

Finance Committee

Senator Jim Waring, Chairman
Resigned January 28, 2010

Senator Jack Harper, Chairman
Appointed February 8, 2010



Barbara Barzee, Research Analyst
Kristen Kuhl, Intern

FINANCE COMMITTEE

LEGISLATION ENACTED

ASRS; amendments (NOW: improvement districts; financing) (S.B. 1083) – Chapter 298

Allows the governing board of a community facilities district to establish a reserve fund either by using the proceeds from the sale of bonds which are covered by assessments or by increasing the collections of the annual installments over and above the amounts required for the debt service. Restricts the use of monies in the reserve fund for curing deficits in the principal and interest funds or to pay interest and principal on the final maturity of the bonds.

renewable energy tax incentive revisions (S.B. 1201) – Chapter 303

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

state board of equalization reforms (S.B. 1217) – Chapter 80 E

An emergency measure, effective April 16, 2010, that establishes a property tax appeals study committee to identify and analyze all issues involving the property tax appeals process. The committee is required to meet annually and submit legislative recommendations to the President of the Senate and the Speaker of the House of Representatives by December 15 of each year through 2012.

Increases the number of members on the State Board of Equalization (SBOE) from Maricopa and Pima counties that are appointed by the Governor from six to ten. Increases, from \$1 million to \$3 million or less, the threshold for property which may be heard by a single member of the SBOE. Makes various administrative changes.

fire districts; dissolution process (S.B. 1253) – Chapter 275

Revises the dissolution process for a fire district to match the creation process of a district, requiring the submission of petitions signed by the majority of the property owners of the district who collectively own more than one-half of the valuation of the district's property. Provides for the submission of a dissolution statement, public notice, a public hearing and the circulation of petitions.

job training; tax; suspension (NOW: research; development; production; tax credit) (S.B. 1254) – Chapter 312

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

STOs; contribution date (S.B. 1274) – Chapter 188

SEE EDUCATION ACCOUNTABILITY & REFORM COMMITTEE.

FINANCE COMMITTEE (Cont'd.)

county treasurer; liens; notices; payments (S.B. 1287) – Chapter 279

Allows the county treasurer to require electronic documentation and payment for property owners who submit 50 or more tax payments. Allows a tax lien holder to recover reasonable attorney fees when a person, who became an owner after the action to foreclose began, redeems a property tax lien after the notice to foreclose has been filed with the county recorder's office. Prescribes publication requirements for the county sheriff if the owner of seized property or the owner's address is unknown. Allows county treasurers to invest in municipal bonds available in other states and in negotiable or brokered CDs issued by a nationally or state chartered bank or savings and loans association. Expands the ability of treasurers to invest in commercial paper of prime quality and bonds, debentures and notes.

investments; exchange traded funds (S.B. 1413) – Chapter 83

Allows the state Treasurer (Treasurer) to invest and reinvest trust and treasury money in exchange traded funds where underlying investments are invested in securities allowed by state law.

taxpayer voluntary contribution; fund (H.B. 2001) – Chapter 115

Retroactive to January 1, 2010, establishes the I Didn't Pay Enough Fund (Fund) consisting of monies from voluntary taxpayer contributions. Stipulates procedures for the Department of Revenue and the State Treasurer in administering the Fund.

~~technical correction; nonprofit corporations~~ (NOW: revitalization districts) (H.B. 2003) – Chapter 310

Authorizes the establishment of a Revitalization District (District) for the purposes of infrastructure development in one or more cities or tribal entities if at least 51 percent of the property owners and the property owners of at least 51 percent of the net assessed valuation of the proposed district present a petition. Contains requirements for public notification, a public hearing and the filing of objections. Stipulates the powers granted to the District, its finances and budget. Allows the district to bond for infrastructure costs and to securitize the bonds through either special assessments or an *ad valorem* tax, if authorized by the voters. Dissolves the District automatically 10 years after the date of formation or as otherwise provided, if specified conditions are met.

~~counties; powers; technical correction~~ (NOW: sanitary districts; consolidation) (H.B. 2006) – Chapter 116

Creates a process to merge two or more sanitary districts. Requires the county board of supervisors (Board) to hold a public hearing and call an election if the Board, after the hearing, determines that the proposed merger will serve the public convenience, welfare or necessity. Prohibits the Board from calling an election to merge sanitary districts more frequently than once every two years. Contains requirements for the gathering of petitions, ballot language and the appointment of the newly merged district's board of directors.

fuel dispenser stickers; tax information (H.B. 2034) – Chapter 250

Requires an owner or operator of a motor fuel dispensing site to post a sticker on one side of each motor fuel dispenser that depicts the state and federal fuel taxes imposed on one gallon of

FINANCE COMMITTEE (Cont'd.)

gasoline. Directs the Department of Weights and Measures to apply the sticker, provided by the Arizona Department of Transportation, during its normal random inspections. Contains requirements on the appearance and placement of the stickers.

life insurance (H.B. 2071) – Chapter 251

Allows a life insurance policy to include an exclusion for suicide that occurs within one year after an increase in benefits if the owner of the policy applies for an increase in death benefits after the policy issue date. Limits the exclusion only to the extent of the increased death benefits. Stipulates that annuities registered under the Securities Act of 1933 that are in compliance with the financial industry regulatory authority rules are in compliance with the state. Permits the Director of the Department of Insurance to allow a group life insurance policy to be issued if the Director determines that the group of individuals being insured is substantially similar to a group described in statute.

department of insurance; continuation (H.B. 2072) – Chapter 13

Retroactive to July 1, 2010, the Arizona State Department of Insurance is continued until July 1, 2020.

mortgage guaranty insurers (H.B. 2073) – Chapter 31

Allows the Director of the Department of Insurance to use corrective measures when a mortgage guaranty insurer does not have the required amount of minimum policyholder position.

unclaimed property; traveler's checks (H.B. 2111) – Chapter 119

Increases the timeframe that traveler's checks are presumed to be abandoned from 3 to 15 years.

sanitary districts; bonds (H.B. 2135) – Chapter 62 W/O

Allows voter-approved and improvement bonds to mature over a period of 40 years and 3 months if the initial purchaser is the United States of America or any federal department, division or agency.

internal revenue code conformity (H.B. 2156) – Chapter 176

Conforms retroactively and for TY 2010 the Arizona income tax statutes with the 2010 Internal Revenue Code. Does not conform to certain provisions of the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009 and the Haiti Relief Act of 2010. For these exceptions, the bill requires Arizona taxpayers to make adjustments when calculating their Arizona income.

data processing for county taxes (H.B. 2158) – Chapter 64

Allows, rather than requires, the Department of Revenue to provide data processing to counties for property tax purposes.

FINANCE COMMITTEE (Cont'd.)

boards of equalization; petitions; review (H.B. 2159) – Chapter 37

Allows the State Board of Equalization to hold hearings and make final decisions on property tax valuation appeals when contracted by the County Board of Equalization.

tax credit review committee recommendations (H.B. 2160) – Chapter 225

Prescribes additional performance measures for the Healthy Forest Enterprise income tax credit and allows the Department of Revenue to disclose statistical information gathered from confidential sources to Joint Legislative Budget Committee staff for the purpose of reviewing tax credits. Extends the transaction privilege and use tax exemptions for the Environmental Technology Assistance Program for five additional years.

irrigation districts; contracts; certification board (H.B. 2218) – Chapter 47 E

An emergency measure, effective April 14, 2010, that increases to \$30,000 the minimum estimated cost for work required in an irrigation district without first having to advertise for bids for construction, materials, services or the total amount of the contract. Removes the requirement that the State Certification Board determine if an emergency exists in order to do work required without first advertising for bids.

property tax appeals to court (H.B. 2247) – Chapter 68

Relocates the statute related to a new property owner's right to appeal the valuation or classification of the property to a new, separate section of statute.

~~municipal taxation and fees; notice~~ (NOW: municipalities; counties; taxes; fees; notice (H.B. 2257) – Chapter 316

Prohibits a municipality or county from levying or assessing any new or increased taxes or fees unless it provides written notice of the proposed charge at least 60 days before the date the proposed tax or fee is approved or disapproved. Requires a municipality and a county to demonstrate that the taxes or fees are imposed pursuant to statute. Exempts property taxes, county capital improvement plans and city infrastructure improvement plans from the requirements.

accommodation schools; levy limit recalculations (H.B. 2287) – Chapter 317

Beginning July 1, 2010, prohibits an accommodation school from levying primary or secondary property taxes and requires the Property Tax Oversight Commission (PTOC) to consider any property tax levied by a county to support an accommodation school to count towards that county's primary levy. Directs the PTOC to increase Pinal County's maximum allowable primary property tax levy limit for the preceding year by \$3,626,600 for TY 2010.

Insurance information; transfer of business (H.B. 2308) – Chapter 38

Expands the definition of *insurance transaction* to include transfers of business. Contains an intent clause stating that this legislation is intended to clarify the Legislature's original intent and meaning in the administration of these statutes.

FINANCE COMMITTEE (Cont'd.)

theft; merchandise pallets (NOW: research development; production; incentive program) (H.B. 2370)
– Chapter 289

SEE APPROPRIATIONS COMMITTEE.

technical correction; expenditure limitation (NOW: expenditure limitation; Town of Superior) (H.B. 2394) – Chapter 191

Retroactive to July 1, 2010, stipulates that the penalty for the Town of Superior's expenditure limitation violation in FY 2008 is \$100, payable in FY 2011.

car rental surcharge; vanpool exception (H.B. 2434) – Chapter 150

Provides an exemption from the rental car surcharges for employee vanpool vehicles having at least seven but not more than fourteen passengers, including the driver, if the vehicle is voluntarily operated for the purpose of commuting passengers between their residence and place of employment according to a prearranged schedule.

mining transaction privilege tax; application (H.B. 2445) – Chapter 258

Specifies that only nonmetalliferous mineral product that has been mined, quarried or otherwise extracted within the boundaries of Arizona is subject to the transaction privilege tax under the mining classification.

bonding; net premiums (H.B. 2489) – Chapter 215 E

An emergency measure, effective May 3, 2003, that allows a political subdivision to prescribe its own method for selling bonds at public sale and raises the cap on the amount of net premium associated with a bond issue from two percent to five percent. Removes the restriction that bonds sold by public sale must be sold to natural persons residing in Arizona.

GPLET; lease records and reporting (H.B. 2504) – Chapter 321

Increases the rates for all new Government Property Lease Excise Tax (GPLET) leases entered into beginning June 1, 2010 that do not meet the grandfathering requirements. Provides a reduction in the new rates depending on the aggregate property tax rates of the county. Grandfathers all leases entered into before June 1, 2010, or that are the result of a development agreement, ordinance or resolution approved before June 1, 2010, which is entered into within 10 years. Mandates various requirements for prospective leases that are not otherwise grandfathered. Outlines various reporting requirements.

Requires the Auditor General to conduct a special audit in 2015 and requires the Joint Legislative Budget Committee to conduct an analysis of the new GPLET rates in 2016. Outlines the items to be considered in the audit and the analysis.

taxation; biogas facilities (NOW: developmentally disabled; providers; deemed status) (H.B. 2503) – Chapter 228

SEE PUBLIC SAFETY & HUMAN SERVICES COMMITTEE.

FINANCE COMMITTEE (Cont'd.)

property tax valuation; governmental actions (H.B. 2507) – Chapter 96

Clarifies how the limited value of properties that are split or combined as a result of government action are determined.

city sales tax; corporate leases (H.B. 2510) – Chapter 260

Prohibits municipalities or special taxing districts from levying a transaction privilege or use tax on the income derived from a commercial lease in which a reciprocal insurer or a corporation leases real property to an affiliated corporation.

municipal transaction privilege taxes; report (H.B. 2513) – Chapter 154

Requires a city or town that does not contract with the Department of Revenue (DOR) for the collection of municipal transaction privilege (TPT) and affiliated excise taxes to report to DOR, on or before September 1 of each year, the total amount of TPT and excise taxes collected by the city or town in the preceding fiscal year.

charter schools; food; tax exemption. (H.B. 2514) – Chapter 52

Beginning October 1, 2010, exempts charter schools from the transaction privilege tax and use tax for the preparation and consumption of food items on the premises of the charter school.

~~execution and attachment; exemptions~~ (NOW: agency rule making; fees; commission (H.B. 2586)) – Chapter 290

Requires certain agencies, retroactive to June 14, 2010, that are exempt from the rulemaking process for establishing fees to provide public notice and opportunity for public comment at least 30 days prior to adopting or amending rules. Creates a ten-member commission to review existing state agency fee authority and fee levels, study the equality in how state agency fees impact business and industry and make recommendations on an appropriate legal procedure to raise or lower existing state agency fees.

state treasurer; investments (H.B. 2606) – Chapter 262

Retroactive to July 1, 2010, continues the State Board of Investment until July 1, 2020. Clarifies that the State Treasurer may invest and reinvest in long-term local government investment pools.

county transportation excise tax; transit (H.B. 2627) – Chapter 326

Removes population thresholds and allows any county, with voter approval, to levy a county transportation excise tax or a county transportation excise tax for roads.

STOs; corporate tax credit requirements (H.B. 2663) – Chapter 292

SEE EDUCATION ACCOUNTABILITY & REFORM COMMITTEE.

FINANCE COMMITTEE (Cont'd.)

STOs; tax credit requirements (H.B. 2664) – Chapter 293

SEE EDUCATION ACCOUNTABILITY & REFORM COMMITTEE.

small fire districts; board members (H.B. 2666) – Chapter 53

Requires fire districts currently administered by an elected chief and secretary-treasurer to be administered by either a three or five-member elected district board and stipulates the board's terms of office. Prospectively eliminates the offices of elected fire chief and secretary-treasurer and requires the salary for the chief and the secretary-treasurer to remain unchanged for the remainder of their terms in office.

energy park authority (NOW: university athletic facilities districts) (H.B. 2676) – Chapter 140

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

solar energy tax incentives; extension (H.B. 2700) – Chapter 294

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

LEGISLATION VETOED

state board of investment; continuation (H.B. 2075) – VETOED

Retroactive to July 1, 2010, continues the State Board of Investment (Board) until July 1, 2020 and increase the number of members on the Board appointed by the State Treasurer (Treasurer) from two to three.

The Governor indicates in her veto message that H.B. 2075 gives the Treasurer more power over the Board's decision making through the additional appointment to the Board by the Treasurer without providing for an equivalent appointment by the Executive. The Governor also indicates that this appointment would give the Board an even number of members without providing a resolution to tie votes.

tax assessment of retention basins (H.B. 2215) – VETOED

Requires the county assessor to establish the valuation of a retention basin at \$500 per parcel and set forth the requirements for property to be considered a retention basin. Specifies that the valuation did not pertain to tax liabilities of retention basins before the effective date or to valuations made under current law for TY 2011.

In her veto message, the Governor states that H.B. 2215 could lead to unintended fiscal and policy consequences, including an unknown impact on property tax rates. In addition, the Governor states that the value of a retention basin is difficult to capture as a stand-alone parcel.

FINANCE COMMITTEE (Cont'd.)

fire districts; boundaries; merger; consolidation (H.B. 2432) – VETOED

Allows the governing bodies of fire districts to choose to merge either by unanimous resolution without an election or by holding an election on the question of the merger. Requires the merging or consolidating districts to each have a secondary property tax levy of \$5 million or more and receive the approval of a majority of the voters. Outlines various administrative procedures relating to the merger or consolidation of fire districts.

Allows a fire district to hold an election on the question of acceptance of city fire services when any area having a fire district is annexed to a municipality or included within a newly organized municipality.

The Governor indicates in her veto message that the provisions relating to the continuation of fire services by the fire district after municipal annexation could lead to double taxation by both the fire district and the municipality for fire services. Furthermore, she states that the bill provided for division of fire district assets on a proportionate basis without addressing liabilities or a specific methodology for the division.

taxation of solar energy property (H.B. 2502) – VETOED

Provides for the valuation of utility-scale solar plants in the same manner as agricultural property. Defines *solar energy real property*.

The Governor indicates in her veto message that the Arizona Constitution provides that all taxes shall be uniform upon the same class of property in Arizona. The Governor also states that H.B. 2502 proposes to tax solar energy real property at a lower rate than other land associated with renewable energy equipment, such as a wind farm, in violation of the Arizona Constitution's uniformity requirement.

FINANCE COMMITTEE (Cont'd.)