

Finance Committee

Senator Jim Waring, Chairman



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FINANCE COMMITTEE

LEGISLATION ENACTED

expenditure limitation; penalty waiver; Pima (S.B. 1146) – Chapter 59

Beginning July 1, 2009, requires the town of Pima to pay a statutory penalty over five years in equal installments for exceeding its expenditure limitation. Until June 30, 2019, provides an exemption from the existing state aid withholding penalty assessed to a community college district (District) that exceeds its aggregate expenditure limitation if the amount exceeded is due to the expenditure of revenues from a bookstore operated by the District. Stipulates a \$100 penalty for a violation of the exemption.

state treasurer; warrant notes (S.B. 1182) – Chapter 94

Allows the State Treasurer to issue warrant notes without divesting from Board Funding Obligations, monies in the Budget Stabilization Fund or operating monies invested in securities that are earning a rate of interest greater than the cost of issuing warrant notes.

~~technical correction; disincorporation~~ (NOW: conformity; internal revenue code) (S.B. 1185 / H.B. 2082) – Chapter 2 E

SEE APPROPRIATIONS COMMITTEE.

~~jail districts; property tax limit~~ (NOW: deficiency judgment; foreclosed properties) (S.B. 1271) – Chapter 68

Modifies the requirements which prohibit a deficiency judgment on a single one-family or two-family trust property of two and a half acres or less to include: 1) a requirement that the trustor utilized the trust property as a dwelling for at least six consecutive months, and 2) a requirement that a certificate of occupancy was issued for the trust property. Places responsibility on the trustor to demonstrate that the trust property was utilized by the trustor as a residence for six consecutive months.

income tax returns; penalties (S.B. 1373) – Chapter 116

Provides that a taxpayer who is penalized for filing an extension to file an income tax return without also paying at least 90 percent of the taxes due will not also be penalized for failure to pay 100 percent of taxes which are due.

renewable, high-wage industries incentives (S.B. 1403) – Chapter 96

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

special districts; secondary levy limits (S.B. 1421) – Chapter 118

Imposes the following statutory secondary levy limit for fire districts, with the amount of the levy being the lesser of: 1) eight percent greater than the amount of the levy in the preceding tax

year; or 2) \$3.25 per \$100 of assessed value. Allows the qualified electors of the fire district to authorize one, but not both, of the following options: 1) a permanent voter-approved override allowing annual levies without reference to the previous year's levy but within the \$3.25 maximum rate cap; or 2) if the net assessed valuation declines by 20 percent or more over two consecutive valuation years, a five-year voter-approved override allowing annual levies that are exempt from the \$3.25 maximum rate cap but allowing five percent growth greater than the amount of the levy in the preceding tax year. After the fifth year, the district would return to the eight percent levy limit, computed from the year preceding the override. Requires each fire district to report the total assessed value of all property annexed in the previous year to the Property Tax Oversight Commission (Commission) by February 10 of each year and requires the Commission to review each fire district's levy. Prohibits a fire district from levying property taxes in TY 2010 greater than 16 percent of that levied in TY 2008.

income tax credit review schedule (H.B. 2081) – Chapter 32

Repeals the current income tax credit review schedule and establishes a new automatic review schedule for selected income tax credits.

2009 tax corrections act (H.B. 2083) – Chapter 33

Corrects errors, obsolete language and blending problems in the tax statutes of the Arizona Revised Statutes. Makes other clarifications with respect to the tax statutes, including that: 1) the legal classification of property may be appealed, not just the valuation of property, and codifies current practice; 2) owner-occupied homeowner property limitations apply to all mobile homes; 3) a personal property appeal to the State Board of Equalization should be conducted in the same manner as real property appeals, as is consistent with current policy; and 4) the increases to the Research and Development tax credit approved in the 2008 session apply to taxable years, rather than calendar years.

insurance; actuarial opinions; financial audits (H.B. 2144) – Chapter 164

Establishes actuarial opinion and memorandum requirements for insurers and allows the Director of the Department of Insurance to adopt rules relating to those requirements. Requires all property and casualty insurance companies doing business in the state to file a statement of actuarial opinion made by an appointed actuary with an annual financial statement under standards set by the National Association of Insurance Commissioners (NAIC). Beginning January 1, 2010, subjects all insurers having \$1 million or more in direct premiums written in the state in any calendar year and more than 1,000 policy or certificate holders to the NAIC annual financial reporting model regulation for that calendar year.

insurance; network plan; definition (H.B. 2145) – Chapter 39

Expands the definition of *network plan* in disability statutes to include a health care insurer under which the financing and delivery of health care services are provided, in whole or in part, through a defined set of providers under contract with a hospital, medical, dental and optometric service corporation. Modifies health insurance statutes by updating the list of medical compendia used to identify the off-label prescription cancer drugs that applicable health insurance plans are required to cover.

fire insurance; premium tax (NOW: fire insurance premium tax; report) (H.B. 2156) – Chapter 135

Allows insurers to rely in good faith on the annual report certified by the Fire Marshal when collecting fire insurance premium taxes. Requires the Fire Marshal to certify in the annual report sent to the Treasurer which properties are located in an incorporated city and town with their own fire services and which properties are located in an area served by a private fire company. Stipulates that an insurer is not subject to regulatory action relating to the calculation or submittal of fire insurance premium taxes which are based in good faith on the report. Allows a refund to be paid to an insurer for any excess amount of fire insurance premium taxes improperly paid by the insurer.

mandatory vehicle insurance; technical correction (NOW: mandatory vehicle insurance; financial responsibility) (H.B. 2224) – Chapter 165

Requires a person who has a third or subsequent failure to supply proof of financial responsibility within three years of an initial violation to submit proof of responsibility to the Arizona Department of Transportation before the driver license, registration and license plate are reinstated. Modifies a court's authority to reduce or waive a penalty for failure to produce proof of financial responsibility if the person has not been found in violation of the law within the past 24 months or more than once in the past 36 months *and* has also purchased a 6-month insurance policy.

fire district assistance tax; mergers (NOW: merger; fire district assistance tax) (H.B. 2285) – Chapter 100

Retroactive to January 1, 2008, adjusts the amount of Fire District Assistance Tax (FDAT) revenues that merged or consolidated fire districts can receive. The new amount is the sum of the average of the three previous yearly FDAT amounts received by each district instead of the sum of the last amount received by each district.

tax credit; charitable organizations (H.B. 2286 / S.B. 1019) – Chapter 80

Retroactive to January 1, 2009, expands the individual income tax credit for contributions that provide assistance to low income individuals and their households to include contributions to organizations that provide services to chronically ill or disabled children. Eliminates the requirement for taxpayers to establish a baseline year for eligibility for the income tax credit. Limits the credit to only a taxpayer who itemizes deductions. Establishes a certification process for qualifying charitable organizations at the Department of Revenue and requires charitable organizations currently certified to re-certify under the new requirements.

tax credits; withholding tax reduction (H.B. 2287) – Chapter 167

Allows an employer to reduce an employee's withholdings by the amount of credit that the employee will qualify for and plans on taking for contributions made to a school tuition organization, public school or charitable organization. In order to participate, the employee must submit a written request to the employer, stating the name and address of the qualifying organization and the amount of donation. The bill also outlines the responsibilities and requirements that apply to the employer.

premium tax credit; STO contribution (H.B. 2288 / S.B. 1023) – Chapter 168

SEE APPROPRIATIONS COMMITTEE.

small special districts; financial review (H.B. 2312) – Chapter 18

Removes the requirement for a biennial financial review for a special taxing district with a budget of \$50,000 or less. Instead, financial reviews for small special taxing districts will only be performed at the request of the county board of supervisors or at the request of ten or more residents.

property valuation; telecommunications companies (H.B. 2314) – Chapter 169

Retroactive to January 1, 2009, reduces the minimum value of personal property for telecommunications companies. The bill maintains the current practice of establishing a minimum depreciation of 20 percent for buildings, but allows a reduced valuation to 10 percent of original costs for cables and other telecommunication equipment. Requires the Department of Revenue to use a straight line basis for determining the valuation of telecommunications property instead of the depreciation schedules adopted in 1993.

health insurance; small business coverage (H.B. 2323) – Chapter 84

Allows health insurers to issue individual health insurance contracts, policies or evidences of coverage that do not include specific coverage benefits that would otherwise be required.

Modifies the definition of *uninsured small business*. In order to be considered an *uninsured small business*, the business is not permitted to provide health insurance for six consecutive months, rather than 90 days.

health insurance; individuals; coverage exemptions (H.B. 2324 / S.B. 1325) – Chapter 9 W/S

Allows health insurers to issue individual health insurance contracts, policies or evidences of coverage that do not include specific coverage benefits that would otherwise be required.

charter schools; leased property (H.B. 2346) – Chapter 87

Allows the leased property of a non-profit charter school that is used for educational purposes to be classified as class nine with an assessment ratio of one percent of assessed value. Specifies that if only part of a parcel of real property is leased for the operation of a non-profit charter school, only the portion leased to the school for educational purposes qualifies as class nine property. Requires the property owner to file an affidavit with the county assessor stating that the non-profit charter school is the sole beneficiary of the change in the property tax classification and that the lease rate is consistent with the lease rate charged to other tenants.

general obligation bond requirements (H.B. 2360) – Chapter 140

Makes a variety of changes to the publicity pamphlet that the governing body of a political subdivision is required to publish and provide to registered voters when there is a bond election, including: 1) a requirement that if the approval of the bond exceeds the constitutional debt limit, the pamphlet must include a statement to that effect; 2) a requirement that the pamphlet must state not only the maximum number of years the bond issue may run but also the minimum number of years; 3) a requirement that the pamphlet contain a statement that the bonds will result in a property tax increase in the amount necessary to pay the annual debt service on the bonds; and 4) a requirement

that the examples in the pamphlet show the estimated impact of the bonds, assuming that the assessed valuation of the property increases annually at 50 percent of the projected total annual increase in secondary assessed valuation. Specifies that an election for the refinancing of bonds previously approved by the voters is not required so long as the weighted average maturity of the refunding bonds is at least 75 percent of the weighted average maturity of all the bonds being refunded.

tax credit; coal consumption (NOW: utilities; confidential information) (H.B. 2371) – Chapter 103

Allows the Department of Revenue to provide utility companies the name and address of hospitals and health care organizations who qualify for an exemption from the Transaction Privilege Tax on the purchase of energy.

regional transportation authorities; qualifying counties. (H.B. 2480) – Chapter 52

Allows counties with a population greater than 200,000 but less than 400,000 to create a regional transportation authority (RTA) and allows the voters of those counties to approve levying the County Transportation Excise Tax. Modifies the population requirements for a county to form an Intergovernmental Public Transportation Authority. Modifies the distribution requirements for the Public Transportation Authority Fund and the Regional Transportation Fund.

voter registration; technical correction (NOW: sports authority districts) (H.B. 2572) – Chapter 122

SEE GOVERNMENT COMMITTEE.

LEGISLATION VETOED

renewable energy production tax credit (H.B. 2341) – VETOED

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.