

REFERENCE TITLE: rural economic development; university patents

State of Arizona
House of Representatives
Forty-fourth Legislature
Second Regular Session
2000

HB 2004

Introduced by
Representatives Jarrett, Flake, Johnson, Groscost

AN ACT

AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1088.01; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1179; RELATING TO INDIVIDUAL AND CORPORATE INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 43, chapter 10, article 5, Arizona Revised Statutes,
3 is amended by adding section 43-1088.01, to read:

4 43-1088.01. Credit for businesses manufacturing product
5 patented at state university

6 A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A
7 TAXPAYER WHO MEETS THE FOLLOWING REQUIREMENTS:

8 1. THE TAXPAYER MUST EITHER:

9 (a) BEGIN CONDUCTING BUSINESS AFTER JUNE 30, 2000 IN A COUNTY WITH A
10 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS ACCORDING TO THE MOST
11 RECENT UNITED STATES DECENNIAL CENSUS.

12 (b) RELOCATE AN ONGOING BUSINESS AFTER JUNE 30, 2000 FROM A COUNTY
13 WITH A POPULATION OF FIVE HUNDRED THOUSAND PERSONS OR MORE TO A COUNTY WITH A
14 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS ACCORDING TO THE MOST
15 RECENT UNITED STATES DECENNIAL CENSUS.

16 2. THE BUSINESS MUST BE PRIMARILY ENGAGED IN MANUFACTURING ONE OR MORE
17 PRODUCTS THAT WERE PATENTED AFTER JUNE 30, 2000 AT A UNIVERSITY UNDER THE
18 JURISDICTION OF THE ARIZONA BOARD OF REGENTS.

19 B. THE AMOUNT OF THE CREDIT IS EQUAL TO THE COST OF THE PATENT TO THE
20 TAXPAYER DURING THE TAXABLE YEAR, WHETHER IN PURCHASING THE PATENT OR AS
21 PERIODIC PAYMENTS FOR THE RIGHT TO MANUFACTURE PRODUCTS PURSUANT TO THE
22 PATENT. A TAXPAYER IS ELIGIBLE TO CLAIM A CREDIT UNDER THIS SECTION IN NOT
23 MORE THAN FIVE TAXABLE YEARS.

24 C. CO-OWNERS OF THE BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
25 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE INTERNAL
26 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
27 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
28 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
29 ALLOWED A SOLE OWNER.

30 D. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
31 SECTION, OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE AMOUNT OF THE
32 CREDIT NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY BE CARRIED FORWARD TO
33 THE NEXT FIVE CONSECUTIVE TAXABLE YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS'
34 INCOME TAX LIABILITY. A CREDIT MAY BE CARRIED FORWARD UNDER THIS SUBSECTION
35 NOTWITHSTANDING THE FIVE YEAR LIMITATION UNDER SUBSECTION B.

36 Sec. 2. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
37 amended by adding section 43-1179, to read:

38 43-1179. Credit for businesses manufacturing product patented
39 at state university

40 A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A
41 TAXPAYER WHO MEETS THE FOLLOWING REQUIREMENTS:

42 1. THE TAXPAYER MUST EITHER:

43 (a) BEGIN CONDUCTING BUSINESS AFTER JUNE 30, 2000 IN A COUNTY WITH A
44 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS ACCORDING TO THE MOST
45 RECENT UNITED STATES DECENNIAL CENSUS.

1 (b) RELOCATE AN ONGOING BUSINESS AFTER JUNE 30, 2000 FROM A COUNTY
2 WITH A POPULATION OF FIVE HUNDRED THOUSAND PERSONS OR MORE TO A COUNTY WITH A
3 POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS ACCORDING TO THE MOST
4 RECENT UNITED STATES DECENNIAL CENSUS.

5 2. THE BUSINESS MUST BE PRIMARILY ENGAGED IN MANUFACTURING ONE OR MORE
6 PRODUCTS THAT WERE PATENTED AFTER JUNE 30, 2000 AT A UNIVERSITY UNDER THE
7 JURISDICTION OF THE ARIZONA BOARD OF REGENTS.

8 B. THE AMOUNT OF THE CREDIT IS EQUAL TO THE COST OF THE PATENT TO THE
9 TAXPAYER DURING THE TAXABLE YEAR, WHETHER IN PURCHASING THE PATENT OR AS
10 PERIODIC PAYMENTS FOR THE RIGHT TO MANUFACTURE PRODUCTS PURSUANT TO THE
11 PATENT. A TAXPAYER IS ELIGIBLE TO CLAIM A CREDIT UNDER THIS SECTION IN NOT
12 MORE THAN FIVE TAXABLE YEARS.

13 C. CO-OWNERS OF THE BUSINESS, INCLUDING CORPORATE PARTNERS IN A
14 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
15 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
16 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
17 ALLOWED A SOLE OWNER.

18 D. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
19 SECTION, OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE AMOUNT OF THE
20 CREDIT NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY BE CARRIED FORWARD TO
21 THE NEXT FIVE CONSECUTIVE TAXABLE YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS'
22 INCOME TAX LIABILITY. A CREDIT MAY BE CARRIED FORWARD UNDER THIS SUBSECTION
23 NOTWITHSTANDING THE FIVE YEAR LIMITATION UNDER SUBSECTION B.

24 Sec. 3. Retroactivity

25 This act is effective retroactively from and after June 30, 2000.