



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1108

tax omnibus

Purpose

Makes various changes to taxes, deduction amounts, credits and fees.

Background

Assessed Valuation of Class 1 Property

Class 1 property consists of properties of mining, telecommunication companies, utilities, standing timber, airport fuel delivery, oil and gas production, pipelines, shopping centers, golf courses and most other commercial uses ([A.R.S. § 42-12001](#)). The assessed valuation of class 1 property is currently 18 percent of its full cash value or limited valuation, as applicable ([A.R.S. § 42-15001](#)).

State Equalization Assistance Property Tax Rate

Each county board of supervisors is required to levy the state equalization property tax each year and it is the responsibility of the county treasurer to apportion the monies to school districts within the county as provided by law ([A.R.S. § 15-994](#)). The state equalization assistance property tax rate (SETR) in tax year 2020 is \$0.4426 ([A.R.S. § 41-1276](#)).

Alternative Fuel Vehicles

A vehicle powered by electricity, solar energy, alcohol fuel, certain approved gasses or certain fuel blends is classified as an alternative fuel vehicle. Statute prescribes a reduced calculation for a vehicle license tax for alternative fuel vehicles purchased through December 31, 2022. A per gallon motor vehicle fuel tax is levied for motor vehicle fuel, commonly known as gasoline. The state motor vehicle fuel tax rate is \$0.18 per gallon. The use fuel tax applies to diesel fuel and there is no use fuel tax on alternative fuels. To partially compensate Arizona for the use of its highways, the use fuel tax for a light class motor vehicle is \$0.18 per gallon and \$0.26 per gallon for a use class motor vehicle ([A.R.S. §§ 28-5605](#) and [28-5606](#)).

Dependent Tax Credit

[Laws 2019, Chapter 273](#) established a dependent tax credit for qualifying taxpayers as follows:

Less than \$200,000 for a single person, married filing separately or head of household, and less than \$400,000 for married filing jointly:	
\$100 for each dependent under 17 years old	\$25 for each dependent at least 17 years old
At least \$200,000 for a single person, married filing separately or head of household, and at least \$400,000 for married filing jointly:	
\$100 minus 5% for each \$1,000 by which the taxpayer's federal adjusted gross income (FAGI) exceeds the applicable threshold for each dependent under 17 years old	\$25 minus 5% for each \$1,000 by which the taxpayer's FAGI exceeds the applicable threshold for each dependent at least 17 years old

Fire District Board Tax Levy

A fire district board must levy a tax on property situated within the district boundaries that appeared on the last assessment roll not to exceed \$3.25 per \$100 of assessed valuation, or the amount of the levy in the previous tax year multiplied by 1.08, whichever is less, and minus any amounts required to reduce the levy resulting from property annexation or a fire district merger or consolidation. In an override election, the electors of a fire district may authorize a fire district board to levy a tax exceeding the \$3.25 limit under certain circumstances ([A.R.S. § 48-807](#)).

Arizona Gross Income for Individuals and Corporations

Current statute authorizes various amounts to be added or subtracted when computing an individual's Arizona adjusted gross income or a corporation's Arizona taxable income. Additions and subtractions are in place that require the addback of all federal depreciation taken under section 167(a) of the Internal Revenue Code (IRC) and the subtraction for the depreciation that would have been claimed if the taxpayer had made the election to opt out of bonus depreciation under section 168(k) of the IRC (A.R.S. §§ [43-1021](#); [43-1022](#); [43-1121](#) and [43-1122](#)).

Arizona Job Training Fund

The Arizona Commerce Authority administers the Arizona Job Training Fund. Monies appropriated to the Arizona Job Training Fund must be used to provide training to small businesses employing fewer than 100 employees and to businesses located in rural areas in Arizona ([A.R.S. § 41-1544](#)).

If any provision of this legislation causes a change in revenue, there may be a fiscal impact to the state General Fund (GF).

Provisions

Assessed Valuation of Class 1 Property

1. Reduces the percentage of assessed valuation of class 1 property to:
 - a) 17.5 percent in calendar year 2022; and
 - b) 17 percent thereafter.

State Equalization Assistance Property Tax Rate

2. Sets the SETR at:
 - a) \$0.3520 in TY 2021;
 - b) \$0.2776 in TY 2022; and
 - c) \$_____ in TY 2023.

Electric and Hybrid Vehicles Tax (Effective July 1, 2021)

3. Imposes a tax on each vehicle propelled by electricity, natural gas or propane, or by a combination of electricity, gasoline, use fuel, natural gas or propane and that accesses a street or highway, as follows:
 - a) \$110 per year for a vehicle that is propelled only by electricity;
 - b) \$44 per year for a vehicle that is propelled by a combination of electricity and other fuels; and

- c) \$44 per year for a vehicle that is propelled by a combination of gasoline or use fuel and natural gas or propane.

Dependent Tax Credit
(Retroactive to taxable years beginning January 1, 2021)

4. Increases the dependent tax credit for the following categories in the following amounts:

Less than \$200,000 for a single person, married filing separately or head of household, and less than \$400,000 for married filing jointly:	
\$120 for each dependent under 17 years old	\$30 for each dependent at least 17 years old
At least \$200,000 for a single person, married filing separately or head of household, and at least \$400,000 for married filing jointly:	
\$120 minus 5% for each \$1,000 by which the taxpayer's FAGI exceeds the applicable threshold for each dependent under 17 years old	\$30 minus 5% for each \$1,000 by which the taxpayer's FAGI exceeds the applicable threshold for each dependent at least 17 years old

Fire District Board Tax Levy

- 5. Increases the cap of \$3.25 per \$100 of assessed valuation that a fire district board must levy against all property situated within the district boundaries and appearing on the last assessment roll as follows:
 - a) \$3.375 per \$100 of assessed valuation in TY 2022; and
 - b) \$3.50 per \$100 of assessed valuation in TY 2023 and thereafter.

Arizona Adjusted Gross Income for Individuals
(Retroactive to taxable years beginning January 1, 2021)

- 6. Removes, from the computation of Arizona adjusted gross income, the amount of the addback of all federal depreciation taken and the subtraction for the depreciation that would have been claimed if the taxpayer had made the election to opt out of bonus depreciation.
- 7. Reduces the subtraction used in computing Arizona adjusted gross income for the taxable year, from 100 percent to 50 percent, of the net long-term capital gain included in FAGI that is derived from an investment in an asset acquired after December 31, 2020.

Arizona Gross Income for Corporations
(Retroactive to taxable years beginning January 1, 2021)

- 8. Removes, from the computation of Arizona taxable income, the amount of the addback of all federal depreciation taken and the subtraction for the depreciation that would have been claimed if the taxpayer had made the election to opt out of bonus depreciation.

Arizona Job Training Fund

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9. Reverts unencumbered monies to the state GF on January 1, 2023, rather than January 1, 2021, and reverts all monies remaining in the Arizona Job Training Fund to the state GF on June 30, 2024, rather than June 30, 2022.
10. Prohibits monies in the Arizona Job Training Fund from being encumbered from and after December 31, 2022, rather than December 31, 2020.

Miscellaneous

11. Makes technical and conforming changes.
12. Becomes effective on the general effective date, with retroactive provisions and a delayed effective date as noted.

Prepared by Senate Research

February 1, 2021

MG/g