipal jet fuel; excise tax**

Limits the application municipal tax on jet fuel to amounts of not more than 10 million gallons of jet fuel purchased by each purchaser in each calendar year. Effective December 1, 2017, the revenues generated by public airports are to be used for capital or operating costs of the airport, the airport system or other local airport facilities owned or operated by the municipality and directly and substantially related to the air transportation of passengers or property.

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**Property Tax**

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**HB 2213 (Chapter 120)**  
**GPLET reform; K-12 taxes**

Modifies current requirements for use of the Government Property Lease Excise Tax (GPLET).

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**HB 2286 (Chapter 198)**  
**Truth in taxation; increase; notice**

Requires truth in taxation (TNT) notices to include the property tax amount with the proposed tax increase on a \$100,000 home and the property tax amount without the tax increase on a \$100,000 home. Also requires the Property Tax Oversight Commission, effective TY 2017, to review the secondary property tax levies and collect TNT information from flood control districts, county free library districts, county jail districts and public health services districts.

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**HB 2366 (Chapter 232)**  
**Agricultural land; fallowing; property tax**

Specifies that for certain types of land within an irrigation district in a county with a population of fewer than 900,000, a temporary reduction or transfer of water for agricultural use in the farm unit can be verified through official certification to the county assessor.

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**SB 1062 (Chapter 65)**  
**Property tax oversight commission;  
continuation**

Retroactive to July 1, 2017, continues the Property Tax Oversight Commission until July 1, 2025.

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**Luxury Tax**

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**HB 2373 (Chapter 96)**  
**Tobacco settlement; Indian tribes;  
information**

Authorizes DOR and the Attorney General to share confidential information with tribes for the enforcement of laws related to tobacco, cigarettes and the Master Settlement Agreement.

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## **SB 1180 (Chapter 240)**

### **Bingo establishments; ADA compliance**

Requires bingo game operators to offer assistance to players with disabilities through the use of technological aids for bingo games that function only as electronic substitutes for bingo cards and requires the operator to reserve at least two technological aids for use by players with disabilities. The bill also allows licensees to rent, rather than own, these technological aids and allows contractors to be involved in conducting certain licensee's bingo games and, in particular, assist with the operation of the substitute bingo cards.

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## **Multiple Tax Types/Misc.**

### **HB 2011 (Chapter 212)**

#### **Bonds; levy; net of cash**

Requires a county or municipal bond levy to be the net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year.

### **HB 2014 (Chapter 316)**

#### **Legal tender exchange; tax effect**

Allows individual and corporate taxpayers to deduct any capital gains received and add any capital losses derived from the exchange of various forms of legal tender to their Arizona gross income.

### **HB 2072 (Chapter 25)**

#### **Manufactured homes; real estate transactions**

Allows real estate brokers and salespersons to act on behalf of a licensed manufactured housing dealer in the sale of mobile homes and new or

used manufactured homes located in mobile home parks. Also, allows real estate brokers or salespersons to act on behalf of a private party in the sale of mobile homes or used manufactured homes located in mobile home parks, if the broker or salesperson remains compliant with state requirements.

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### **HB 2176 (Chapter 91)**

#### **Mobile home relocation; long-term RVs**

Increases the maximum individual Mobile Home Relocation Fund (Fund) disbursements for mobile homes and extends Fund relief eligibility to recreational vehicles that are park trailers or park models when relocation is required due to a change in use or community age restrictions.

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### **HB 2280 (Chapter 60)**

#### **Department of revenue; electronic filing**

Requires the electronic filing and payment of certain taxes with DOR as follows:

- Requires electronic filing of TPT returns if the taxpayer's annual liability is at least: \$20,000 in 2018, \$10,000 in 2019, \$5,000 in 2020, and \$500 in 2021 and subsequent years.
- Increases the TPT accounting credit from 1.0% to 1.2% of tax liability, or from a maximum annual credit of \$10,000 to \$12,000, for taxpayers that file TPT returns electronically.
- Changes the penalty for late filing of TPT returns from 4.5% of the taxpayer's liability to the greater of 4.5% of the taxpayer's liability or \$25.
- Changes the penalty for failure of filing TPT returns from 25% of the taxpayer's liability to the greater of 25% of the taxpayer's liability or \$100.
- Reduces the tax liability threshold above which employers must pay withholding tax using electronic funds transfer. The threshold is reduced from \$20,000 for TY 2018, to

\$10,000 for TY 2019, \$5,000 for TY 2020, and \$500 for TY 2021 and later years.

- Requires tax professionals that prepare 11 or more state individual income tax returns a year to file all prepared returns electronically.
- Beginning in TY 2020, or in the tax year DOR begins accepting electronic returns from fiduciaries and partners, whichever is later, requires individuals that receive taxable income as fiduciaries of estates or owners of a business partnership to electronically file their state returns.
- Prohibits DOR from distributing paper tax return forms, except upon request from the taxpayer.
- Requires corporations to electronically file their state returns, beginning in TY 2020 or in the tax year when DOR begins accepting electronic returns from corporations, whichever is later.
- Requires corporations to make all tax payments to DOR electronically, if the taxpayer's annual liability is greater than \$10,000 in TY 2019, \$5,000 in TY 2020, and \$500 in TY 2021 and later years.
- Prohibits DOR from distributing paper tax return forms, except upon request from the taxpayer.

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### **HB 2326 (Chapter 46)**

#### **Fire districts; creation; merger; consolidation**

Makes modifications to fire district (district) requirements regarding the creation of a new district, the change of an existing district's boundaries and elections for the merger or consolidation of multiple fire districts.

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### **SB 1055 (Chapter 185)**

#### **Expedited rulemaking**

Amends the process for proposed expedited rulemaking and the conditions permitting state

agencies to conduct expedited rulemaking procedures.

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### **SB 1058 (Chapter 7)**

#### **Repeal; regional attraction districts**

Repeals Title 48, Chapter 38 of Arizona Revised Statutes referring to the definition, operation and taxation of regional attraction districts.

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### **SB 1072 (Chapter 329)**

#### **Administrative decisions; scope of review**

Requires a court to award fees and other expenses to any party that prevails by an adjudication on the merits of a civil action that challenges a rule, decision, guideline, enforcement policy or procedure of a state agency or commission and requires a court to reverse, modify or vacate and remand the agency action if the court determines the action was contrary to law.

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### **SB 1084 (Chapter 11)**

#### **Electronic records; retention; storage**

Allows electronic documents to legally satisfy retention requirements set by law, including agency policy.

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### **SB 1091 (Chapter 43)**

#### **Nuclear emergency appropriations; assessments**

An emergency measure that appropriates \$2,503,140 in FY 2018 and \$2,526,277 in FY 2019 from the state General Fund to the Nuclear Emergency Management Fund and assesses \$2,503,140 in FY 2018 and \$2,526,277 in FY 2019, and any applicable interest, against public service and municipal corporations engaged in constructing or operating a commercial nuclear generating station.

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**SB 1218 (Chapter 335)****Housing department; conforming changes**

Conforms statute to reflect the transfer of the Office of Manufactured Housing to the Department of Housing.

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**SB 1291 (Chapter 178)****Tax correction act of 2017**

Makes numerous, technical, clarifying and conforming changes in the tax-related statutes in the Arizona Revised Statutes.

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**SB 1308 (Chapter 179)****Flood control districts; easements, leases**

Allows a flood control district to authorize the grant of an easement or a lease on district real property without public auction under certain circumstances.

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**SB 1316 (Chapter 181)****Jail districts; maintenance of effort**

Provides any county with a negative net new assessed valuation within three-years of the imposition of a community corrections tax levy an alternate process for calculating ongoing base expenditures for maintenance of effort.

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**SB 1326 (Chapter 220)****Telecommunications; broadband; accelerated depreciation**

Effective January 1, 2018, stipulates that the depreciation of broadband cable be computed on a straight line basis using a 10 year life and other broadband equipment be valued under an accelerated depreciation schedule.

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**SB 1431 (Chapter 139)****Empowerment scholarships; expansion; phase-in**

Expands the definition of a qualified student under the Empowerment Scholarship Account (ESA) program to allow any kindergarten student, beginning in FY 2018, to participate in the ESA program and phases in eligibility of prior public school students in grades 1 through 12 over four years. Awards for new ESA kindergarten students and prior district students are based on the level of district additional assistance, rather than the higher level of charter school additional assistance. For new applicants, if a family's income does not exceed 250% of the federal poverty level 100% of the amount of formula funding would be deposited into an ESA rather than 90%. Households must agree to have DOR verify its family income.

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**SB 1448 (Chapter 277)****State treasurer; public monies; procedures**

Allows state agencies who contract with an authorized agent for the electronic processing of transactions to impose a service fee or surcharge and authorizes the State Treasurer to invest in collateralized repurchase agreements from authorized counterparties and investment grade commercial paper.

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**SB 1453 (Chapter 341)****Road improvement districts; financing**

Permits rural road improvement districts to issue improvement bonds that are payable over 10 years.

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**SB 1454 (Chapter 342)****County improvement districts; assessment; contribution**

Allows a county improvement district, when determining the amount of taxes to be levied for the payment of preliminary incidental costs, to assess and levy the taxes on a per parcel basis based on the assessed valuation of the property.

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**SB 1480 (Chapter 208)  
Revisions; community facilities districts**

Updates procedures regarding the formation of community facilities districts and outlines the process for the acceptance of public infrastructure completed within the district.

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**SB 1526 (Chapter 308)  
Environment; budget reconciliation; 2017-2018**

Makes necessary changes to the environment statutes for the implementation of the FY 2018 budget, including requiring DOR to deposit the first \$1.8 million of net revenues collected from the tax on water use in the Safe Drinking Water Program Fund and the remaining net revenues in the Water Quality Assurance Revolving Fund.

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**SB 1531 (Chapter 312)  
Revenues; budget reconciliation; 2017-2018**

State Aviation Fund

Changes the distribution of jet fuel tax revenues from the state General Fund to the state Aviation Fund.

City and County Assessments

Continues the legislative intent that local fees to fund DOR are not to exceed \$20,755,835 in any fiscal year and are to be allocated between cities and towns, counties, the Maricopa Association of Governments and the Pima Association of Governments based on the prorated share of all

revenues distributed to them, excluding HURF funds.

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**SJR 1002  
Phoenix-Goodyear airport; reuse zone**

Continues the Phoenix-Goodyear Airport as a military reuse zone until December 3, 2027.