

9 Section 1 Section 20-224.03, Arizona Revised Statutes, is amended to read:

10 START_STATUTE20-224.03. Premium tax credit for increased employment; definition

11 A. A tax credit is allowed against the premium tax liability incurred by an insurer **THAT MEETS**
12 **THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE, AS DEFINED IN SECTION 41-1525,**
13 pursuant to section 20224, 20837, 201010, 201060 or 201097.07 for net increases in **FULL-TIME**
14 **EMPLOYEES HIRED IN** qualified employment positions ~~of residents of this state by an insurer that is~~
15 ~~located in an enterprise zone established under title 41, chapter 10, article 2~~ **AS CERTIFIED BY THE**
16 **DEPARTMENT OF COMMERCE PURSUANT TO SECTION 411525.** A tax credit is not allowed for the
17 portion of the tax payable to the fire fighters' relief and pension fund pursuant to section 20224 or the
18 portion of the tax payable to the public safety personnel retirement system pursuant to section
19 20224.01. Subject to subsection D of this section, the amount of the tax credit is equal to: **THREE**
20 **THOUSAND DOLLARS FOR EACH FULLTIME EMPLOYEE HIRED BY AN ARIZONA BASIC**
21 **ENTERPRISE, AS DEFINED IN SECTION 411525, FOR THE FULL TAXABLE YEAR IN A QUALIFIED**
22 **EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF EMPLOYMENT.**

23 ~~1. Onefourth of the taxable wages paid to an employee in a qualified employment position, not to~~
24 ~~exceed five hundred dollars, in the first year or partial year of employment.~~

25 ~~2. Onethird of the taxable wages paid to an employee in a qualified employment position, not to~~
26 ~~exceed one thousand dollars per qualified employment position, in the second year of continuous~~
27 ~~employment.~~

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

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

32 1. AN INSURER MUST:

33 (a) **RELOCATE ITS OPERATION FROM OUTSIDE THIS STATE TO A LOCATION IN THIS**
34 **STATE OR EXPAND ITS IN-STATE OPERATION.**

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

38 ~~1. 2. All of the employees with respect to whom a credit is claimed must reside in this state.~~

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

46 ~~3. 4. A qualified employment position must meet all of the following requirements:~~

47 (a) The position must be a minimum of one thousand seven hundred fifty hours per year of fulltime
48 and permanent employment.

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

54 (c) The employment must include health insurance coverage for the employee for which the
55 employer pays at least ~~fifty~~ **SIXTYFIVE** per cent of the premium or membership cost. If the taxpayer is

1 selfinsured, the taxpayer must pay at least **fifty SIXTYFIVE** per cent of a predetermined fixed cost per
2 employee for an insurance program that is payable whether or not the employee has filed claims.

3 (d) The employer must pay compensation at least equal to the **MEDIAN** wage **offer** by county as
4 computed annually by the department of ~~economic security research administration division~~ **COMMERCE**.

5 (e) The employee must have been employed for at least ninety days during the first taxable
6 year. An employee who is hired during the last ninety days of the taxable year shall be considered a new
7 employee during the next taxable year. A qualified employment position that is filled during the last ninety
8 days of the taxable year is considered to be a new qualified employment position for the next taxable year.

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

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

13 D. The net increase in the number of qualified employment positions is the lesser of the total
14 number of filled qualified employment positions created ~~in the zone~~ during the tax year or the difference
15 between the average number of fulltime employees ~~in the zone~~ in the current tax year and the average
16 number of fulltime employees during the immediately preceding taxable year. The net increase in the
17 number of qualified employment positions computed under this subsection may not exceed two hundred
18 qualified employment positions per taxpayer each year.

19 E. A taxpayer who claims a credit under section 20224.04 shall not claim a credit under this
20 section with respect to the same employees.

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

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

33 H. An insurer that claims a tax credit against state premium tax liability is not required to pay any
34 additional retaliatory tax imposed pursuant to section 20230 as a result of claiming that tax credit.

35 I. A failure to timely report and certify to the department of commerce the information prescribed
36 by section 411525, subsection ~~B- C~~, paragraphs 1, 2 and 3 and in the manner prescribed by section 411525,
37 subsection ~~C- D~~, disqualifies the insurer from the credit under this section. The department of insurance
38 shall require written evidence of the timely report to the department of commerce.

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

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

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

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

46 ~~L. K.~~ For the purposes of this section, "insurer" means any entity that is subject to premium tax
47 liability pursuant to section 20224, 20837, 201010, 201060 or 201097.07. END_STATUTE

48 Sec. 2 Section 23-769, Arizona Revised Statutes, is amended to read:

49 **START_STATUTE23-769. Job training employer tax**

50 A. Beginning on January 1, 2001, a tax equal to onetenth of one per cent of taxable wages as
51 provided and defined in section 23622 and that are paid to an employee each year is imposed on each
52 employer in this state except employers described in subsection B or C of this section.

53 B. Subsection A of this section does not apply to employers who have:

54 **1. Elected to become liable for payment in lieu of contributions pursuant to section 23750.**

55 **2. FEWER THAN FIFTY PERMANENT FULL-TIME EMPLOYEES WHO ARE HIRED TO**
56 **WORK AT LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR.**

1 C. Until the amount of the excise tax imposed pursuant to 26 United States Code section 3301 is
2 reduced to six per cent or less, subsection A of this section does not apply to employers:

- 3 1. With a positive reserve ratio of at least thirteen per cent pursuant to section 23730.
- 4 2. With a positive reserve ratio of at least twelve per cent but less than thirteen per cent.
- 5 3. That are assigned the contribution rate of two per cent pursuant to section 23729 or two and
6 seventenths per cent pursuant to section 23730.
- 7 4. With a negative reserve ratio pursuant to section 23730.

8 D. The department of economic security shall collect this tax on a quarterly basis and shall deposit,
9 pursuant to sections 35146 and 35147, the monies collected pursuant to this section in the Arizona job
10 training fund established by section 411544. Monies collected pursuant to this section shall not be
11 commingled in any manner with monies collected pursuant to articles 4, 5 and 5.1 of this chapter.

12 E. From and after December 31, 2004, the payment of contributions or job training employer taxes
13 is not required if the quarterly amount of the contributions and taxes is less than ten dollars.
14 END_STATUTE

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

17 **START_STATUTE35-701. Definitions**

18 In this chapter, unless the context otherwise requires:

- 19 1. "Corporation" means any corporation organized as an authority as provided in this chapter.
- 20 2. "Designated area" means any area of this state which is either designated pursuant to section
21 361479 as a slum or blighted area as defined in section 361471, designated by regulation as a pocket of
22 poverty or a neighborhood strategy area by the United States department of housing and urban
23 development pursuant to title I of the housing and community development act of 1977 (P.L. 95-128; 42
24 United States Code sections 5301 through 5320), as amended, and the department of housing and urban
25 development act (P.L. 89-174; 42 United States Code section 3535(d)) or designated by the United States
26 department of housing and urban development as an empowerment or enterprise zone pursuant to the
27 federal omnibus budget reconciliation act of 1993 (P.L. 103-66; 26 United States Code section 1391(g)) ~~or an~~
28 ~~area certified as an enterprise zone pursuant to section 411524, subsection B.~~

29 3. "Governing body" means:

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

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

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

41 5. "Manufactured house" means a structure that is manufactured in a factory after June 15, 1976,
42 that is delivered to a homesite in more than one section and that is placed on a permanent foundation. The
43 dimensions of the completed house shall not be less than twenty feet by forty feet, the roof must be sloping,
44 the siding and roofing must be the same as those found in sitebuilt houses and the house must be eligible for
45 thirty year real estate mortgage financing.

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

49 7. "Persons of low and moderate income" means, for the purposes of financing owneroccupied
50 single family dwelling units in areas which the municipality has found, pursuant to section 361479, to be
51 slum or blighted areas, as defined in section 361471, persons and families whose income does not exceed two
52 and onehalf times the median family income of this state. In all other areas it means persons and families
53 whose income does not exceed one and onehalf times the median family income of this state.

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

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

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

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

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

10 (iv) A health care institution as defined in section 36401.

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

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

16 (vii) Convention or trade show facilities.

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

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

21 (x) Industrial park facilities.

22 (xi) Air or water pollution control facilities.

23 (xii) Any educational institution that is operated by a nonprofit educational organization that is
24 exempt from taxation under section 501(c)(3) of the United States internal revenue code and that is not
25 otherwise funded by state monies, any educational institution or organization that is established under title
26 15, chapter 1, article 8 and that is owned by a nonprofit organization, any private nonsectarian school or any
27 private nonsectarian organization established for the purpose of funding a joint technical education school
28 district.

29 (xiii) Research and development facilities.

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

32 (xv) A child welfare agency, as defined in section 8501, owned and operated by a nonprofit
33 organization.

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

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

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

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

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

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

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

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

55 END_STATUTE

56 Sec. 4 Heading change

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

3 Sec. 5 **Repeal**

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

5 Sec. 6 Section 41-1525, Arizona Revised Statutes, is amended to read:

6 **START_STATUTE41-1525. Tax incentives; definitions**

7 A. ~~The owner of a business or an insurer located in an enterprise zone before July 1, 2011~~ AN
8 ARIZONA BASIC ENTERPRISE THAT QUALIFIES UNDER THIS SECTION is eligible for an income
9 tax credit under section 431074 or 431161 or a premium tax credit under section 20224.03 for net increases
10 in qualified employment positions, except employment positions at a ~~zone~~ location where more than ten per
11 cent of the business conducted at the location consists of retail sales of tangible personal property, measured
12 either by the number of employees assigned to retail sales or the square footage of the facility used for retail
13 sales activities at the location ~~in the zone~~. Retail sales and retail sales activities do not include:

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

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

17 3. Products sold to company employees.

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

19 1. MEET THE REQUIREMENTS AS AN ARIZONA BASIC ENTERPRISE.

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

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

25 4. COMPENSATE FULL-TIME EMPLOYEES AT THE LOCATION AT LEAST EQUAL TO
26 THE MEDIAN WAGE BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF
27 COMMERCE.

28 5. PROVIDE HEALTH INSURANCE COVERAGE FOR FULL-TIME EMPLOYEES FOR
29 WHICH THE EMPLOYER PAYS AT LEAST SIXTYFIVE PER CENT OF THE PREMIUM OR
30 MEMBERSHIP COST OR, IF THE TAXPAYER IS SELFINSURED, THE EMPLOYER PAYS AT LEAST
31 SIXTYFIVE PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
32 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
33 CLAIMS.

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

35 1. Certify to the department of revenue or the department of insurance, as applicable, on or before
36 the due date of the tax return, including any extensions for the year for which the credit is claimed, in a form
37 prescribed by the department of revenue including electronic media, information that the department of
38 revenue may require, including the ownership interests of coowners of the business if the business is a
39 partnership, limited liability company or an S corporation, and the following information for each employee
40 in the ~~zone~~ location:

41 (a) The date of initial employment.

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

43 (c) Whether the position was fulltime.

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

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

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

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

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

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

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

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

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

1 (c) The average hourly wage and the total amount of compensation paid to employees qualified for
2 the credit and for all employees at the **zone** location.

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

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

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

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

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

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

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

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

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

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

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

25 (iv) The employer pays compensation at least equal to the **MEDIAN** wage ~~offer~~ by county as
26 computed annually by the department of ~~economic security research administration division~~ **COMMERCE**.

27 (l) That the only retail sales activities engaged in at the **zone** location were as specified in subsection
28 A of this section.

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

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

34 ~~(a) That thirtyfive per cent of the employees with respect to whom a credit is claimed for the first~~
35 ~~year of employment resided on the date of employment in an enterprise zone that is located in the same~~
36 ~~county in which the business is located.~~

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

39 (i) The total number of filled qualified employment positions created at the **zone** location during the
40 tax year.

41 (ii) The difference between the average number of fulltime employees ~~at a zone location~~ in the
42 current tax year and the average number of fulltime employees during the immediately preceding tax year.

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

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

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

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

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

55 ~~C~~ **D**. To qualify for first year credits, the report and certification prescribed by subsection ~~B~~ **C**,
56 paragraphs 2 and 3 of this section must be filed with the department of commerce by the earlier of six
57 months after the end of the tax year in which the qualified employment positions were created or by the date

1 the tax return is filed for the tax year in which the qualified employment positions were created. To qualify
2 for second year credits, the report and certification prescribed by subsection ~~B- C~~, paragraph 2 of this
3 section must be filed with the department of commerce by the earlier of six months after the end of the
4 taxable year or the date the tax return is filed for the tax year in which the second year credits are allowable.
5 To qualify for third year credits, the report and certification prescribed by subsection ~~B- C~~, paragraph 2 of
6 this section must be filed with the department of commerce by the earlier of six months after the end of the
7 tax year or the date the tax return is filed for the tax year in which the third year credits are allowable.

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

11 1. To the extent that the person or organization that provided the information consents to the
12 disclosure.

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

14 ~~E. Real and personal property within an enterprise zone which is owned or used by a small
15 manufacturing business that is certified by the department pursuant to section 411525.01 before July 1, 2011
16 shall be assessed as class six property as provided by section 4212006.~~

17 **F. THE FOLLOWING PROPERTY THAT IS OWNED OR USED BY A QUALIFYING
18 BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT PURSUANT TO SECTION 41-1525.01
19 SHALL BE ASSESSED AS CLASS SIX PROPERTY AS PROVIDED BY SECTION 42-12006 OR AS
20 CLASS NINE PROPERTY AS PROVIDED BY SECTION 42-12009:**

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

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

26 ~~F.~~ **G.** Documents filed with the department of commerce, the department of insurance and the
27 department of revenue under subsection ~~B- C~~ of this section shall contain either a sworn statement or
28 certification, signed by an officer of the company under penalty of perjury, that the information contained is
29 true and correct according to the best belief and knowledge of the person submitting the information after a
30 reasonable investigation of the facts. If the document contains information that is materially false, the
31 taxpayer is ineligible for the tax incentives under subsection A of this section and is subject to recovery of the
32 amount of tax incentives allowed in preceding taxable years based on the false information, plus penalties
33 and interest.

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

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

38 ~~I.~~ **J.** For the purposes of this section:

39 1. "ARIZONA BASIC ENTERPRISE" MEANS ANY ENTERPRISE THAT IS LOCATED OR
40 PRINCIPALLY BASED IN THIS STATE AND THAT CAN PROVIDE DEMONSTRABLE EVIDENCE
41 THAT IT MEETS ONE OR MORE OF THE FOLLOWING:

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

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

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

49 2. "ARIZONA BASIC INDUSTRY" MEANS:

50 (a) MANUFACTURING INDUSTRIES IDENTIFIED BY NORTH AMERICAN INDUSTRY
51 CLASSIFICATION SYSTEM CODE SECTORS 31, 32 AND 33.

52 (b) PRODUCING GOODS OR SERVICES THAT DERIVE AT LEAST SIXTY-FIVE PER CENT
53 OF REVENUE FROM OUT-OF-STATE SALES.

54 (c) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
55 TECHNOLOGIES.

56 (d) NATIONAL OR REGIONAL HEADQUARTERS OR BACKOFFICE OPERATIONS
57 SUPPORTING A NATIONAL OR REGIONAL COMPANY.

1 (e) WAREHOUSE DISTRIBUTION OPERATIONS IDENTIFIED BY NORTH AMERICAN
2 INDUSTRY CLASSIFICATION SYSTEM CODE SECTORS 42, 44 AND 45 IF FORTY PER CENT OF
3 INVENTORY IS SHIPPED OUT OF STATE.

4 (f) OTHER INDUSTRIES DESIGNATED BY THE DIRECTOR AFTER CONSULTATION WITH
5 THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

6 ~~1.~~ 3. "Assigned to retail" means working more than twentyfive per cent of an employee's time in
7 one or more retail sales activities.

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

11 ~~2.~~ 5. "Retail sales" means the sale of tangible personal property to an ultimate consumer.

12 ~~3.~~ 6. "Retail sales activities" means all activities persons operating a retail business normally
13 engage in, including taking orders, filling orders, billing orders, receiving and processing payment and
14 shipping, stocking and delivering tangible personal property to the ultimate consumer, except drop
15 shipments by a company acting on behalf of an unrelated company that has made a sale to a final consumer.

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

19 Sec. 7 Section 41-1525.01, Arizona Revised Statutes, is amended to read:

20 START_STATUTE 41-1525.01. Certification of business property for property tax
21 classification; definitions

22 A. Through June 30, ~~2011~~ 2016, the department of commerce shall annually certify ~~small~~
23 ~~manufacturing or small commercial printing~~ businesses THAT MEET THE REQUIREMENTS AS AN
24 ARIZONA BASIC ENTERPRISE, AS DEFINED IN SECTION 41-1525, AND that FURTHER qualify for
25 property tax incentives under THIS section ~~411525, subsection E~~. To qualify under this section:

26 1. THE BUSINESS MUST MEET THE REQUIREMENTS AS AN ARIZONA BASIC
27 ENTERPRISE, AS DEFINED IN SECTION 41-1525.

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

29 B.

30 ~~1.~~ 3. A ~~small manufacturing or small commercial printing~~ business must meet the minimum
31 CAPITAL investment AND EMPLOYMENT requirements WITHIN THREE YEARS AFTER FIRST
32 BECOMING CERTIFIED AS prescribed by this paragraph. THE AMOUNT OF CAPITAL
33 INVESTMENT AND EMPLOYMENT DETERMINES THE TAX CLASSIFICATION FOR PROPERTY
34 TAX INCENTIVES AS PRESCRIBED BY SECTIONS 42-12006 AND 42-12009. The investments may be
35 cumulative. A ~~small manufacturing or small commercial printing~~ business shall not include fixed assets
36 purchased from ~~an enterprise zone manufacturing or small commercial printing company~~ ANOTHER
37 BUSINESS already certified under this section. Subject to subsection E of this section, certification is
38 effective on January 1 of the valuation year, as defined in section 4211001, following completion of the
39 required investment. QUALIFYING PROPERTY UNDER THIS PARAGRAPH MAY INCLUDE
40 PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR UNDERGO A
41 MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016, NEWLY
42 CONSTRUCTED IMPROVEMENTS TO REAL ESTATE OR NEWLY OCCUPIED IMPROVEMENTS
43 THAT WERE FORMERLY VACANT AND REAL PROPERTY THAT IS OWNED BY THE
44 QUALIFYING BUSINESS ON WHICH QUALIFYING PERSONAL PROPERTY AND
45 IMPROVEMENTS ARE LOCATED. To qualify, the ~~small manufacturing or small commercial printing~~
46 business must invest at least the following amount, as applicable, in fixed assets ~~in the zone~~, AT THE
47 FOLLOWING EMPLOYMENT LEVELS, after December 31, ~~2000~~ 2010:

48 (a) IN A CITY OR TOWN WITH A POPULATION OF FIFTY THOUSAND PERSONS OR
49 MORE, AT LEAST FIVE MILLION DOLLARS OF CAPITAL INVESTMENT, AND EMPLOYING AT
50 LEAST TWENTY-FIVE NEW EMPLOYEES, WITHIN THREE YEARS AFTER FIRST BEING
51 CERTIFIED UNDER THIS SECTION.

52 (b) IN ANY OTHER LOCATION, AT LEAST ONE MILLION DOLLARS OF CAPITAL
53 INVESTMENT, AND EMPLOYING AT LEAST FIFTEEN NEW EMPLOYEES, WITHIN THREE
54 YEARS AFTER FIRST BEING CERTIFIED UNDER THIS SECTION.

55 (c) IN ANY LOCATION, A CAPITAL INVESTMENT OF AT LEAST TWO HUNDRED FIFTY
56 MILLION DOLLARS AND AT LEAST ONE HUNDRED FIFTY NEW FULL-TIME EMPLOYMENT

1 **POSITIONS QUALIFY THE PROPERTY FOR CLASSIFICATION AS CLASS NINE PURSUANT TO**
2 **SECTION 42-12009.**

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

5 ~~(b) In all other counties, and for cities and towns located in counties with a population of two~~
6 ~~hundred fifty thousand persons or more and that have no portion of the corporate boundaries located within~~
7 ~~twentyfive air miles from the exterior corporate boundary of the largest city in the county:~~

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

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

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

13 **2. 4.** A business initially applying for certification under this section must report the following with
14 supporting documentation to the department of commerce on a form and in a manner prescribed by the
15 department:

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

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

19 (c) The number of fulltime employees at the time of application and the benefits provided to
20 employees.

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

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

25 (f) For the **zone** location, the gross receipts, gross payroll and average hourly wage paid to
26 employees for the preceding taxable year.

27 (g) A statement of the ownership and description of operations of the **zone** business.

28 (h) Documentation of the required investment in fixed assets that identifies the fixed assets and
29 establishes the cost of the fixed assets and the time of investment.

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

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

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

35 **5. A BUSINESS INITIALLY APPLYING FOR CERTIFICATION UNDER THIS SECTION**
36 **MUST OBTAIN AND SUBMIT TO THE DEPARTMENT A RESOLUTION OF THE GOVERNING**
37 **BOARD OF THE CITY OR TOWN IN WHICH THE BUSINESS WILL BE LOCATED, OR OF THE**
38 **COUNTY IF THE BUSINESS WILL NOT BE LOCATED IN A CITY OR TOWN. THE RESOLUTION**
39 **MUST ACKNOWLEDGE THAT THE BUSINESS INTENDS TO MEET THE REQUIREMENTS OF THIS**
40 **SECTION AND LIST ANY INCENTIVES OFFERED TO THE BUSINESS BY THE CITY, TOWN OR**
41 **COUNTY.**

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

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

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

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

55 3. The average number of fulltime employees at the **zone** location for the immediately preceding
56 year.

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

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

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

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

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

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

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

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

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

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

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

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

42 ~~2. "Commercial printing" means producing printed product through a lithographic or flexographic~~
43 ~~process, from material cut to press size on the premises, transferred with pressure and finished with a~~
44 ~~process that may include scoring, folding, die cutting, gluing, stamping, embossing or packaging.~~
45 ~~Commercial printing does not include businesses regulated pursuant to section 425065.~~

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

48 ~~4. 1. "Fixed assets" means property that is used in operating a business, such as furniture, land,~~
49 ~~buildings and machinery, and that is not ordinarily converted into cash after they are declared fixed assets.~~

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

53 ~~6. "Manufacturing" means fabricating, producing or manufacturing products, wares or articles for~~
54 ~~use from raw or prepared materials and imparting to those materials new forms, qualities, properties and~~
55 ~~combinations. Manufacturing does not include generating electricity at a facility assessed pursuant to title~~
56 ~~42, chapter 14, article 4.~~

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

4 8. ~~"Small commercial printing business" means a minority owned business or a woman owned~~
5 ~~business or a concern, that is independently owned and operated and employs less than one hundred~~
6 ~~fulltime employees at the location in the enterprise zone when certified by the department of commerce or~~
7 ~~had gross annual receipts of less than four million dollars in its last fiscal year.~~

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

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

14 H. 2. **"Zone Location"** has the same meaning prescribed in section 411525. END_STATUTE

15 Sec. 8 Section 41-1526, Arizona Revised Statutes, is amended to read:

16 START_STATUTE41-1526. **Duties of department**

17 The department shall administer this article and shall:

18 1. Monitor the implementation and operation of this article and continually evaluate the progress
19 made in ~~the enterprise zones~~ **ATTRACTING NEW BUSINESSES**.

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

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

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

25 5. Provide information regarding ~~zones~~ **THE BUSINESS INCENTIVES** on request and conduct
26 informational and instructional seminars and training. END_STATUTE

27 Sec. 9 Section 41-1527, Arizona Revised Statutes, is amended to read:

28 START_STATUTE41-1527. **Annual reports; department of commerce; department of**
29 **revenue**

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

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

37 2. 1. The business names, ~~AND~~ locations, number of employees and amount of compensation paid
38 to employees qualifying for income tax credits as reported to the department pursuant to section 411525 ~~in~~
39 ~~each enterprise zone.~~

40 3. 2. The amount of capital investment, ~~made during the preceding fiscal year and cumulatively, in~~
41 ~~each enterprise zone.~~

42 4. 3. The number of ~~minority owned businesses, woman owned businesses and other small~~
43 ~~manufacturing~~ businesses certified for property tax incentives pursuant to section 411525.01 in the
44 preceding fiscal year and cumulatively, ~~in each enterprise zone~~, and for each such business:

45 (a) The name and location.

46 (b) The number of employees.

47 (c) The full cash value of the property qualifying for classification as class six pursuant to section
48 4212006 **OR CLASS NINE PURSUANT TO SECTION 42-12009**.

49 B. On or before September 30 of each year the department of revenue shall transmit a report to
50 the governor, the president of the senate, the speaker of the house of representatives and the chairpersons of
51 the senate finance committee and the house of representatives ways and means committee, or their successor
52 committees, and shall provide a copy of this report to the secretary of state ~~and the director of the Arizona~~
53 ~~state library, archives and public records~~. The report shall contain the following information:

54 1. The full cash value and assessed valuation of property classified as class six pursuant to section
55 4212006, paragraph 4 ~~in each enterprise zone~~ and the assessed valuation of that property if it was not
56 classified as class six.

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

4 ~~2.~~ **3.** The fiscal impact on each taxing jurisdiction for the current tax year of classifying property ~~in~~
5 ~~enterprise zones~~ as class six **OR CLASS NINE** rather than in the classification in which it would otherwise
6 be classified.

7 ~~3.~~ **4.** The total **DOLLAR** amount of income tax credits allowed for the preceding taxable year
8 pursuant to sections 431074 and 431161. END_STATUTE

9 Sec. 10 **Repeal**

10 Section **41-1528**, Arizona Revised Statutes, is repealed.

11 Sec. 11 Section 41-1544, Arizona Revised Statutes, is amended to read:

12 START_STATUTE**41-1544. Arizona job training fund; definitions**

13 A. The Arizona job training fund is established consisting of legislative appropriations, monies
14 deposited pursuant to section 23769, gifts, grants and other monies. The department shall administer the
15 fund. On notice from the department, the state treasurer shall invest and divest monies in the fund as
16 provided by section 35313, and monies earned from investment shall be credited to the fund. Before any
17 monies are disbursed pursuant to this section, the legislature may appropriate monies in the Arizona job
18 training fund to be used for the department of economic security's jobs program to provide job training for
19 welfare clients.

20 B. The director may accept and expend federal monies and private grants, gifts and contributions
21 to assist in carrying out the purposes of this article. All monies for the program shall be expended only for
22 the costs related to training, except that the department of commerce shall reimburse the department of
23 economic security for the development costs for establishing a system to collect the job training employer tax
24 imposed pursuant to section 23769 in an amount of not more than four hundred thousand dollars and for
25 incremental costs incurred by the department of economic security relating to the collection of the job
26 training employer tax imposed pursuant to section 23769. Monies in the Arizona job training fund are
27 exempt from the provisions of section 35190 relating to lapsing of appropriations.

28 C. The Arizona job training fund monies shall be spent on approval of the department at the
29 direction of the director in accordance with the guidelines and procedures adopted by the governor's council
30 on workforce policy.

31 D. A minimum of twentyfive per cent of the monies appropriated to the Arizona job training fund
32 shall be used to provide training to small businesses employing fewer than one hundred employees,
33 **EXCEPT THAT A BUSINESS EMPLOYING FEWER THAN FIFTY PERMANENT FULL-TIME**
34 **EMPLOYEES AND EXEMPT FROM THE JOB TRAINING EMPLOYER TAX, AS PROVIDED BY**
35 **SECTION 23-769, SUBSECTION B, PARAGRAPH 2, IS INELIGIBLE FOR TRAINING SERVICES**
36 **UNDER THIS ARTICLE.**

37 E. A minimum of twentyfive per cent of the monies appropriated to the Arizona job training fund
38 shall be used to provide training to businesses located in rural areas of the state.

39 F. If a business receives monies for training from the Arizona job training fund and the business
40 employs fewer than one hundred employees and is located in a rural area of this state, the business shall be
41 included in the minimum percentages prescribed in subsections D and E of this section.

42 G. No more than fifty per cent of the monies in the Arizona job training fund shall be used to
43 provide incumbent worker training.

44 H. A single grant awarded pursuant to this article shall not be more than ten per cent of the
45 estimated annual total of monies deposited in the Arizona job training fund.

46 I. The department shall not approve grant monies for reimbursement of the following employer
47 costs:

- 48 1. Fringe benefits, food and beverages, recruitment and signing bonuses for trainees and trainers.
- 49 2. Employer costs to complete a program application.
- 50 3. Except for small businesses, training expenses for partners or corporate officers.
- 51 4. Employee relocation expenses.
- 52 5. Training or course development costs that are not part of the employer's approved training plan.
- 53 6. Costs for assessing the training needs of employees.
- 54 7. Drug or other testing costs for employee screening or prescreening purposes.
- 55 8. Costs for trade shows and conferences or seminars that do not result in a skill certificate that is
56 earned by an employee.
- 57 9. Other costs prohibited by rule.

1 J. For the purposes of this section:

2 1. "Rural area" means either:

3 (a) A county with a population of less than four hundred thousand persons according to the most
4 recent United States decennial census.

5 (b) A census county division with less than fifty thousand persons in a county with a population of
6 four hundred thousand or more persons according to the most recent United States decennial census.

7 2. "Small business" means a concern, including its affiliates, that employs fewer than one hundred
8 employees. END_STATUTE

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

11 ARTICLE 4.1. SUPPLEMENTAL JOB TRAINING

12 START_STATUTE41-1545. Definitions

13 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

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

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

26 3. "ARIZONA BASIC INDUSTRY" MEANS:

27 (a) MINING.

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

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

32 (d) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, PROCESSES OR
33 TECHNOLOGIES.

34 (e) NATIONAL OR REGIONAL HEADQUARTERS OR BACKOFFICE OPERATIONS
35 SUPPORTING A NATIONAL OR REGIONAL COMPANY.

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

39 (g) OTHER INDUSTRIES DESIGNATED BY THE DIRECTOR AFTER CONSULTATION
40 WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
41 REPRESENTATIVES.

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

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

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

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

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

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

55 (i) INDUSTRY GROUP 7132 OR 8131.

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

57 (iii) SUBSECTOR 722.

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

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

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

8 10. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE
9 WHERE PRIMARY HEADQUARTERS RELATED FUNCTIONS AND SERVICES ARE PERFORMED,
10 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND SIMILAR
11 BUSINESS FUNCTIONS.

12 11. "IMPACT PROGRAM" OR "PROGRAM" MEANS THE PROJECTS UNDERTAKEN BY
13 THE DEPARTMENT PURSUANT TO THIS ARTICLE FOR A NEW OR EXPANDING ARIZONA BASIC
14 ENTERPRISE.

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

19 13. "NEW JOB" MEANS FULL-TIME EMPLOYMENT IN A NEW OR EXPANDING ARIZONA
20 BASIC ENTERPRISE THAT PAYS AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED
21 THIRTY-FIVE PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE
22 DEPARTMENT OF COMMERCE AND INCLUDES HEALTH INSURANCE FOR EMPLOYEES FOR
23 WHICH THE EMPLOYER PAYS AT LEAST SIXTYFIVE PER CENT OF THE PREMIUM OR
24 MEMBERSHIP COST, BUT NOT INCLUDING JOBS OF RECALLED WORKERS OR EXISTING JOBS
25 THAT ARE VACANT OR OTHER JOBS THAT FORMERLY EXISTED IN THE ENTERPRISE IN THIS
26 STATE.

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

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

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

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

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

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

41 16. "PROGRAM SERVICES" MEANS:

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

45 (b) ADULTBASED EDUCATION AND JOB-RELATED INSTRUCTION.

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

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

49 (e) MATERIALS AND SUPPLIES.

50 (f) SUBCONTRACTED SERVICES WITH EDUCATIONAL INSTITUTIONS OR FEDERAL,
51 STATE OR LOCAL AGENCIES.

52 (g) CONTRACTED OR PROFESSIONAL SERVICE.

53 (h) DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
54 DEVELOPMENT INSTITUTIONS, FOR IMPROVEMENTS TO WORKFORCE DEVELOPMENT,
55 HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE. END_STATUTE

56 START_STATUTE41-1545.01. Administration

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

1 **B. THE DIRECTOR SHALL:**

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

4 2. COORDINATE THE IMPACT PROGRAM WITH OTHER JOB TRAINING PROGRAMS
5 ADMINISTERED BY THE DEPARTMENT.

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

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

13 5. ADOPT RULES PRESCRIBING LIMITS ON PROGRAM COSTS AND ON PROJECT AND
14 PROGRAM SIZE IN RELATION TO THE NUMBER OF NEW JOBS CREATED AND WAGES OF NEW
15 JOBS.

16 **C. THE DIRECTOR MAY:**

17 1. MAKE DIRECT INVESTMENTS IN EDUCATIONAL AND RELATED WORKFORCE
18 DEVELOPMENT INSTITUTIONS TO PROMOTE IMPROVEMENTS IN WORKFORCE
19 DEVELOPMENT, HUMAN CAPITAL, TRAINING EXPERTISE AND INFRASTRUCTURE.

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

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

23 **D. THE DIRECTOR SHALL PROVIDE WRITTEN NOTICE OF THE APPROVAL OF EACH**
24 **PROJECT AND PROGRAM TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE**
25 **SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE**
26 **COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT AND THE HOUSE OF**
27 **REPRESENTATIVES COMMITTEE ON COMMERCE, OR THEIR SUCCESSOR COMMITTEES.**
28 **END_STATUTE**

29 **START_STATUTE**41-1545.02. **Project agreements between educational institutions and**
30 **employers**

31 **A. SUBJECT TO THE DIRECTOR'S APPROVAL, AN EDUCATIONAL INSTITUTION MAY**
32 **ENTER INTO AN AGREEMENT TO ESTABLISH AN IMPACT PROJECT AND PROVIDE PROGRAM**
33 **SERVICES TO AN EMPLOYER. AS SOON AS POSSIBLE AFTER INITIAL CONTACT BETWEEN**
34 **THE EDUCATIONAL INSTITUTION AND EMPLOYER, THE EDUCATIONAL INSTITUTION SHALL**
35 **INFORM THE DIRECTOR ABOUT THE POTENTIAL PROJECT. THE DIRECTOR MAY ALSO**
36 **ENTER DIRECTLY INTO AGREEMENTS WITH EMPLOYERS FOR BENEFITS UNDER THIS**
37 **ARTICLE.**

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

42 **C. THE DIRECTOR SHALL NOT APPROVE ANY AGREEMENT WITH AN EMPLOYER**
43 **THAT IS RECEIVING BENEFITS UNDER THE ARIZONA QUALITY JOBS PROGRAM PURSUANT**
44 **TO ARTICLE 5.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT**
45 **PARTICIPATION IN BOTH AN IMPACT PROJECT UNDER THIS ARTICLE AND THE ARIZONA**
46 **QUALITY JOBS PROGRAM WOULD GENERATE, OVER THE TERM OF THE AGREEMENT, AN**
47 **ECONOMIC AND FISCAL IMPACT IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S**
48 **WITHHOLDING TAX ALLOCATED TO BOTH PROGRAMS.**

49 **D. A PROJECT AGREEMENT MUST INCLUDE PROVISIONS:**

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

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

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

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

1 (c) GRANTS OR DONATIONS AVAILABLE FROM FEDERAL SOURCES OR OTHER PUBLIC
2 OR PRIVATE SOURCES.

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

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

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

8 E. THE AGREEMENT SHALL SPECIFY THAT IF THE EMPLOYER FAILS TO COMPLY
9 WITH THE TERMS AND CONDITIONS IN THE AGREEMENT OR FAILS TO COMPLY WITH THIS
10 ARTICLE:

11 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

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

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

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

24 G. THE PAYMENT OF PROGRAM COSTS INCURRED UNDER ANY PROJECT
25 AGREEMENT SHALL NOT BE DEFERRED FOR A PERIOD LONGER THAN TEN YEARS FROM
26 THE DATE OF THE COMMENCEMENT OF THE PROJECT. END_STATUTE

27 **START_STATUTE41-1545.03. Review of proposed project agreement**

28 A. THE DIRECTOR SHALL REVIEW APPLICATIONS FOR PROPOSED AGREEMENTS
29 SUBMITTED BY EMPLOYERS ACCORDING TO THE STANDARDS AND GUIDELINES
30 PRESCRIBED BY THIS ARTICLE AND RULES ADOPTED PURSUANT TO THIS ARTICLE. EACH
31 APPLICATION FOR APPROVAL OF A PROPOSED AGREEMENT SHALL BE ACCOMPANIED BY
32 INFORMATION ABOUT THE NUMBER AND WAGES OF THE NEW JOBS CREATED BY THE
33 EMPLOYER, DOCUMENTATION OF EXISTING TRAINING ACTIVITIES OF THE EMPLOYER AND
34 SUCH OTHER INFORMATION AS THE DIRECTOR MAY REQUIRE.

35 B. THE DIRECTOR MAY POOL THE FUNDING REQUIREMENTS OF PROJECTS THAT
36 ARE THE SUBJECT OF PROPOSED AGREEMENTS TO DETERMINE THE REQUIRED FUNDING
37 LEVELS TO FACILITATE THE ISSUANCE OF BONDS BY THE GREATER ARIZONA
38 DEVELOPMENT AUTHORITY. END_STATUTE

39 **START_STATUTE41-1545.04. Payments to employers participating in project agreements**

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

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

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

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

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

56 END_STATUTE

1 ECONOMIC DEVELOPMENT AND THE HOUSE OF REPRESENTATIVES COMMITTEE ON
2 COMMERCE, OR THEIR SUCCESSOR COMMITTEES, AND THE SECRETARY OF STATE AND
3 SHALL POST A PUBLIC COPY OF THE REPORT ON THE DEPARTMENT'S OFFICIAL WEBSITE.
4 END_STATUTE

5 START_STATUTE41-1545.09. Prohibiting impact program classes or training for
6 purposes of state assistance to educational institutions

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

14 START_STATUTE41-1545.10. Program termination

15 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT TO
16 SECTION 41-3102. END_STATUTE

17 ARTICLE 5. ARIZONA OPPORTUNITY FUND

18 START_STATUTE41-1546. Arizona opportunity fund

19 A. THE ARIZONA OPPORTUNITY FUND IS ESTABLISHED AS A DEDICATED ACCOUNT IN
20 THE STATE GENERAL FUND.

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

22 1. AMOUNTS APPROPRIATED BY THE LEGISLATURE TO THE FUND FOR THE
23 PURPOSES OF THIS ARTICLE.

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

25 3. GIFTS, GRANTS AND OTHER DONATIONS RECEIVED FOR THE PURPOSES OF THIS
26 ARTICLE.

27 4. ANY AVAILABLE MONIES RECEIVED FROM THE FEDERAL GOVERNMENT,
28 INCLUDING MONIES FROM THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
29 (P.L. 1115).

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

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

38 D. MONIES IN THE FUND ARE:

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

40 2. EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
41 APPROPRIATIONS. END_STATUTE

42 START_STATUTE41-1546.01. Grants from the Arizona opportunity fund; eligibility;
43 grant agreements; economic and fiscal impact statement

44 A. THE GOVERNOR AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY
45 NEGOTIATE ON BEHALF OF THIS STATE REGARDING AWARDED, BY GRANT, MONIES FROM
46 THE ARIZONA OPPORTUNITY FUND FOR THE PURPOSES OF ATTRACTING ARIZONA BASIC
47 ENTERPRISES, AS DEFINED IN SECTION 41-1545, ECONOMIC DEVELOPMENT,
48 INFRASTRUCTURE DEVELOPMENT AND COMMUNITY DEVELOPMENT. MONIES SHALL NOT
49 BE AWARDED FROM THE ARIZONA OPPORTUNITY FUND EXCEPT FOR THE SOLE PURPOSE OF
50 COMPETING FOR ECONOMIC DEVELOPMENT PROSPECTS THAT HAVE SIMILAR
51 RECRUITMENT OFFERS FROM OTHER STATES.

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

54 1. BE IN GOOD STANDING UNDER THE LAWS OF THE STATE IN WHICH THE
55 APPLICANT WAS FORMED OR ORGANIZED, AS EVIDENCED BY A CERTIFICATE ISSUED BY
56 THE SECRETARY OF STATE OR OTHER STATE OFFICIAL HAVING CUSTODY OF THE RECORDS

1 PERTAINING TO ENTITIES OR OTHER ORGANIZATIONS FORMED UNDER THE LAWS OF THAT
2 STATE.

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

4 3. QUALIFY AS AN ARIZONA BASIC INDUSTRY, AS DEFINED IN SECTION 411545.

5 4. PAY AN AVERAGE ANNUAL WAGE EQUAL TO ONE HUNDRED EIGHTY-FIVE PER
6 CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF
7 COMMERCE.

8 5. INCLUDE HEALTH INSURANCE FOR EMPLOYEES FOR WHICH THE APPLICANT
9 PAYS AT LEAST SIXTYFIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST.

10 6. DEMONSTRATE BY INDEPENDENT ANALYSES THAT ESTIMATED INCOME,
11 PROPERTY AND TRANSACTION PRIVILEGE TAX AND GOVERNMENT FEE REVENUES IN THIS
12 STATE WILL EXCEED STATE TAX CREDIT AND INCENTIVES BY A PAYBACK RATIO OF AT
13 LEAST FOUR TO ONE OVER A TENYEAR PERIOD.

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

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

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

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

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

27 (c) THE GOVERNOR MAY ASSESS SPECIFIED PENALTIES AGAINST THE RECIPIENT
28 FOR NONCOMPLIANCE.

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

31 (a) RETAIN A LIEN OR OTHER SECURITY INTEREST IN THE IMPROVEMENT IN
32 PROPORTION TO THE PERCENTAGE OF THE GRANT AMOUNT USED TO PAY FOR THE
33 IMPROVEMENT.

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

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

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

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

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

46 1. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
47 REPRESENTATIVES.

48 2. THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR ITS REVIEW AND
49 EVALUATION.

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

52 1. THE PERFORMANCE TARGETS AND DATES REQUIRED TO BE INCLUDED IN EACH
53 GRANT AGREEMENT.

54 2. IF THE GRANT AGREEMENT INCLUDES WITHHOLDING A PERCENTAGE OF THE
55 GRANT UNTIL THE RECIPIENT MEETS THE PERFORMANCE TARGETS, THE PERCENTAGE OF
56 THE GRANT MONEY TO BE WITHHELD.

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

5 1. FOR THE PERIOD COVERED BY THE GRANT:

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

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

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

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

16 4. ANY OTHER INFORMATION THE DEPARTMENT OF COMMERCE CONSIDERS TO BE
17 NECESSARY FOR INCLUSION IN THE STATEMENT. END_STATUTE

18 START_STATUTE41-1546.02. Annual report by grant recipient

19 ON OR BEFORE DECEMBER 31 OF EACH YEAR, EACH ENTITY THAT RECEIVES A
20 GRANT UNDER THIS ARTICLE SHALL SUBMIT TO THE GOVERNOR, THE PRESIDENT OF THE
21 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES A PROGRESS REPORT
22 CONTAINING THE INFORMATION COMPILED DURING THE PRECEDING CALENDAR YEAR
23 REGARDING THE ATTAINMENT OF EACH OF THE PERFORMANCE TARGETS IN THE GRANT
24 AGREEMENT. END_STATUTE

25 START_STATUTE41-1546.03. Report on use of monies in the Arizona opportunity fund

26 A. BEFORE THE BEGINNING OF EACH REGULAR SESSION OF THE LEGISLATURE, THE
27 GOVERNOR SHALL SUBMIT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
28 HOUSE OF REPRESENTATIVES A REPORT ON GRANTS MADE FROM THE ARIZONA
29 OPPORTUNITY FUND UNDER THIS ARTICLE. THE GOVERNOR SHALL PROVIDE A COPY OF
30 THE REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL INCLUDE:

31 1. THE NUMBER OF DIRECT JOBS EACH RECIPIENT COMMITTED TO CREATE IN THIS
32 STATE.

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

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

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

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

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

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

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

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

46 B. THE REPORT SHALL NOT INCLUDE INFORMATION THAT IS MADE CONFIDENTIAL
47 BY LAW.

48 C. THE GOVERNOR MAY REQUIRE GRANT RECIPIENTS TO SUBMIT INFORMATION IN
49 A FORM REQUIRED TO COMPLETE THE REPORT. END_STATUTE

50 START_STATUTE41-1546.04. Program termination

51 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT TO
52 SECTION 41-3102. END_STATUTE

53 **ARTICLE 5.1. ARIZONA QUALITY JOBS**

54 START_STATUTE41-1547. Definitions

55 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

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

7 5. "QUALIFIED COMPANY" MEANS ANY CORPORATION, PARTNERSHIP OR OTHER
8 ENTITY, ORGANIZED FOR PROFIT, THAT IS PRIMARILY ENGAGED IN ONE OR MORE OF THE
9 ARIZONA BASIC INDUSTRIES, AS DEFINED IN SECTION 41-1545, AND THAT MEETS THE
10 REQUIREMENTS PRESCRIBED BY SECTION 41-1547.01. EXCEPT AS PROVIDED BY SECTION 41-
11 1547.01, SUBSECTION A, PARAGRAPH 2, QUALIFIED COMPANY DOES NOT INCLUDE:

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

15 (i) INDUSTRY GROUP 7132 OR 8131.

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

17 (iii) SUBSECTOR 722.

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

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

24 START_STATUTE41-1547.01. Employment requirements in this state; application for
25 benefits

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

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

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

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

39 1. A QUALIFIED COMPANY MUST HIRE NEW EMPLOYEES IN POSITIONS WITH A
40 PAYROLL OF AT LEAST TWO MILLION DOLLARS WITHIN SIX MONTHS AFTER THE DATE THE
41 COMPANY ENTERS INTO AN AGREEMENT WITH THE DIRECTOR PURSUANT TO SECTION
42 411547.02.

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

46 3. ALL NET NEW FULLTIME EMPLOYMENT POSITIONS MUST INCLUDE HEALTH
47 INSURANCE COVERAGE FOR THE EMPLOYEES FOR WHICH THE COMPANY PAYS AT LEAST
48 SIXTYFIVE PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT
49 PERCENTAGE OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS THAT OFFER
50 STANDARD COMPREHENSIVE COVERAGE.

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

54 1. FIVE YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO AT
55 LEAST TWO HUNDRED PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
56 ANNUALLY BY THE DEPARTMENT OF COMMERCE.

1 2. SIX YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO AT
2 LEAST TWO HUNDRED TEN PER CENT OF THE WAGE OFFER BY COUNTY AS COMPUTED
3 ANNUALLY BY THE DEPARTMENT OF COMMERCE.

4 3. SEVEN YEARS IF THE NEW EMPLOYEES ARE COMPENSATED AT A RATE EQUAL TO
5 AT LEAST TWO HUNDRED TWENTY PER CENT OF THE WAGE OFFER BY COUNTY AS
6 COMPUTED ANNUALLY BY THE DEPARTMENT OF COMMERCE. END_STATUTE

7 START_STATUTE41-1547.02. Application and agreement for benefits; Arizona quality
8 jobs fund

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

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

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

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

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

32 1. THAT THE QUALIFIED COMPANY IS ELIGIBLE TO RECEIVE BENEFITS UNDER THIS
33 ARTICLE.

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

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

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

40 1. THE DIRECTOR MAY TERMINATE THE AGREEMENT.

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

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

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

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

49 1. CONTINUOUSLY APPROPRIATED TO THE DIRECTOR FOR PAYMENT OF BENEFITS
50 UNDER THIS ARTICLE.

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

53 H. THE DIRECTOR SHALL NOT APPROVE THE APPLICATION OF A QUALIFIED
54 COMPANY THAT IS A PARTY TO AN IMPACT PROJECT AGREEMENT PURSUANT TO ARTICLE
55 4.1 OF THIS CHAPTER UNLESS THE DIRECTOR DETERMINES THAT PARTICIPATION IN BOTH
56 THE IMPACT PROJECT AND THE ARIZONA QUALITY JOBS PROGRAM WOULD GENERATE,
57 OVER THE PERIOD OF THE BENEFITS UNDER THIS ARTICLE, AN ECONOMIC AND FISCAL

1 IMPACT IN EXCESS OF THE AMOUNT OF THE EMPLOYER'S WITHHOLDING TAX ALLOCATED
2 TO BOTH PROGRAMS.

3 I. THE DEPARTMENT OF COMMERCE, WITH THE COOPERATION OF THE
4 DEPARTMENT OF REVENUE, SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
5 AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS ARTICLE.
6 END_STATUTE

7 START_STATUTE41-1547.03. Withholding tax report to department of revenue

8 A QUALIFYING COMPANY THAT RECEIVES BENEFITS UNDER THIS ARTICLE MUST
9 COMPLETE AND SUBMIT TO THE DEPARTMENT OF REVENUE A MONTHLY REPORT OF THE
10 AMOUNT OF WITHHOLDING TAX PAID WITH RESPECT TO EACH NEW EMPLOYEE PURSUANT
11 TO THIS ARTICLE. THE REPORT SHALL BE SUBMITTED ON A FORM, IN A MANNER AND
12 ACCORDING TO A SCHEDULE PRESCRIBED BY THE DEPARTMENT OF REVENUE.
13 END_STATUTE

14 START_STATUTE41-1547.04. Annual review of qualified company activities

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

23 B. THE DIRECTOR OF THE DEPARTMENT OF COMMERCE MAY REQUEST THE
24 DEPARTMENT OF REVENUE TO AUDIT THE QUALIFIED COMPANY FOR PURPOSES OF
25 COMPLIANCE WITH THIS ARTICLE. END_STATUTE

26 START_STATUTE41-1547.05. Annual report

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

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

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

- 42 1. THE GOVERNOR.
- 43 2. THE CHAIRPERSONS OF THE SENATE COMMITTEES ON COMMERCE AND
44 ECONOMIC DEVELOPMENT AND FINANCE, OR THEIR SUCCESSOR COMMITTEES.
- 45 3. THE CHAIRPERSONS OF THE HOUSE OF REPRESENTATIVES COMMITTEES ON
46 COMMERCE AND WAYS AND MEANS, OR THEIR SUCCESSOR COMMITTEES.
- 47 4. THE SECRETARY OF STATE. END_STATUTE

48 START_STATUTE41-1547.06. Program termination

49 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2020 PURSUANT TO
50 SECTION 41-3102. END_STATUTE

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

52 START_STATUTE41-1554.01. Greater Arizona development authority; board; staff;
53 conflict of interest prohibited; violation; classification

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

- 56 1. The director of the department of commerce or the director's designee who shall serve as the
57 chairperson.

1 2. The director of the department of environmental quality or the director's designee.
2 3. The director of the department of transportation or the director's designee.
3 4. The state treasurer or the state treasurer's designee.
4 5. Five members, one of whom is a representative of a tribal nation of Arizona, appointed by the
5 governor pursuant to section 38211. All appointed members shall reside in different counties, and no more
6 than three members may be members of the same political party.

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

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

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

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

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

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

21 H. Members of the board shall not participate in any direct discussions or actions related to any
22 project financed under this article in which the member has any direct or indirect personal financial
23 interest. For purposes of this subsection, a member of the board who is an employee or official of a
24 participant in or applicant for a loan shall not be considered to have a direct or indirect personal financial
25 interest in a project by virtue of the member's services alone. A violation of this subsection is a class 1
26 misdemeanor. END_STATUTE

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

28 **START_STATUTE41-1554.02. Powers and duties of authority**

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

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

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

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

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

41 4. Provide technical assistance or shortterm assistance to political subdivisions, special districts,
42 Indian tribes and tribal subdivisions.

43 **5. PROVIDE FINANCING FOR IMPACT PROGRAMS FOR SUPPLEMENTAL JOB**
44 **TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER.**

45 ~~5.~~ 6. Apply for, accept and administer grants and other monetary assistance from the United States
46 government and from other public and private sources to carry out its responsibilities under this article.

47 ~~6.~~ 7. Hire professional assistance as needed to carry out this article.

48 C. The board shall:

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

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

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

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

56 E. The board shall deposit, pursuant to sections 35146 and 35147, any monies received pursuant to
57 subsection B, paragraph ~~5-6~~ of this section in the fund. END_STATUTE

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

2 START_STATUTE41-1554.03. Greater Arizona development authority revolving fund

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

- 4 1. Monies appropriated by the legislature.
5 2. Monies received from the United States government to carry out this article.
6 3. Monies received from political subdivisions, Indian tribes, tribal subdivisions and special
7 districts as loan repayments, technical assistance repayments, interest, administrative fees and penalties.
8 4. **MONIES RECEIVED FROM THE PROGRAM REPAYMENT ACCOUNT OF THE IMPACT**
9 **PROGRAM FUND PURSUANT TO SECTION 41-1545.05.**

10 ~~4.~~ 5. Interest and other income received from investing monies in the fund.

11 ~~5.~~ 6. Gifts, grants and donations received from any public or private source to carry out this
12 article.

13 ~~6.~~ 7. Any other monies received by the authority.

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

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

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

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

27 1. Providing technical assistance to political subdivisions, special districts, Indian tribes and tribal
28 subdivisions.

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

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

32 ~~3.~~ 4. Paying the compensation and employment related expenses associated with the employees
33 hired pursuant to section 411554.01, subsection G.

34 ~~4.~~ 5. Paying the costs to operate the authority, to administer the fund and to carry out the
35 requirements of this article.

36 ~~5.~~ 6. Paying the costs of professional assistance hired by the authority pursuant to section
37 411554.02, subsection B, paragraph ~~6~~ 7.

38 F. On notice from the board, the state treasurer shall invest and divest monies in the fund as
39 provided by section 35313, and monies earned from investment shall be credited to the fund.

40 G. If the monies pledged to secure the bonds become insufficient to pay the principal and interest
41 on the bonds, the board may direct the state treasurer to divest monies in the fund as may be necessary and
42 may apply those proceeds to make current all payments then due on the bonds. The state treasurer shall
43 immediately notify the attorney general and auditor general of the insufficiency. The auditor general shall
44 audit the circumstances surrounding the depletion of the fund and shall report these findings to the attorney
45 general. The attorney general shall conduct an investigation and report these findings to the governor and
46 the legislature. END_STATUTE

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

48 START_STATUTE41-1554.06. Financial assistance

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

52 1. Loans as provided in this section.

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

55 **B. THE AUTHORITY MAY PROVIDE LOAN FINANCING FOR IMPACT PROGRAMS FOR**
56 **SUPPLEMENTAL JOB TRAINING PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER. ANY**
57 **FINANCING AGREEMENT MUST INCLUDE A LEGALLY BINDING ACKNOWLEDGEMENT THAT**

1 **ALL REPAYMENT OBLIGATIONS ARE FROM MONIES IN THE PROGRAM REPAYMENT**
2 **ACCOUNT OF THE IMPACT PROGRAM FUND UNDER SECTION 41-1545.06, SUBSECTION C AND**
3 **ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE STATE GENERAL FUND.**

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

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

9 ~~D.~~ **E.** A loan under this section:

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

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

15 3. Shall be repayable in at least annual principal installments and at least semiannual interest
16 installments.

17 4. Shall be conditioned on the identification of pledged revenues for repaying the loan. If the
18 infrastructure financed by the loan is part of a municipal utility and the city or town pledges revenues of the
19 utility to repay the loan, the loan shall be treated under section 9530, subsection B as a lawful longterm
20 obligation incurred for a specific capital purpose.

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

23 6. Shall be either:

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

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

30 ~~E.~~ **F.** The authority shall prescribe the rate or rates of interest on loans made under this section,
31 but the rate or rates shall not exceed the prevailing market rate for similar types of loans. A political
32 subdivision or special district may negotiate the sale of its bonds to or a loan repayment agreement with the
33 authority without complying with any public or accelerated bidding requirements imposed by any other law
34 for the sale of its bonds.

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

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

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

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

46 ~~J.~~ **K.** All monies received from political subdivisions, special districts and Indian tribes as loan
47 repayments, interest and penalties shall be deposited, pursuant to sections 35146 and 35147, in the fund.

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

50 ~~L.~~ **M.** If a political subdivision fails to make any payment due to the authority under its loan
51 repayment agreement or bonds, the authority shall certify to the state treasurer and notify the governing
52 body of the defaulting political subdivision that the political subdivision has failed to make the required
53 payment and direct a withholding of state shared revenues as provided in subsection ~~M.~~ **N.** of this section.
54 The certificate of default shall be in the form determined by the authority, provided the certificate specifies
55 the amount required to satisfy the unpaid payment obligation of the political subdivision.

56 ~~M.~~ **N.** On receipt of a certificate of default from the authority, the state treasurer, to the extent not
57 otherwise expressly prohibited by law, shall withhold the monies from the next succeeding distribution of

1 monies pursuant to section 425029 due to the defaulting political subdivision. In the case of a city or town,
2 the state treasurer shall also withhold from the next succeeding distribution of monies pursuant to section
3 43206 due to the defaulting city or town the amount specified in the certificate of default and immediately
4 deposit the amount withheld in the fund. The state treasurer shall continue to withhold and deposit the
5 monies until the authority certifies to the state treasurer that the default has been cured. In no event shall
6 the state treasurer withhold any amount that is necessary, as certified by the defaulting political subdivision
7 to the state treasurer and the authority, to make any required deposits then due for the payment of principal
8 and interest on bonds of the political subdivision that were issued prior to the date of the loan repayment
9 agreement or bonds and that have been secured by a pledge of distributions made pursuant to sections
10 425029 and 43206. END_STATUTE

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

12 START_STATUTE42-1116. **Disposition of tax revenues**

13 A. The department shall promptly deposit, pursuant to sections 35146 and 35147, all monies it
14 collects from the taxes administered pursuant to this article except the telecommunication services excise
15 tax, separately accounting for each type of tax and each tax classification within each type of tax. At the
16 same time the department of revenue shall also furnish copies of the transmittal schedules to the director of
17 the department of administration.

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

20 1. Amounts sufficient to meet the requirements for tax refunds to the tax refund account
21 established in section 421117.

22 2. Amounts sufficient to meet the requirements of urban revenue sharing to the urban revenue
23 sharing fund established in section 43206.

24 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of this title and section 425352,
25 subsection A to the transaction privilege and severance tax clearing account established by section 425029.

26 4. Through June 30, 2010 amounts sufficient to meet the requirements of section 423104 to the
27 corrections fund.

28 5. Amounts sufficient to meet the requirements of section 49282, subsection B relating to the water
29 quality assurance revolving fund.

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

33 ~~6.~~ 7. All remaining monies to the state general fund.

34 C. From the monies and remittances received under this section, each month beginning July, 2001
35 the state treasurer shall transmit to the tourism and sports authority, established by title 5, chapter 8, for
36 deposit in its facility revenue clearing account established by section 5834 onetwelfth of the amount reported
37 by the department pursuant to section 43209. END_STATUTE

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

39 START_STATUTE42-2003. **Authorized disclosure of confidential information**

40 A. Confidential information relating to:

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

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

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

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

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

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

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

3 B. Confidential information may be disclosed to:

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

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

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

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

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

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

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

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

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

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

30 6. The auditor general, in connection with any audit of the department subject to the restrictions in
31 section 422002, subsection D.

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

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

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

36 8. The office of administrative hearings relating to taxes administered by the department pursuant
37 to section 421101, but the department shall not disclose any confidential information:

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

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

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

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

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

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

49 (a) Qualifying motion picture production companies for the tax incentives provided for motion
50 picture production under chapter 5 of this title and sections 431075 and 431163.

51 (b) Qualifying applicants for the motion picture infrastructure project tax credits under sections
52 431075.01 and 431163.01.

53 (c) Qualifying renewable energy operations for the tax incentives under sections 42-12006, 43-
54 1083.01 and 43-1164.01.

55 (d) Fulfilling its annual reporting responsibility pursuant to section 411511, subsections T and U
56 and section 41-1517, subsections S and T.

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

3 13. A prosecutor for purposes of section 321164, subsection C.

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

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

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

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

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

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

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

17 2. Confidential information may not be disclosed under this subsection if the disclosure is
18 prohibited by section 422002, subsection C or D.

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

21 E. The department, upon the request of any person, shall provide the names and addresses of bingo
22 licensees as defined in section 5401, verify whether or not a person has a privilege license and number, a
23 distributor's license and number or a withholding license and number or disclose the information to be
24 posted on the department's ~~web-site~~ WEBSITE or otherwise publicly accessible pursuant to section 421124,
25 subsection F and section 423201, subsection A.

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

31 G. If an organization is exempt from this state's income tax as provided in section 431201 for any
32 taxable year, the name and address of the organization and the application filed by the organization upon
33 which the department made its determination for exemption together with any papers submitted in support
34 of the application and any letter or document issued by the department concerning the application are open
35 to public inspection.

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

40 1. May only be used for internal purposes.

41 2. May not be disclosed to the public in any manner that does not comply with confidentiality
42 standards established by the department. The county, city or town shall agree in writing with the
43 department that any release of confidential information that violates the confidentiality standards adopted
44 by the department will result in the immediate suspension of any rights of the county, city or town to receive
45 taxpayer information under this subsection.

46 I. The department may disclose statistical information gathered from confidential information if it
47 does not disclose confidential information attributable to any one taxpayer. In order to comply with the
48 requirements of section 425029, subsection A, paragraph 3, the department may disclose to the state
49 treasurer statistical information gathered from confidential information, even if it discloses confidential
50 information attributable to a taxpayer.

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

55 K. Except as provided in section 422002, subsection C, confidential information, described in
56 section 422001, paragraph 2, subdivision (a), item (iii), may be disclosed to law enforcement agencies for law
57 enforcement purposes.

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

4 M. The department may provide transaction privilege tax, luxury tax, use tax, property tax and
5 severance tax information to the ombudsmancitizens aide pursuant to title 41, chapter 8, article 5.

6 N. Except as provided in section 422002, subsection D, a court may order the department to
7 disclose confidential information pertaining to a party to an action. An order shall be made only upon a
8 showing of good cause and that the party seeking the information has made demand upon the taxpayer for
9 the information.

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

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

15 Q. Except as provided in section 422002, subsection D, the department of revenue shall release
16 confidential information as requested by the department of economic security pursuant to section 421122 or
17 46291. Information disclosed under this subsection is limited to the same type of information that the United
18 States internal revenue service is authorized to disclose under section 6103(l)(6) of the internal revenue code.

19 R. Except as provided in section 422002, subsection D, the department of revenue shall release
20 confidential information as requested by the courts and clerks of the court pursuant to section 421122.

21 S. To comply with the requirements of section 425031, the department may disclose to the state
22 treasurer, to the county stadium district board of directors and to any city or town tax official that is part of
23 the county stadium district confidential information attributable to a taxpayer's business activity conducted
24 in the county stadium district.

25 T. The department shall release confidential information as requested by the attorney general for
26 purposes of determining compliance with and enforcing section 447101, the master settlement agreement
27 referred to therein and subsequent agreements to which the state is a party that amend or implement the
28 master settlement agreement. Information disclosed under this subsection is limited to luxury tax
29 information relating to tobacco manufacturers, distributors, wholesalers and retailers and information
30 collected by the department pursuant to section 447101(2)(j).

31 U. For proceedings before the department, the office of administrative hearings, the board of tax
32 appeals or any state or federal court involving penalties that were assessed against a return preparer or
33 electronic return preparer pursuant to section 421103.02 or 421125.01, confidential information may be
34 disclosed only before the judge or administrative law judge adjudicating the proceeding, the parties to the
35 proceeding and the parties' representatives in the proceeding prior to its introduction into evidence in the
36 proceeding. The confidential information may be introduced as evidence in the proceeding only if the
37 taxpayer's name, the names of any dependents listed on the return, all social security numbers, the
38 taxpayer's address, the taxpayer's signature and any attachments containing any of the foregoing
39 information are redacted and if either:

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

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

45 V. The department may disclose to the attorney general confidential information received under
46 section 447111 and requested by the attorney general for purposes of determining compliance with and
47 enforcing section 447111. The department and attorney general shall share with each other the information
48 received under section 447111, and may share the information with other federal, state or local agencies only
49 for the purposes of enforcement of section 447101, section 447111 or corresponding laws of other states.

50 W. The department may provide the name and address of qualifying hospitals and qualifying
51 health care organizations, as defined in section 425001, to a business classified and reporting transaction
52 privilege tax under the utilities classification. END_STATUTE

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

54 **START_STATUTE42-12006. Class six property**

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

56 1. Noncommercial historic property as defined in section 4212101 and valued at full cash value.

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

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

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

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

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

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

17 ~~4. Real and personal property and improvements that are located in an enterprise zone, that are
18 owned or used by a small manufacturing or small commercial printing business that is certified by the
19 department of commerce pursuant to section 411525.01 and that are valued at full cash value, subject to the
20 following terms and conditions:-~~

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

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

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

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

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

40 5. Real and personal property and improvements or a portion of such property comprising a
41 qualified environmental technology manufacturing, producing or processing facility as described in section
42 411514.02, valued at full cash value and subject to the following terms and conditions:

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

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

48 (c) After revocation of certification under section 411514.02, property that was previously classified
49 under this paragraph shall be reclassified as prescribed by this article.

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

52 6. That portion of real and personal property that is used on or after January 1, 1999 specifically
53 and solely for remediation of the environment by an action that has been determined to be reasonable and
54 necessary to respond to the release or threatened release of a hazardous substance by the department of
55 environmental quality pursuant to section 49282.06 or pursuant to its corrective action authority under
56 rules adopted pursuant to section 49922, subsection B, paragraph 4 or by the United States environmental
57 protection agency pursuant to the national contingency plan (40 Code of Federal Regulations part 300) and

1 that is valued at full cash value. Property that is not being used specifically and solely for the remediation
2 objectives described in this paragraph shall not be classified under this paragraph. For the purposes of this
3 paragraph, "remediation of the environment" means one or more of the following actions:

- 4 (a) Monitoring, assessing or evaluating the release or threatened release.
- 5 (b) Excavating, removing, transporting, treating and disposing of contaminated soil.
- 6 (c) Pumping and treating contaminated water.
- 7 (d) Treatment, containment or removal of contaminants in groundwater or soil.

8 7. Real and personal property and improvements constructed or installed from and after December
9 31, 2004 through December 31, 2010 and owned by a qualified business under section 41-1516 and used
10 solely for the purpose of harvesting, transporting or the initial processing of qualifying forest products
11 removed from qualifying projects as defined in section 411516. The classification under this paragraph is
12 subject to the following terms and conditions:

- 13 (a) Property may be initially classified under this paragraph only in valuation years 2005 through
14 2010.
- 15 (b) Property may not be classified under this paragraph for more than five years.
- 16 (c) Any new addition or improvement, constructed or installed from and after December 31, 2004
17 through December 31, 2010, to property already classified under this paragraph qualifies separately for
18 classification and assessment under this paragraph for not more than five years.
- 19 (d) Property that is classified under this paragraph shall not thereafter be classified under
20 paragraph 2, 3, 4 or 5 of this section.

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

29 9. Real and personal property and improvements that are certified pursuant to section 411511,
30 subsection C, paragraph 2 and that are used for renewable energy manufacturing or headquarters
31 operations as provided by section 4212057. This paragraph applies only to property that is used in
32 manufacturing and headquarters operations of renewable energy companies, including necessary on-site
33 research and development, testing and storage facilities that are associated with the manufacturing process.
34 Up to ten per cent of the aggregate full cash value of the property may be derived from uses that are
35 ancillary to and intrinsically associated with the manufacturing process or headquarters operation. Any
36 additional ancillary property is not qualified for classification under this paragraph. No new properties may
37 be classified pursuant to this paragraph from and after December 31, 2014. Classification under this
38 paragraph is limited to the time periods determined by the department of commerce pursuant to section
39 411511, subsection C, paragraph 2, subdivision (a) or (b). Property that is classified under this paragraph
40 shall not thereafter be classified under any other paragraph of this section. END_STATUTE

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

42 START_STATUTE42-12009. Class nine property

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

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

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

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

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

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

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

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

4 (ii) Located on a state, county, city or town airport or a public airport operating pursuant to
5 sections 288423, 288424 and 288425.

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

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

14 5. Real property and improvements, including land, buildings, furniture and equipment, regardless
15 of ownership, that are leased for the entire valuation year to, and used exclusively by, a nonprofit
16 organization that is recognized under section 501(c)(3) of the internal revenue code and that operates on the
17 premises as a charter school pursuant to section 15183. If only part of a parcel of real property or
18 improvements to real property is leased for operation of a charter school as provided by this paragraph,
19 only the portion so leased qualifies for classification under this section. A property owner who leases
20 property to a charter school shall file an affidavit with the county assessor stating that the charter school
21 shall be the sole beneficiary of the change in property tax classification pursuant to this section and that the
22 lease rate that is charged to the charter school is consistent with the lease rates that are charged to other
23 tenants of the property or a fair market rate.

24 6. PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE CONSTRUCTED OR
25 UNDERGO A MAJOR RENOVATION FROM AND AFTER JUNE 30, 2010 THROUGH JUNE 30, 2016,
26 AND REAL PROPERTY ON WHICH THE PERSONAL PROPERTY AND IMPROVEMENTS ARE
27 LOCATED AND OWNED BY A BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF
28 COMMERCE PURSUANT TO SECTION 411525.01 AND THAT IS MAKING A CAPITAL INVESTMENT
29 OF AT LEAST TWO HUNDRED FIFTY MILLION DOLLARS WITHIN THREE YEARS AFTER FIRST
30 BEING CERTIFIED UNDER SECTION 41-1525.01 AND EMPLOYING AT LEAST ONE HUNDRED
31 FIFTY NEW EMPLOYEES. THE PROPERTY MAY BE CLASSIFIED UNDER THIS PARAGRAPH
32 FOR UP TO TEN TAX YEARS. PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH
33 SHALL NOT THEREAFTER BE CLASSIFIED UNDER SECTION 42-12006.

34 B. Improvements that are located in an area defined as a research park pursuant to section 35701
35 may not be classified under this section.

36 C. All property classified as class nine is subject to valuation at full cash value. END_STATUTE
37 Sec. 21 Section 42-13054, Arizona Revised Statutes, is amended to read:

38 START_STATUTE42-13054. Taxable value of personal property; depreciated values of
39 personal property in class one and class two (P)

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

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

46 1. For personal property that is initially classified during tax year 1994 through tax year 2007 as
47 class one, paragraph 8, 9, 10 or 13 pursuant to section 4212001 and personal property that is initially
48 classified during tax year 1995 through tax year 2007 as class two (P) pursuant to section 4212002:

49 (a) For the first tax year of assessment, the assessor shall use thirtyfive per cent of the scheduled
50 depreciated value.

51 (b) For the second tax year of assessment, the assessor shall use fiftyone per cent of the scheduled
52 depreciated value.

53 (c) For the third tax year of assessment, the assessor shall use sixtyseven per cent of the scheduled
54 depreciated value.

55 (d) For the fourth tax year of assessment, the assessor shall use eightythree per cent of the
56 scheduled depreciated value.

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

3 2. For personal property that is initially classified during ~~or after~~ tax year 2008 **THROUGH TAX**
4 **YEAR 2010** as class one, paragraph 8, 9, 10 or 13 pursuant to section 4212001 and personal property that is
5 initially classified during ~~or after~~ tax year 2008 **THROUGH TAX YEAR 2010** as class two (P) pursuant to
6 section 4212002:

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

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

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

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

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

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

19 **3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER TAX**
20 **YEAR 2011 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION 4212001 AND**
21 **PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER TAX YEAR 2011 AS**
22 **CLASS TWO (P) PURSUANT TO SECTION 4212002:**

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

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

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

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

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

33 (f) **FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR**
34 **SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S**
35 **GUIDELINES.**

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

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

38 2. Shall not reduce the valuation below the minimum value prescribed by the department for
39 property in use. END_STATUTE

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

41 START_STATUTE42-15001. Assessed valuation of class one property

42 The assessed valuation of class one property described in section 4212001 is:

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

47 ~~1.~~ (a) Twentyfive per cent through December 31, 2005.

48 ~~2.~~ (b) Twentyfour and onehalf per cent beginning from and after December 31, 2005 through
49 December 31, 2006.

50 ~~3.~~ (c) Twentyfour per cent beginning from and after December 31, 2006 through December 31,
51 2007.

52 ~~4.~~ (d) Twentythree per cent beginning from and after December 31, 2007 through December 31,
53 2008.

54 ~~5.~~ (e) Twentytwo per cent beginning from and after December 31, 2008 through December 31,
55 2009.

56 ~~6.~~ (f) Twentyone per cent beginning from and after December 31, 2009 through December 31, 2010.

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

1 2. FOR TAX YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011, FOR THE
2 PURPOSES OF ASSESSING SECONDARY PROPERTY TAXES LEVIED BY COUNTIES, CITIES,
3 TOWNS, COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS FOR THE PAYMENT OF
4 PRINCIPAL, INTEREST AND REDEMPTION CHARGES ON BONDED INDEBTEDNESS OR OTHER
5 LAWFUL LONG-TERM OBLIGATIONS AUTHORIZED BY THE VOTERS FROM AND AFTER
6 DECEMBER 31, 2011 AND FOR THE PAYMENT OF COSTS APPROVED BY AN OVERRIDE
7 ELECTION HELD FROM AND AFTER DECEMBER 31, 2011, SIXTEEN PER CENT. THE ASSESSED
8 VALUATION DETERMINED PURSUANT TO THIS PARAGRAPH DOES NOT APPLY FOR THE
9 PURPOSES OF COMPUTING DEBT LIMITATIONS PURSUANT TO ARTICLE IX, SECTIONS 8 AND
10 8.1, CONSTITUTION OF ARIZONA, OR THE LIMITATION ON CLASS B BONDED INDEBTEDNESS
11 PURSUANT TO SECTION 15-1021. END_STATUTE

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

13 START_STATUTE43-206. Urban revenue sharing fund; allocation; distribution

14 A. There is established an urban revenue sharing fund. The fund shall consist of an amount equal
15 to fifteen per cent of the net proceeds of the state income taxes for the fiscal year two years preceding the
16 current fiscal year **BUT WITHOUT REGARD TO ANY WITHHOLDING TAX REMITTED TO THE JOB**
17 **RECOVERY WITHHOLDINGS CLEARING FUND ESTABLISHED BY SECTION 43-409.** The fund
18 shall be distributed to incorporated cities and towns as provided in this section, except that a city or town
19 shall receive at least an amount equal to what a city or town with a population of fifteen hundred or more
20 persons would receive. The transfer of net proceeds prescribed by section 49282, subsection B does not
21 affect the calculation of net proceeds prescribed by this subsection.

22 B. Each city or town shall share in the urban revenue sharing fund in the proportion that the
23 population of each bears to the population of all. Except as provided by sections 425033 and 425033.01, the
24 population of a city or town as determined by the most recent United States decennial census plus any
25 revisions to the decennial census certified by the United States bureau of the census shall be used as the basis
26 for apportioning monies pursuant to this subsection.

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

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

33 E. On receipt of a certificate of default from the greater Arizona development authority pursuant
34 to section 411554.06 or 411554.07, the state treasurer, to the extent not otherwise expressly prohibited by law,
35 shall withhold from the next succeeding distribution of monies pursuant to this section due to the city or
36 town the amount specified in the certificate of default and immediately deposit the amount withheld in the
37 greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and
38 deposit the monies until the authority certifies to the state treasurer that the default has been cured. In no
39 event shall the state treasurer withhold any amount that is necessary, as certified by the defaulting political
40 subdivision to the state treasurer and the authority, to make any required deposits then due for the payment
41 of principal and interest on bonds of the political subdivision that were issued prior to the date of the loan
42 repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to
43 this section. END_STATUTE

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

45 START_STATUTE43-222. Income tax credit review schedule

46 The joint legislative income tax credit review committee shall review the following income tax
47 credits:

48 1. For years ending in 0 and 5, sections **43-1074**, 431075, 431075.01, 431079.01, 431087, 431088,
49 431090.01, **43-1161**, 431163, 431163.01, 431167.01, 431175 and 431182.

50 2. For years ending in 1 and 6, sections 431074.02, 431083, 431085, 431164 and 431183.

51 3. For years ending in 2 and 7, sections 431073, 431079, 431080, 431086, 431089, 431089.01,
52 431089.02, 431090, 431167, 431169, 431176 and 431181.

53 4. For years ending in 3 and 8, sections 431074.01, 431081, 431168, 431170 and 431178.

54 5. For years ending in 4 and 9, sections 431076, 431081.01, 431083.01, 431084, 431162, 431164.01,
55 **and 431170.01 AND 431184.** END_STATUTE

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

1 **START_STATUTE43-409. Job recovery withholdings clearing fund**

2 **A. THE JOB RECOVERY WITHHOLDINGS CLEARING FUND IS ESTABLISHED**
3 **CONSISTING OF UP TO ONE HUNDRED PER CENT OF WITHHOLDING TAX REVENUES ON NEW**
4 **JOBS CREATED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 4.1 AND NEW EMPLOYEES**
5 **HIRED PURSUANT TO TITLE 41, CHAPTER 10, ARTICLE 5.1. ON NOTICE FROM THE DIRECTOR**
6 **OF THE DEPARTMENT OF COMMERCE ON THE FIRST DAY OF EACH MONTH, THE DIRECTOR**
7 **OF THE DEPARTMENT OF REVENUE SHALL CREDIT TO THE FUND SUFFICIENT MONIES EACH**
8 **MONTH TO MEET THE REQUIREMENTS OF THE SUPPLEMENTAL JOB TRAINING, ARIZONA**
9 **OPPORTUNITY FUND AND ARIZONA QUALITY JOBS PROGRAMS.**

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

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

16 **START_STATUTE43-1022. Subtractions from Arizona gross income**

17 **In computing Arizona adjusted gross income, the following amounts shall be subtracted from**
18 **Arizona gross income:**

19 **1. The amount of exemptions allowed by section 431023.**

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

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

25 **(b) The Arizona state retirement system, the corrections officer retirement plan, the public safety**
26 **personnel retirement system, the elected officials' retirement plan, an optional retirement program**
27 **established by the Arizona board of regents under section 151628, an optional retirement program**
28 **established by a community college district board under section 151451 or a retirement plan established for**
29 **employees of a county, city or town in this state.**

30 **3. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by**
31 **section 431333 decreases the beneficiary's Arizona gross income.**

32 **4. The amount of any distributions from an individual retirement account as provided for in section**
33 **408 of the internal revenue code or from a qualified retirement plan of a selfemployed individual as provided**
34 **for in section 401 of the internal revenue code to the extent that total adjustments made pursuant to this**
35 **paragraph in all tax years do not exceed the total of all contributions made by the taxpayer to such plans**
36 **prior to December 31, 1975, which were included in computing Arizona taxable income.**

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

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

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

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

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

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

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

1 12. The amount allowed by section 431024 for amortization, by a qualified defense contractor
2 certified by the department of commerce under section 411508, of a capital investment for private
3 commercial activities.

4 13. The amount of gain included in federal adjusted gross income on the sale or other disposition of a
5 capital investment that a qualified defense contractor has elected to amortize pursuant to section 431024.

6 14. The amount allowed by section 431025 for contributions during the taxable year of agricultural
7 crops to charitable organizations.

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

12 16. The amount of prizes or winnings less than five thousand dollars in a single taxable year from
13 any of the state lotteries established and operated pursuant to title 5, chapter 5, article 1, except that all such
14 winnings before March 22, 1983, including periodic distributions from such winnings made after March 22,
15 1983, may be subtracted.

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

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

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

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

33 21. The amount authorized by section 431027 for the taxable year relating to qualified wood stoves,
34 wood fireplaces or gas fired fireplaces.

35 22. With respect to a medical savings account established pursuant to section 431028:

36 (a) An eligible individual may subtract:

37 (i) The amount of contributions made by the individual's employer during the taxable year to the
38 individual's medical savings account pursuant to section 431028 to the extent that the employer
39 contributions are included in the individual's federal adjusted gross income.

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

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

45 23. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant
46 to section 431029, subsection F exceeds the net operating loss carryover or capital loss carryover allowable
47 pursuant to section 1341(b)(5) of the internal revenue code.

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

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

54 26. The amount authorized by section 431030 relating to holocaust survivors.

55 27. The amount authorized by section 431031 for constructing an energy efficient residence.

56 28. An amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue
57 code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal

1 revenue code had been made for each applicable class of property in the year the property was placed in
2 service.

3 29. With respect to property that is sold or otherwise disposed of during the taxable year by a
4 taxpayer that complied with section 431021, paragraph 26 with respect to that property, the amount of
5 depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that
6 the amount has not already reduced Arizona taxable income in the current or prior taxable years.

7 30. With respect to property for which an adjustment was made under section 431021, paragraph 27,
8 an amount equal to one-fifth of the amount of the adjustment pursuant to section 431021, paragraph 27 in
9 the year in which the amount was adjusted under section 431021, paragraph 27 and in each of the following
10 four years.

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

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

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

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

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

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

28 START_STATUTE43-1074. Credit for new employment; definitions

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

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

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

40 3. Products sold to company employees.

41 B. Subject to subsection E of this section, the amount of the credit is equal to- ~~THREE~~
42 ~~THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN ARIZONA BASIC~~
43 ~~ENTERPRISE, AS DEFINED IN SECTION 41-1525, FOR THE FULL TAXABLE YEAR IN A~~
44 ~~QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF~~
45 ~~EMPLOYMENT.~~

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

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

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

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

55 1. A TAXPAYER MUST:

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

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

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

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

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

14 (a) The position must be a minimum of one thousand seven hundred fifty hours per year of fulltime
15 and permanent employment.

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

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

25 (d) The employer must pay compensation at least equal to the ~~MEDIAN~~ wage ~~offer~~ by county as
26 computed annually by the department of ~~economic security research administration division~~ COMMERCE.

27 (e) The employee must have been employed for at least ninety days during the first taxable year.
28 An employee who is hired during the last ninety days of the taxable year shall be considered a new employee
29 during the next taxable year. A qualified employment position that is filled during the last ninety days of the
30 taxable year is considered to be a new qualified employment position for the next taxable year.

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

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

38 E. The net increase in the number of qualified employment positions is the lesser of the total
39 number of filled qualified employment positions created ~~in the zone~~ during the tax year or the difference
40 between the average number of fulltime employees ~~in the zone~~ in the current tax year and the average
41 number of fulltime employees during the immediately preceding taxable year. ~~The net increase in the~~
42 ~~number of qualified employment positions computed under this subsection shall not exceed two hundred~~
43 ~~qualified employment positions per taxpayer each year.~~

44 F. A taxpayer who claims a credit under section 431077, 431079 or 43-1083.01 shall not claim a
45 credit under this section with respect to the same employment positions.

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

50 H. Coowners of a business, including partners in a partnership and shareholders of an S
51 corporation, as defined in section 1361 of the internal revenue code, may each claim only the pro rata share
52 of the credit allowed under this section based on the ownership interest. The total of the credits allowed all
53 such owners of the business may not exceed the amount that would have been allowed for a sole owner of the
54 business.

55 I. If a person purchases a business ~~in a zone~~ or changes ownership through reorganization, stock
56 purchase or merger, the new taxpayer may claim first year credits only for one or more qualified
57 employment positions that it created and filled with an eligible employee after the purchase or

1 reorganization was complete. If a person purchases a taxpayer that had qualified for first or second year
2 credits or changes ownership through reorganization, stock purchase or merger, the new taxpayer may
3 claim the second or third year credits if it meets other eligibility requirements of this section. Credits for
4 which a taxpayer qualified before the changes described in this subsection are terminated and lost at the
5 time the changes are implemented.

6 J. A failure to timely report and certify to the department of commerce and the department of
7 revenue the information prescribed by section 411525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the
8 manner prescribed by section 411525, subsection ~~C~~ D disqualifies the taxpayer from the credit under this
9 section. The department of revenue shall require written evidence of the timely report to the department of
10 commerce.

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

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

16 ~~2. Amounts carried forward into subsequent taxable years under subsection C of this section.~~

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

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

19 1. "Assigned to retail" means working more than twentyfive per cent of an employee's time in one
20 or more retail sales activities.

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

24 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to an ultimate consumer.

25 ~~3.~~ 4. "Retail sales activities" means all activities persons operating a retail business normally
26 engage in, including taking orders, filling orders, billing orders, receiving and processing payment and
27 shipping, stocking and delivering tangible personal property to the ultimate consumer, except drop
28 shipments by a company acting on behalf of an unrelated company that has made a sale to a final consumer.

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

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

32 ~~START_STATUTE~~43-1111. Tax rates for corporations

33 A. There shall be levied, collected and paid for each taxable year upon the entire Arizona taxable
34 income of every corporation, unless exempt under section 43-1126 or 43-1201 or as otherwise provided in
35 this title or by law, taxes in an amount of 6.968 per cent of net income or fifty dollars, whichever is greater
36 EXCEPT AS PROVIDED BY SUBSECTION D OF THIS SECTION.

37 B. ON OR BEFORE _____, THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL
38 DETERMINE THE DOLLAR AMOUNT OF CORPORATE INVESTMENT IN FIXED CAPITAL ASSETS
39 IN THIS STATE DURING FISCAL YEAR 20092010.

40 C. THE JOINT LEGISLATIVE TAX COMMITTEE SHALL ANNUALLY REPORT TO THE
41 DEPARTMENT, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
42 REPRESENTATIVES THE DOLLAR AMOUNT OF CORPORATE INVESTMENT IN FIXED CAPITAL
43 ASSETS IN THIS STATE DURING EACH SUBSEQUENT FISCAL YEAR UNTIL THE FISCAL YEAR
44 IN WHICH CORPORATE INVESTMENT IN FIXED CAPITAL ASSETS IN THIS STATE EXCEEDS
45 THE AMOUNT REPORTED FOR FISCAL YEAR 2009-2010 UNDER SUBSECTION B OF THIS
46 SECTION BY AT LEAST \$500,000,000.

47 D. BEGINNING FROM AND AFTER DECEMBER 31 FOLLOWING THE FIRST FISCAL
48 YEAR IN WHICH CORPORATE CORPORATE INVESTMENT IN FIXED CAPITAL ASSETS IN THIS
49 STATE EXCEEDS THE AMOUNT REPORTED FOR FISCAL YEAR 2009-2010 BY AT LEAST
50 \$500,000,000, THE PERCENTAGE RATE OF TAX UNDER THIS SECTION IS REDUCED EACH
51 TAXABLE YEAR BY .995 PER CENT OF NET INCOME FOR SEVEN CONSECUTIVE TAXABLE
52 YEARS AS FOLLOWS:

53 1. IN THE FIRST TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF 5.973 PER
54 CENT OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

55 2. IN THE SECOND TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF 4.977 PER
56 CENT OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

1 3. IN THE THIRD TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF 3.982 PER
2 CENT OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

3 4. IN THE FOURTH TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF 2.986 PER
4 CENT OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

5 5. IN THE FIFTH TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF 1.991 PER
6 CENT OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

7 6. IN THE SIXTH TAXABLE YEAR THE TAX IS LEVIED IN AN AMOUNT OF .995 PER CENT
8 OF NET INCOME OR FIFTY DOLLARS, WHICHEVER IS GREATER.

9 7. BEGINNING IN THE SEVENTH TAXABLE YEAR, THE TAX IS ZERO. END_STATUTE

10 Sec. 29 Section 43-1139, Arizona Revised Statutes, is amended to read:

11 START_STATUTE43-1139. Allocation of business income

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

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

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

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

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

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

22 (b) Multiplying the income by a fraction, the numerator of which is one and onehalf times the
23 property factor plus one and onehalf times the payroll factor plus seven times the sales factor, and the
24 denominator of which is ten.

25 3. December 31, 2008 by either:

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

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

30 B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011 A
31 TAXPAYER THAT IS AN ARIZONA BASIC ENTERPRISE AND THAT INCREASES ITS FULL-TIME
32 EMPLOYMENT IN THIS STATE BY TEN PER CENT IN THE TAXABLE YEAR AND QUALIFIES FOR
33 AN INCOME TAX CREDIT PURSUANT TO SECTION 43-1161, OR AN ARIZONA BASIC
34 ENTERPRISE THAT INVESTS AT LEAST FIVE HUNDRED MILLION DOLLARS DURING THE
35 TAXABLE YEAR IN FIXED CAPITAL ASSETS IN THIS STATE, MAY ELECT TO APPORTION
36 BUSINESS INCOME TO THIS STATE BY MULTIPLYING THE INCOME SOLELY BY THE SALES
37 FACTOR. FOR THE PURPOSES OF THIS SUBSECTION:

38 1. "ARIZONA BASIC ENTERPRISE" HAS THE SAME MEANING PRESCRIBED IN
39 SECTION 41-1525.

40 2. "FULL-TIME" MEANS PERMANENT EMPLOYMENT FOR AT LEAST ONE THOUSAND
41 SEVEN HUNDRED FIFTY HOURS PER YEAR.

42 ~~B.~~ C. All business income of a taxpayer engaged in air commerce shall be apportioned to this state
43 by multiplying the income by a fraction, the numerator of which is the revenue aircraft miles flown within
44 this state for flights beginning or ending in this state and the denominator of which is the total revenue
45 aircraft miles flown by the taxpayer's aircraft everywhere. This subsection applies to each taxpayer,
46 including a combined group filing a combined return or an affiliated group electing to file a consolidated
47 return under section 43947, if fifty per cent or more of that taxpayer's gross income is derived from air
48 commerce. For the purposes of this subsection:

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

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

54 Sec. 30 Section 43-1161, Arizona Revised Statutes, is amended to read:

55 START_STATUTE43-1161. Credit for new employment; definitions

56 A. A credit is allowed against the taxes imposed by this title for net increases in **FULL-TIME**
57 **EMPLOYEES HIRED IN** qualified employment positions ~~of residents of this state by a business located in~~

1 ~~an enterprise zone established under title 41, chapter 10, article 2~~ AS CERTIFIED BY THE DEPARTMENT
2 OF COMMERCE PURSUANT TO SECTION 41-1525, except employment positions at a ~~zone~~ location
3 where more than ten per cent of the business conducted at the location consists of retail sales of tangible
4 personal property, measured by either the number of employees assigned to retail sales or the square footage
5 of the facility used for retail sales activities at the location ~~in the zone~~. Retail sales and retail sales activities
6 do not include:

- 7 1. Food and beverage for consumption on the premises solely by employees and occasional guests of
8 employees at the location.
- 9 2. Promotional products not available for sale and displaying the company logo or trademark.
- 10 3. Products sold to company employees.

11 B. Subject to subsection E of this section, the amount of the credit is equal to- **THREE**
12 **THOUSAND DOLLARS FOR EACH FULL-TIME EMPLOYEE HIRED BY AN ARIZONA BASIC**
13 **ENTERPRISE, AS DEFINED IN SECTION 41-1525, FOR THE FULL TAXABLE YEAR IN A**
14 **QUALIFIED EMPLOYMENT POSITION IN EACH OF THE FIRST THREE YEARS OF**
15 **EMPLOYMENT.**

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

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

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

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

25 1. A TAXPAYER MUST:

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

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

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

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

39 ~~3.~~ 4. A qualified employment position must meet all of the following requirements:

40 (a) The position must be a minimum of one thousand seven hundred fifty hours per year of fulltime
41 and permanent employment.

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

47 (c) The employment must include health insurance coverage for the employee for which the
48 employer pays at least ~~fifty~~ **SIXTYFIVE** per cent of the premium or membership cost. If the taxpayer is
49 selfinsured, the taxpayer must pay at least ~~fifty~~ **SIXTYFIVE** per cent of a predetermined fixed cost per
50 employee for an insurance program that is payable whether or not the employee has filed claims.

51 (d) The employer must pay compensation at least equal to the **MEDIAN** wage ~~offer~~ by county as
52 computed annually by the department of ~~economic security research administration division~~ **COMMERCE**.

53 (e) The employee must have been employed for at least ninety days during the first taxable
54 year. An employee who is hired during the last ninety days of the taxable year shall be considered a new
55 employee during the next taxable year. A qualified employment position that is filled during the last ninety
56 days of the taxable year is considered to be a new qualified employment position for the next taxable year.

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

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

8 E. The net increase in the number of qualified employment positions is the lesser of the total
9 number of filled qualified employment positions created ~~in the zone~~ during the tax year or the difference
10 between the average number of fulltime employees ~~in the zone~~ in the current tax year and the average
11 number of fulltime employees during the immediately preceding taxable year. ~~The net increase in the
12 number of qualified employment positions computed under this subsection may not exceed two hundred
13 qualified employment positions per taxpayer each year.~~

14 F. A taxpayer who claims a credit under section 431164.01, 431165 or 431167 may not claim a
15 credit under this section with respect to the same employment positions.

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

21 H. Coowners of a business, including partners in a partnership, may each claim only the pro rata
22 share of the credit allowed under this section based on the ownership interest. The total of the credits
23 allowed all such owners of the business may not exceed the amount that would have been allowed for a sole
24 owner of the business.

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

33 J. A failure to timely report and certify to the department of commerce and the department of
34 revenue the information prescribed by section 411525, subsection ~~B~~ C, paragraphs 1, 2 and 3 and in the
35 manner prescribed by section 411525, subsection ~~C~~ D disqualifies the taxpayer from the credit under this
36 section. The department of revenue shall require written evidence of the timely report to the department of
37 commerce.

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

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

43 ~~2. Amounts carried forward into subsequent taxable years under subsection C of this section.~~

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

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

46 1. "Assigned to retail" means working more than twentyfive per cent of an employee's time in one
47 or more retail sales activities.

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

51 ~~2.~~ 3. "Retail sales" means the sale of tangible personal property to an ultimate consumer.

52 ~~3.~~ 4. "Retail sales activities" means all activities persons operating a retail business normally
53 engage in, including taking orders, filling orders, billing orders, receiving and processing payment and
54 shipping, stocking and delivering tangible personal property to the ultimate consumer, except drop
55 shipments by a company acting on behalf of an unrelated company that has made a sale to a final consumer.

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

3 END_STATUTE

4 Sec. 31 Laws 1996, chapter 344, section 12, as amended by Laws 2001, chapter 370, section 8 and
5 Laws 2006, chapter 387, section 5, is amended to read:

6 Sec. 12. Delayed repeal

7 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections 20-224.03, 43-1074 and 43-
8 1161, Arizona Revised Statutes, are repealed from and after June 30, ~~2011~~ 2016.

9 Sec. 32 Laws 2000, chapter 283, section 10, as amended by Laws 2002, chapter 264, section 4 and
10 Laws 2007, chapter 293, section 3, is amended to read:

11 Sec. 10. Delayed repeal; reversion

12 A. Section 23-730.02, Arizona Revised Statutes, and title 23, chapter 4, article 5.2, Arizona Revised
13 Statutes, are repealed from and after ~~December 31, 2011~~ JUNE 30, 2022.

14 B. Title 41, chapter 10, article 4, Arizona Revised Statutes, is repealed from and after ~~December 31,~~
15 ~~2011~~ JUNE 30, 2022, at which time any unexpended or unencumbered monies in the Arizona job training
16 fund attributable to the job training employer tax imposed pursuant to section 23-769, Arizona Revised
17 Statutes, revert to the unemployment compensation fund established by section 23-701, Arizona Revised
18 Statutes, and any unexpended or unencumbered monies in the Arizona job training fund not attributable to
19 the job training employer tax imposed pursuant to section 23-769, Arizona Revised Statutes, revert to the
20 state general fund.

21 Sec. 33 Short title

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

23 Sec. 34 Legislative intent

24 It is the intent of the legislature that:

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

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

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

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

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

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

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

38 Sec. 35 Continuation of enterprise zone tax incentives from prior law

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

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

45 2. Insurers and taxpayers who have employees in the second and third years of employment in
46 qualified employment positions under section 20224.03, subsection A, paragraphs 2 and 3, Arizona Revised
47 Statutes, section 43-1074, subsections A, B and C, Arizona Revised Statutes, and section 43-1161, subsections
48 A, B and C, Arizona Revised Statutes, including any excess credit amounts carried forward from prior
49 taxable years.

1
2 **NEW %20GROW %20JOBS %20BILL %202010[1]**
3 **06/15/2010**
4 **3:01 PM**
5 **C: dmt**
6
7
8
9