Page 31, after line 35, insert:

"Sec. 18. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates

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

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

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

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

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.90% of taxable income</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$580, plus 3.30% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,570, plus 3.90% of the excess over $50,000</td>
</tr>
</tbody>
</table>
House Amendments to S.B. 1487

1. If taxable income is: The tax is:

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

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

   If taxable income is: The tax is:

   $0 - $10,000  2.88% of taxable income

   $10,001 - $25,000  $286, plus 3.24% of the excess over $10,000

   $25,001 - $50,000  $774, plus 3.82% of the excess over $25,000

   $50,001 - $150,000  $1,729, plus 4.74% of the excess over $50,000

   $150,001 and over  $6,469, plus 5.10% of the excess over $150,000

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

   If taxable income is: The tax is:

   $0 - $20,000  2.88% of taxable income

   $20,001 - $50,000  $576, plus 3.24% of the excess over $20,000

   $50,001 - $100,000  $1,548, plus 3.82% of the excess over $50,000

   $100,001 - $300,000  $3,458, plus 4.74% of the excess over $100,000

   $300,001 and over  $12,938, plus 5.10% of the excess over $300,000

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

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

   If taxable income is: The tax is:

   $0 - $10,000  2.87% of taxable income

   $10,001 - $25,000  $287, plus 3.20% of the excess over $10,000

   $25,001 - $50,000  $767, plus 3.74% of the excess over $25,000

   $50,001 - $150,000  $1,702, plus 4.72% of the excess over $50,000

   $150,001 and over  $6,422, plus 5.04% of the excess over $150,000

   (b) In the case of a married couple filing a joint return or a single person who is a head of a household:
If taxable income is: | The tax is:
---|---
$0 - $20,000 | 2.87% of taxable income
$20,001 - $50,000 | $574, plus 3.20% of the excess over $20,000
$50,001 - $100,000 | $1,534, plus 3.74% of the excess over $50,000
$100,001 - $300,000 | $3,404, plus 4.72% of the excess over $100,000
$300,001 and over | $12,844, plus 5.04% of the excess over $300,000

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

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

If taxable income is: | The tax is:
---|---
$0 - $10,000 | 2.73% of taxable income
$10,001 - $25,000 | $273, plus 3.04% of the excess over $10,000
$25,001 - $50,000 | $729, plus 3.55% of the excess over $25,000
$50,001 - $150,000 | $1,617, plus 4.48% of the excess over $50,000
$150,001 and over | $6,097, plus 4.79% of the excess over $150,000

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

If taxable income is: | The tax is:
---|---
$0 - $20,000 | 2.73% of taxable income
$20,001 - $50,000 | $546, plus 3.04% of the excess over $20,000
$50,001 - $100,000 | $1,458, plus 3.55% of the excess over $50,000
$100,001 - $300,000 | $3,233, plus 4.48% of the excess over $100,000
$300,001 and over | $12,193, plus 4.79% of the excess over $300,000

5. For taxable years beginning from and after December 31, 2006 through December 31, 2015:

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

If taxable income is: | The tax is:
---|---
$0 - $10,000 | 2.59% of taxable income
$10,001 - $25,000 | $259, plus 2.88% of the excess over $10,000
$25,001 - $50,000 | $691, plus 3.36% of the excess over $25,000
$50,001 - $150,000  $1,531, plus 4.24% of the excess over $50,000
$150,001 and over  $5,771, plus 4.54% of the excess over $150,000

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.59% of taxable income</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$518, plus 2.88% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,382, plus 3.36% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 - $300,000</td>
<td>$3,062, plus 4.24% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$11,542, plus 4.54% of the excess over $300,000</td>
</tr>
</tbody>
</table>

6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015, IN THE CASE OF:

(a) A SINGLE PERSON OR A MARRIED PERSON FILING SEPARATELY, THE TAX IS TWO AND ONE-HALF PER CENT OF THE AMOUNT OF TAXABLE INCOME IN EXCESS OF FIFTEEN THOUSAND DOLLARS.

(b) A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE PERSON WHO IS A HEAD OF A HOUSEHOLD, THE TAX IS TWO AND ONE-HALF PER CENT OF THE AMOUNT OF TAXABLE INCOME IN EXCESS OF THIRTY THOUSAND DOLLARS.

Sec. 19. Section 43-1022, Arizona Revised Statutes, is amended to read:

43-1022. Subtractions from Arizona gross income

In computing Arizona adjusted gross income, the following amounts shall be subtracted from Arizona gross income UP TO AN AGGREGATE AMOUNT EQUAL TO NO MORE THAN TWENTY-FIVE PER CENT OF ARIZONA GROSS INCOME BEFORE ANY SUBTRACTIONS UNDER THIS SECTION:

1. The amount of exemptions allowed by section 43-1023.
2. Benefits, annuities and pensions in an amount totaling not more than two thousand five hundred dollars received from one or more of the following:
   (a) The United States government service retirement and disability fund, retired or retainer pay of the uniformed services of the United States,
the United States foreign service retirement and disability system and any other retirement system or plan established by federal law.

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

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

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

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

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

7. The amount of any income tax refunds that were received from states other than Arizona and that were included as income in computing federal adjusted gross income.
8. Annuity income included in federal adjusted gross income pursuant to section 72 of the internal revenue code if the first payment with respect to such annuity was received before December 31, 1978.

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

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

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

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

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

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

15. The portion of any wages or salaries paid or incurred by the taxpayer for the taxable year that is equal to the amount of the federal work opportunity credit, the empowerment zone employment credit, the credit for employer paid social security taxes on employee cash tips and the Indian employment credit that the taxpayer received under sections 45A, 45B, 51(a) and 1396 of the internal revenue code.
16. The amount of prizes or winnings less than five thousand dollars in a single taxable year from any of the state lotteries established and operated pursuant to title 5, chapter 5.1, article 1, except that all such winnings before March 22, 1983, including periodic distributions from such winnings made after March 22, 1983, may be subtracted.

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

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

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

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

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

22. With respect to a medical savings account established pursuant to section 43-1028:
(a) An eligible individual may subtract:

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

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

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

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

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

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

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

27. For property placed in service:

(a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.
(b) In taxable years beginning from and after December 31, 2012 through December 31, 2013, an amount determined in the year the asset was placed in service based on the calculation in subdivision (a) of this paragraph. In the first taxable year beginning from and after December 31, 2013, the taxpayer may elect to subtract the amount necessary to make the depreciation claimed to date for the purposes of this title the same as it would have been if subdivision (c) of this paragraph had applied for the entire time the asset was in service. Subdivision (c) of this paragraph applies for the remainder of the asset's life. If the taxpayer does not make the election under this subdivision, subdivision (a) of this paragraph applies for the remainder of the asset's life.

(c) In taxable years beginning from and after December 31, 2013, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been ten per cent of the amount allowed pursuant to section 168(k) of the internal revenue code.

28. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 25 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

29. With respect to property for which an adjustment was made under section 43-1021, paragraph 26, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 26 in the year in which the amount was adjusted under section 43-1021, paragraph 26 and in each of the following four years.

30. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:
(a) Two thousand dollars for a single individual or a head of household.

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

31. The amount of any original issue discount that was deferred and not allowed to be deducted in computing federal adjusted gross income or federal taxable income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).

32. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income or federal taxable income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously added to Arizona gross income pursuant to section 43-1021, paragraph 31.

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

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

35. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:
   (a) For taxable years beginning from and after December 31, 2012 through December 31, 2013, ten per cent of the net long-term capital gain included in federal adjusted gross income.
   (b) For taxable years beginning from and after December 31, 2013 through December 31, 2014, twenty per cent of the net long-term capital gain included in federal adjusted gross income.
   (c) For taxable years beginning from and after December 31, 2014, twenty-five per cent of the net long-term capital gain included in federal adjusted gross income.

For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.

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

37. With respect to a long-term health care savings account established pursuant to section 43-1032, the amount deposited by the taxpayer in the account during the taxable year to the extent that the taxpayer's contributions are included in the taxpayer's federal adjusted gross income.

Sec. 20. Section 43-1111, Arizona Revised Statutes, is amended to read:

43-1111. Tax rates for corporations

There shall be levied, collected and paid for each taxable year upon the entire Arizona taxable income of every corporation, unless exempt under
section 43-1126 or 43-1201 or as otherwise provided in this title or by law.
taxes in an amount of the greater of fifty dollars or:

1. For taxable years beginning through December 31, 2013, 6.968 per
cent of net income.

2. For taxable years beginning from and after December 31, 2013
through December 31, 2014, 6.5 per cent of net income.

3. For taxable years beginning from and after December 31, 2014
through December 31, 2015, 6.0 per cent of net income.

4. For taxable years beginning from and after December 31, 2015,

5. For taxable years beginning from and after December 31, 2016, 4.9
per cent of net income.

Sec. 21. Section 43-1122, Arizona Revised Statutes, is amended to
read:

43-1122. Subtractions from Arizona gross income; corporations

In computing Arizona taxable income for a corporation, the following
amounts shall be subtracted from Arizona gross income **UP TO AN AGGREGATE
AMOUNT EQUAL TO NO MORE THAN TWENTY-FIVE PER CENT OF ARIZONA GROSS INCOME
BEFORE ANY SUBTRACTIONS UNDER THIS SECTION**:

1. The amounts computed pursuant to section 43-1022, paragraphs 8
through 15, 27, 28, **30—and 29, 31 AND 32**. For the purposes of this
paragraph, "federal adjusted gross income" as used in section 43-1022 means
"federal taxable income".

2. The amount of Arizona capital loss carryover as defined in section
43-1124 in an amount not to exceed one thousand dollars.

3. With respect to a financial institution as defined in section
6-101, expenses and interest relating to tax-exempt income disallowed
pursuant to section 265 of the internal revenue code.

4. Dividends received from another corporation owned or controlled
directly or indirectly by a recipient corporation. For the purposes of this
paragraph, "control" means direct or indirect ownership or control of fifty
per cent or more of the voting stock of the payor corporation by the
recipient corporation. Dividends shall have the meaning provided in section 316 of the internal revenue code. This subtraction shall apply without regard to section 43-961, paragraph 2 and article 4 of this chapter. A corporation that has its commercial domicile, as defined in section 43-1131, in this state may subtract the full amount of the dividends. A corporation that does not have its commercial domicile in this state may subtract:

(a) For its taxable year beginning in 1990, an amount equal to one-half of the dividends.

(b) For taxable years beginning in 1991 and thereafter, the full amount of the dividends.

5. Interest income received on obligations of the United States.
6. The amount of dividend income from foreign corporations.
7. The amount of net operating loss allowed by section 43-1123.
8. The amount of any state income tax refunds received which were included as income in computing federal taxable income.
9. The amount of expense recapture included in income pursuant to section 617 of the internal revenue code for mine exploration expenses.
10. The amount of deferred exploration expenses allowed by section 43-1127.
11. The amount of exploration expenses related to the exploration of oil, gas or geothermal resources, computed in the same manner and on the same basis as a deduction for mine exploration pursuant to section 617 of the internal revenue code. This computation is subject to the adjustments contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this section relating to exploration expenses.
12. The amortization of pollution control devices allowed by section 43-1129.
13. The amount of amortization of the cost of child care facilities pursuant to section 43-1130.
14. The amount of income from a domestic international sales corporation required to be included in the income of its shareholders pursuant to section 995 of the internal revenue code.
15. The income of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

16. The amount of contributions by the taxpayer during the taxable year to medical savings accounts established on behalf of the taxpayer's employees as provided by section 43-1028, to the extent that the contributions are not deductible under the internal revenue code.

17. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

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

Sec. 22. Single income tax rate legislative study committee; membership; duties; report; delayed repeal

A. The single income tax rate legislative study committee is established consisting of the following members:

1. Five members of the senate who are appointed by the president of the senate.

2. Five members of the house of representatives who are appointed by the speaker of the house of representatives.

3. Five members who are appointed by the governor.

B. The study committee shall:

1. Study and make findings and conclusions and develop recommendations for the implementation of the single income tax rate for individuals and corporations in a revenue neutral manner.

2. Meet at least once each month. All meetings of the study committee are open to the public.

3. Submit a report of the study committee's findings, conclusions and recommendations to the governor, the president of the senate and the speaker.
of the house of representatives not later than September 30, 2015. The study committee shall provide a copy of the report to the secretary of state.

C. On the request of the study committee, an agency of this state shall provide its services, equipment, documents, personnel and facilities to the committee to the extent possible without cost to the committee.

D. The senate and the house of representatives shall provide staff and support services to the study committee.

E. Members of the study committee are not eligible to receive compensation but are eligible for reimbursement of expenses pursuant to title 38, chapter 4, article 2, Arizona Revised Statutes.

F. If the study committee's report fails to make legislative recommendations that allow for the revenue neutral implementation of the single income tax rate for individuals and corporations, the study committee shall propose legislation expanding the transaction privilege tax base to produce additional transaction privilege tax revenue to offset the projected loss of revenue resulting from the single income tax rate.

G. This section is repealed from and after December 31, 2015."

Amend title to conform