

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

2021 Legislative Summaries

**State of Arizona
Department
of Revenue**

This document contains summaries of 2021 legislation from the Fifty Fifth Legislature – First Regular Session.

2021 Legislative Summaries

The material below briefly summarizes the major 2021 tax-related legislation impacting the Arizona Department of Revenue (ADOR), but is not intended to discuss substantive specifics of any particular enactment. Detailed summaries and the chaptered versions of these bills can also be found at www.azleg.gov. Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the First Regular Session is September 29, 2021. All legislation will have this effective date unless otherwise noted in the summary.

Income Tax

HB 2838 (Chapter 425) **income tax; partnerships; S corporations**

Effective January 1, 2022, creates an entity-level income tax for partnerships and S corporations for the purpose of deducting state income taxes at the federal level.

SB 1113 (Chapter 174) **unused tax credit; termination; time**

Requires the Director of ADOR terminate any unused tax credit that has not been claimed or allowed in three consecutive annual reports instead of four.

SB 1350 (Chapter 178) **Income tax; returns; filing extension..**

Retroactive to tax year (TY) 2021, extends the due date for an income tax return for a taxpayer filing a corporate, partnership or exempt organization return that has been granted an extension to seven months from the initial due date.

SB 1752 (Chapter 232) **conformity; internal revenue code**

Incorporates the federal changes made in 2020 into Arizona's definition of "internal revenue code."

SB 1783 (Chapter 436) **small businesses; alternate income tax**

Permits, retroactive to January 1, 2021, a tax to be levied, collected, and paid for each taxable year on Arizona small business taxable income in an amount equal to 4.5 percent. The legislation defines small business taxpayer and outlines requirements for income tax return filing and tax treatment. The legislation also establishes tax credits for a qualifying Arizona small business.

SB 1830 (Chapter 383) **credit for donation.**

Retroactive to tax year 2020, creates a corporate tax credit for the donation of real property to a school district or charter school.

**SB 1844 (Chapter 395)
taxes, 529 contributions, ABLE
contributions.**

Retroactive to tax year 2021, applies the Arizona adjusted gross income subtraction for 529 college savings plan contributions to contributions made on behalf of each beneficiary. Allows authorized ABLE account contributions made on behalf of a designated beneficiary to be subtracted from an individual's Arizona adjusted gross income in specified amounts.

Transaction Privilege Tax

**HB 2649 (Chapter 266)
computer data centers; tax incentives**

Redefines "tax relief," retroactive to September 13, 2013, as the statutorily prescribed transaction privilege tax (TPT), use tax, prime contracting tax and municipal tax deductions from the gross proceeds of sale or gross income from the sale, use, installation, assembly, repair, or maintenance of computer data center (CDC) equipment for use at a CDC. Modifies TPT and use tax exemptions applicable to a qualified CDC.

**SB 1110 (Chapter 443)
TPT; exemptions; Indian tribes**

Exempts specified sales and contracting activities to and by Indian Tribes, tribally owned businesses, tribal entities, and affiliated Indians from state and municipal TPT.

**SB 1720 (Chapter 220)
peer-to-peer car sharing**

Establishes guidelines for taxation, insurance requirements, and safety recalls for vehicle sharing

transactions that occur on a peer-to-peer car sharing platform.

Property Tax

**HB 2025 (Chapter 127)
delinquent property tax; interest; waiver**

Allows, after approval by the board of supervisors, a county treasurer to waive interest and penalties for delinquent taxes.

**HB 2112 (Chapter 98)
truth in taxation; press releases**

Requires press releases for the truth in taxation notices to include the name of the newspaper and when it will be published. This legislation also requires this information to be posted on the official website of the community college district or the county, city, or town.

**HB 2316 (Chapter 26)
centrally assessed property; valuation;
pipelines**

Retroactive to January 1, 2016, outlines requirements for ADOR to adjust the base value used to determine the full cash value of pipeline property.

**HB 2331 (Chapter 28)
property tax; mobile homes; delinquency**

Modifies the process by which certain mobile homes may be seized and sold to pay delinquent taxes.

**HB 2376 (Chapter 185)
class 2 property; guest ranches**

Includes land and improvements devoted to use as a guest ranch as a Class two property.

**HB 2391 (Chapter 109)
county property tax information;
worksheet**

Requires the board of supervisors to complete and make all property tax rates, levies, and valuations in the county available to the public.

**SB 1076 (Chapter 352)
low-income multifamily housing; valuation**

Classifies low-income multifamily residential rental property as class four property and requires an assessor to value qualifying properties using an income-based method.

**SB 1734 (Chapter 151)
agricultural property; reclassification;
notice**

Requires a county assessor to notify a property owner by certified mail if there has been a change of use and the property ceases to qualify as agricultural property.

Multiple Tax Types/Misc.

**HB 2109 (Chapter 97)
bingo; conduct; licenses**

Increases bingo licenses gross receipt thresholds and the cap on the amount of cash prizes payable by check.

**HB 2321 (Chapter 80)
qualified facilities**

Modifies the amount of the Credit for Qualified Facilities and prohibits the ACA from preapproving Credits that exceed \$125,000,000, rather than \$70,000,000, in any calendar year. The bill also extends the requirement that the State Treasurer is required to pay prime contracting TPT revenues to a city, town, or county each month for funding up to 80 percent of the cost of public infrastructure improvements from October 1, 2023 to October 1, 2033.

**HB 2429 (Chapter 196)
tax corrections act of 2021**

Makes numerous technical, clarifying and conforming changes to tax-related Arizona Revised Statutes.

**HB 2431 (Chapter 131)
DOR; bond election pamphlets; storage**

Removes the requirement for the governing board or board of a political subdivision to send an informational pamphlet to ADOR within thirty days after the bond election and that ADOR maintain copies of those pamphlets.

**HB 2544 (Chapter 339)
blockchain and cryptocurrency study
committee**

Establishes the Blockchain and Cryptocurrency Study Committee.

HB 2696 (Chapter 224)
government assistance; point of contact

Requires a city, town, or state agency to provide the contact information for the employee who will communicate with a person of the public on specified issues.

HB 2835 (Chapter 298)
theme park districts; extension

Makes numerous changes related to theme park districts and theme park district governing boards of directors.

HB 2879 (Chapter 342)
DOR; procedures; administrative rulings

Allows ADOR to issue draft rulings, procedures, notices, and other administrative announcements that apply to tax laws and regulations. Requires ADOR to meet with a requestor upon receiving a written request to issue a private taxpayer ruling or private taxpayer information ruling.

SB 1124 (Chapter 430)
contributions in aid of construction

The bill makes the following changes: 1) allows a public service corporation operating a water system or sewage disposal facility to subtract the amount of monies or property received as a contribution in aid of construction when computing Arizona taxable income; 2) establishes the Affordable Housing Tax Credit and outlines requirements for the tax credit; 3) extends the Credit for Investment in a Qualified Small Business until June 30, 2031; and 4) increases the TPT distribution to Diné College to \$3,500,000 in fiscal year 2021.

SB 1828 (Chapter 412)
omnibus; taxation

Establishes numerous changes to the income and property tax statutes. Please see www.azleg.gov for a detailed summary of all changes.