

Finance Committee

Senator Steve Yarbrough, Chairman



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FINANCE COMMITTEE

LEGISLATION ENACTED

tax corrections act; 2012 (S.B. 1045) – Chapter 3

S.B. 1045 corrects errors, obsolete language and blending problems and provides clarifying changes to tax statutes. It modifies statutes relating to premium tax credits and corporate and individual income tax credits for new employment, including legislative intent that these changes are intended to be clarifying and are consistent with the Legislature's intent when those sections were enacted. The bill also modifies statute relating to individual and corporate income tax credits for increased research activities.

corporate tax allocation; sales factor (S.B.1046) – Chapter 2

Allows a multistate service provider, defined as a taxpayer deriving 85 percent of its revenue from sales of services outside the state, to make an election regarding how revenues are categorized for the purposes of state income tax. Sales to students receiving educational services at physical campuses in this state will be excluded from the 85 percent calculation.

Under this election a scaled combination of income producing sales and market based sales is used. Income producing sales locate the sale where the activity is performed while market based sales source the sale to the location of the customer receiving services. In FY 2014, the election weights sales as 85 percent market based sales and 15 percent income producing sales; FY 2015, 90 percent market based and 10 percent income producing; FY 2016, 95 percent market based and 5 percent income producing; 100 percent market based sales in FY 2017 and thereafter.

tax credit; school tuition organizations (NOW: school tuition organizations; credits; administration) (S.B. 1047) – Chapter 4

Excess Credit – S.B. 1047 establishes a credit for excess contributions to certified school tuition organizations (STO's). This excess credit can only be claimed if a taxpayer's contribution exceeds the amount allowed under the existing STO credit. The award of scholarships is limited to a student who attended a governmental school or a preschool program that offers services to students with disabilities, a dependent of a member of the Armed Forces, a student who enrolls in a kindergarten program or a student who received an STO scholarship in the previous year. The excess credit is also limited to \$500 for a single individual or \$1,000 for a married couple in any taxable year. The excess credit is prohibited if the taxpayer designates it for the direct benefit of any dependent or agrees with one or more other taxpayers to designate each taxpayer's contribution for the direct benefit of the other taxpayer's dependent.

Administration of Existing Credit – S.B. 1047 also requires an STO to allocate at least 90 percent of its annual revenue from contributions from tax credits for educational scholarships or tuition grants, rather than 90 percent of its total annual revenue. The bill changes the definition of *qualified school* by removing the requirement that a school annually administer and make available to the public aggregate test scores of its students on a nationally standardized norm-referenced test. It also identifies additional students who may qualify for a corporate donation for low-income scholarships.

~~school tuition organizations; credits; administration~~ (NOW: elections; candidates) (S.B. 1048) – Chapter 61 E

An emergency measure, effective March 21, 2012, that modifies the ballot regarding the presentation of presidential and vice-presidential candidates and presidential electors. Requires, retroactive to July 20, 2011, the Secretary of State to accept candidate nomination papers and petitions that designate a certain legislative or congressional district, with a specified exemption.

PSPRS; investment contracts (S.B.1115) – Chapter 63

Specifies that loans, guarantees, investment management agreements and investment contracts made by the Public Safety Personnel Retirement System are contracts memorializing obligations and not goods or services. This specification determines the manner in which loans, guarantees, investment management agreements and investment contracts are evaluated for compliance with the Arizona Sudan and Iran acts as well as federal immigration law.

PSPRS; CORP; EORP; amendments (S.B. 1116) – Chapter 136

S.B. 1116 provides authority to enter into swap agreements. The bill also provides clarifying changes for the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP), in order to conform the systems' statutes to one another.

PSPRS – S.B. 1116 provides conditions on the right of a member who previously terminated membership and received a refund of contributions to restore forfeited service credit if the member returns to the same employer within two years after termination. It prohibits PSPRS from making pension payments to the retired member during a period of reemployment if a retired member becomes employed in any capacity by the employer from which the member retired within one year, rather than 60 consecutive days. Certain members are exempted from the one-year reemployment provision.

CORP – Requires a local board to commence a hearing on a claimant's rights within 90 days after the date the matter is presented, unless otherwise required by law or on agreement of the parties. Prohibits the board from making a retroactive payment of a pension more than 90 days before the date of the person's application benefits. Provides for payment of death benefits to a successor beneficiary that was not designated by the member.

EORP – Specifies required discount rates used in calculating the increase in the actuarial present value of projected benefits. Stipulates that the discount rate is effective beginning in the next fiscal year and the board shall recalculate the rate each year.

ASRS; administration (S.B. 1117) – Chapter 87

S.B. 1117 enhances the Arizona State Retirement System's (ASRS) accounts receivables collection authority, including permitting ASRS to levy cash and cash equivalent property at financial institutions or salary or wages of the debtor. The bill requires any person having custody or control of books, records or statements containing evidence relating to the levy to exhibit the material on request of ASRS, if a levy has been or is about to be made.

The bill also permits ASRS to enter into agreements with financial institutions to develop a data match system to assist with debt collection and specifies what data shall be included in the match. It limits ASRS to disclosure necessary in order to enforce the collection of the debt and permits ASRS to pay a reasonable fee to financial institutions for the data match.

S.B. 1117 also allows the ASRS board to furnish a member's account status electronically or online, and deletes the requirement that the account status statement be furnished annually.

ASRS; spousal consent (S.B. 1119) – Chapter 88

S.B. 1119 modifies provisions in the Arizona State Retirement System (ASRS) regarding spousal consent. The bill requires a married member to name and maintain the member's current spouse as a beneficiary to receive at least 50 percent of the member's account. The member's current spouse may consent to a waiver of this requirement. It also requires a member, before naming a new contingent annuitant or rescinding an election of a contingent annuitant, to obtain the consent of the current contingent annuitant if that person is a current spouse. A member may affirm in writing under penalty of perjury that spousal consent is not required if certain stated exceptions apply. S.B. 1119 also appropriates \$200,000 from the ASRS administration account in FY 2013 for implementation.

tax subtraction; charitable crop contributions (S.B.1121) – Chapter 178

Retroactive to December 31, 2011, the legislation repeals requirements that a crop donated to a charitable organization must be harvested by or on behalf of the donee, its harvesting be economically unfeasible in the normal course of business and that the crop would otherwise go to waste in order to qualify for a subtraction from taxable income. Restrictions on the crop's transfer out of state by the donee and the limitation of the taxable income subtraction to 80 percent of the determined crop value are also removed. Finally, the legislation prohibits the Arizona income subtraction from including the amount of a subtraction for crop donation taken through Internal Revenue Code 170 that is in excess of the cost of the crop's production cost.

tax refund checkoff boxes (S.B.1122) – Chapter 35 RFE

Removes the requirement that tax refund checkoff boxes for the Child Abuse Prevention Fund, Special Olympics Fund, Arizona Game and Fish Department Fund, Neighbors Helping Neighbors Fund, Domestic Violence Shelter Fund and Arizona Clean Elections Fund appear on page one of state tax return documents beginning tax year 2012. Portions of the bill concerning Arizona Clean Elections Fund are subject to the requirement for enactment for initiatives and referendums (Proposition 105), which requires the affirmative vote of at least three-fourths of the members of each house of the Legislature.

tax credit; military family relief (S.B. 1190) – Chapter 281

Extends the sunset date of the individual tax credit for donation to the Military Family Relief Fund (Fund) from December 31, 2012 to December 31, 2018. Delays the automatic repeal of statute pertaining to the Fund, its advisory committee, a tax credit for donations to the Fund and the repeal of session law allowing the Fund to provide financial assistance and grants to the families of service members until December 31, 2018.

ASRS; nonparticipatory employer; liabilities (S.B. 1194) – Chapter 79

Effective January 2, 2013, S.B. 1194 requires the Arizona State Retirement System (ASRS) to allocate a liability to an employer that is no longer participating in ASRS, if: 1) the character of the employer changes from a public entity to a private entity; 2) an employer, other than this state or a charter school, files for bankruptcy or otherwise dissolves; 3) an employer is no longer participating; or 4) for this state, the character of a state agency, board or commission changes from public to private.

Liability to an employer is allocated as follows:

Plan employer actuarial accrued liability X Plan total deficit percentage	plus	LTD program employer actuarial accrued liability X LTD program total deficit percentage
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college savings plans; report; date (NOW: exemption; motor vehicle dealer licensing) (S.B. 1195) – Chapter 142

Removes the requirement that a nonprofit organization be in existence for five years in order to sell a donated motor vehicle without obtaining a motor vehicle dealer license.

college savings; report; income subtraction (S.B.1196) – Chapter 143

Eliminates the sunset date of the subtraction from taxable income for donations made to an eligible 529 college savings plan. The legislation also extends the deadline for the Arizona Commission for Postsecondary Education to submit its annual report of Arizona's 529 plan from February 1 to March 1.

use tax declaration; repeal (S.B. 1214) – Chapter 323

Retroactive to TY 2012, S.B. 1214 repeals the requirement that a person who stores, uses or consumes tangible personal property for a nonbusiness purpose, and the tax was not collected by a registered retailer, declare the annual amount of tax due on that person's income tax form.

tax exemption; residential solar electricity (S.B. 1229) – Chapter 232

Retroactive to January 1, 2007, this legislation exempts the transfer of electricity generated by solar photovoltaic systems to utility distributors from transaction privilege tax (TPT) and deducts the gross income or gross proceeds of sales attributable to that transfer from the utility distributor's tax base.

Additionally, S.B. 1229 exempts the transfer or sale of renewable energy credits (RECs) from TPT and exempts the storage, use or consumption of RECs from use tax. This legislation also specifies that the transfer of RECs does not fall under the utilities classification for TPT.

personal property tax; computer software (S.B. 1279) – Chapter 324

S.B. 1279 requires personal computers and general purpose computers used in a trade or business to be valued as personal property. The operating system software is required to be valued as a part of the computer on which it is installed. All other software is to be valued as personal property.

tobacco; internet; mail sales; e-cigarettes (S.B. 1280) – Chapter 311

SEE THE COMMERCE AND ENERGY COMMITTEE.

state treasurer; investment (S.B.1366) – Chapter 21

Allows the State Treasurer to invest in any bonds, debentures, notes or other evidences of indebtedness so long as they are denominated in United States dollars and meet minimum investment standards.

property tax; agriculture classification; affidavit (S.B. 1416) – Chapter 182

SEE THE WATER, LAND USE AND RURAL DEVELOPMENT COMMITTEE.

prime contracting; manufacturing facilities; infrastructure (S.B. 1442) – Chapter 328

S.B. 1442 requires the State Treasurer to pay a city, town or county, from the distribution base, the amount determined for the purpose of funding up to 80 percent of the cost of public infrastructure improvements for the benefit of a manufacturing facility, from and after September 30, 2013, through September 30, 2023. *Manufacturing facility* is defined as a facility where raw or prepared materials are fabricated, that agrees to make \$500 million in capital investment for an urban county, or \$50 million in capital investment for a rural county and *public infrastructure* is defined as water facilities, wastewater facilities and necessary roads.

The bill specifies the amount to be paid as the total amount of transaction privilege tax revenues collected from prime contractors derived from contracts to construct buildings and associated improvements for the benefit of a manufacturing facility, but total program payments are capped at \$50 million.

The bill requires the city, town or county to enter into a written agreement with the Department of Revenue that states the cost of the public infrastructure improvements and the actual amount of the construction funding that will be derived from sources other than the state.

revenue; budget reconciliation; 2012-2013. (S.B. 1526/H.B. 2855) – Chapter 297

SEE THE APPROPRIATIONS COMMITTEE.

~~PSPRS; trustees; employment agreements~~ (NOW: batteries; catalytic converters; reporting; dealers) (H.B. 2087) – Chapter 196

Requires used automotive components dealers to maintain a printed record of transactions involving two or more lead acid batteries for two years: one year on premises and one year in a

retrievable location. H.B. 2087 specifies the type of information the record must contain. This record as well as current inventory and the used automotive component's dealer's business premises are required to be open to reasonable requests for inspection by a peace officer during normal business hours and violations are categorized as a class 1 misdemeanor.

Directs the Department of Public Safety (DPS) to establish software compatible with record keeping software of used automotive components dealers and requires those dealers to submit electronic records of lead acid battery transactions to DPS. The legislation further directs DPS to make information in these records available to local law enforcement. Failure to file the required electronic transaction report to DPS within 24 hours is categorized as a class 1 misdemeanor.

Prohibits on site payment for lead acid batteries in excess of \$300, requiring instead that payment be made by check or money order to the address provided by the seller. The address provided must also match identification reported in the physical record of receipt. Individual lead acid battery sellers must be at least 16 years old and may not engage in more than one cash transaction for lead acid batteries per day.

This legislation also prohibits scrap metal dealers from purchasing or selling used catalytic converters.

H.B. 2087 does not apply to automotive recyclers licensed by the Arizona Department of Environmental Quality, or sellers required to accept used lead acid batteries for fee recovery in accordance with statute.

property tax appeals; valuation; classification (H.B. 2092) – Chapter 197

Increases the maximum limitation for small claims procedures on property classification and valuation to \$2 million in real or personal property. Taxpayers using the small claims procedure based on the income approach to valuation must file the petition and sworn affidavit required by statute at least ten business days before a hearing.

If an appeal is filed on a property that has not received final judgment or dismissal in Tax Court and that property is sold, the new owner may file their own appeal for revaluation or take action based on a previous owner's pending petition or tax appeal. New owners must take any action before December 15th of the valuation year.

In settling an appeal, the State Board of Equalization (Board) may only grant or deny the taxpayer's petition for change in valuation or classification. The Board is permitted to increase the value of individual parcels within an economic unit in a multi-parcel appeal if the amount of the increase does not exceed the total aggregate valuation of the multiple appeal and both parties involved agree to the increase.

prepaid wireless E911 excise tax (H.B. 2094) – Chapter 198

Effective tax year 2014, exempts prepaid wireless telecommunications providers from the existing E911 excise tax, and establishes a new E911 excise tax of 0.8 percent of sales proceeds or gross income from retail sales of prepaid wireless services. Taxes collected are paid to the Emergency Telecommunications Services Revolving Fund.

internal revenue code conformity. (H.B. 2120) – Chapter 38

Federal adjusted gross income is the starting point for calculation of Arizona tax liability. H.B. 2120 is the annual conformity bill that aligns statute with federal law. The bill updates Internal Revenue Code definitions to include all provisions that were in effect as of January 1, 2012.

transaction privilege tax reform committee (H.B. 2123) – Chapter 114 E

An emergency measure, effective March 29, 2012, that establishes the Transaction Privilege Tax Reform Committee (Committee). The charge of the Committee is to study and make recommendations regarding the collection of revenues to the state General Fund, including individual and corporate income tax and transaction privilege tax. The legislation also requires the Committee to make recommendations to minimize the fiscal impact to cities, towns and counties. The bill designates membership and requires the Committee to submit a report of its findings and recommendations to the Governor and Legislature before October 31, 2012.

technical correction; prepaid legal insurance (NOW: property taxes; refund; forgiveness) (H.B. 2178) – Chapter 200

SEE THE APPROPRIATIONS COMMITTEE.

technical correction; occupational safety; exemption (NOW: fire district; alternative tax rate) (H.B. 2184) – Chapter 158

Allows a fire district, through December 31, 2014, to levy a tax rate not to exceed \$3.75, rather than \$3.25, per \$100 of assessed valuation, if the net assessed valuation of all property has declined by a combined total of 25 percent or more beginning with the 2008 valuation year, and if all of the following apply: 1) The amount of levy to be raised in excess of \$3.25 per \$100 of assessed valuation does not exceed the amount of the tax levy raised in the fiscal year before the tax rate exceeding \$3.25. 2) The maximum tax rate is determined by adding to the base year tax rate an amount up to 50 percent of the difference between the tax rate required to maintain the base year tax levy in the current tax year and the base year tax rate. 3) A fire district that has increased its rate above \$3.25 uses as the base year the amount of tax levied in 2011-2012 for purposes of calculating the increased tax rate permitted. 4) The fire district certifies to the board of supervisors that no portion of the tax levy shall be used to pay salary increases or to increase the number of full-time positions in the fire district. 5) The fire district certifies to the board of supervisors that no portion of the tax levy shall be allocated to future year expenditures, retained or encumbered as reserve monies of any type, and that no more than five percent of the tax levy raised is planned for carryforward monies.

tax exempt organizations; returns; exception (H.B. 2212) – Chapter 71

Allows a tax exempt organization otherwise required to file informational tax forms to decline to file when gross receipts total less than \$50,000 rather than when gross income is below \$25,000. Specifies that nonprofit medical marijuana dispensaries are not considered exempt from filing informational tax documents, but may decline to file if gross receipts are less than \$50,000.

ASRS; employee; employer contributions; rate (H.B. 2264) – Chapter 304 E

In the 2011 budget the employer/employee split for the Arizona State Retirement System (ASRS) was amended from 50/50 to 47/53. H.B. 2264 is an emergency measure, effective May 7, 2012, that returns that split to 50/50. Each employer is required to return employee contributions in excess of this 50/50 split to employees on or before September 30, 2012. These returned contributions shall be treated as taxable wages in calendar year 2012 and treated as a payment by the employer of previously taxed wages. The employer is also instructed to adjust transactions reported to ASRS on or before June 30, 2012.

The bill appropriates:

- \$6.6 million from the state General Fund (GF) and \$1.5 million from other appropriated funds to state agency units for a retirement contribution rate increase due to changes in the proportion, and to reimburse employees for contributions in excess of the 50/50 split.
- \$32.7 million to the Arizona Department of Education for basic state aid associated with the contribution rate increase.
- \$1.9 million is transferred from the state GF to other state funds. The Joint Legislative Budget Committee shall determine and the Arizona Department of Administration shall allocate to each fund an amount of the transfer.

healthy forest enterprise incentives; extension (H.B. 2332) – Chapter 331

Extends certain sales, use and income tax incentives for qualified healthy forest enterprises in the state through December 31, 2024. Reinstates the following incentives: 1) a use fuel tax discount for vehicles transporting forest products, effective September 1, 2012; 2) a prime contracting transaction privilege tax exemption for gross income earned on construction contracts with healthy forest enterprises; and 3) a reduced property tax classification for forest businesses. The bill also modifies the statutory qualifications of healthy forest enterprises, and creates new individual and corporate income tax credits for training new workers in ecological restoration, retroactive to taxable years beginning January 1, 2012.

PSPRS; pension buyback payments (H.B. 2409) – Chapter 348

H.B. 2409 allows members of the Public Safety Personnel Retirement System, Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan to purchase credit for prior service through installment payments and reduces the vesting period required for members to purchase pension buybacks from ten to five years. It also entitles members of PSPRS with less than 20 years of credited service participating in Deferred Retirement Option Plan on or after January 1, 2012, to two percent interest on contributions made to the system.

~~secured appearance bond exoneration; remission~~ (NOW: special district petitions; multiple ownership (H.B. 2432) – Chapter 264

H.B. 2432 delineates the number of persons owning property for purposes of determining the validity of petitions, when property is held in multiple ownership, for creation or change in boundary of a special district. Petition signatures are invalidated for elections for creation of a fire district, community park maintenance district, sanitary district or hospital district, if taxes and assessments on the parcel are not current at the time of petition review. The bill also prevents a leaseholder in a

community park maintenance district from signing a formation petition or a boundary change petition.

special taxing districts; boundaries (H.B. 2460) – Chapter 226

Effective until August 1, 2014, H.B. 2460 allows a property owner, in a county with a population greater than two million persons, whose land is within 2,640 feet of an adjacent sanitary or fire district, not contiguous to the boundaries of the district and within an unincorporated area or county island, to request that the governing body of the district amend its boundaries to include that property owner's land.

Secured appearance bond exoneration; remission (NOW: special district petitions; multiple ownership (H.B. 2432) – Chapter 264

SEE THE APPROPRIATIONS COMMITTEE.

local sales tax; payments; DOR (NOW: payments; local sales tax) (H.B. 2466) – Chapter 332

H.B. 2466 requires the Arizona Department of Administration, in consultation with the Department of Revenue, to issue a request for proposals for implementation of an online portal to allow taxpayers to remit transaction privilege and affiliated excise taxes. The initial costs of implementing the online portal shall be paid by the vendor. The bill allows the vendor to charge the taxpayer a fee to use the online portal.

schools; budget increases; bonds; ballots (NOW: property tax; facilities) (H.B. 2478) – Chapter 349

Limits the classification of athletic, recreational, entertainment, artistic or cultural facilities as class 9 properties, to those that are: 1) used exclusively, rather than primarily, for the above stated purposes; and 2) required to become the property of the federal, state, county or municipal property on termination of the lease.

homeowners' rebate affidavit (H.B. 2486) – Chapter 350

Legislation passed in 2011 required that, beginning in 2012, each county assessor send all residential property owners an affidavit with their notice of value, and the owner must declare under penalty of perjury whether the residence is owner-occupied or is being used as the primary residence of the owner's relative. H.B. 2486 removes that 2011 affidavit language and instead requires a county assessor, beginning in 2013 and during each elective term of office, to send notices to owners of class 3 property where the owner either: a) has a mailing address outside the county in which the property is located; b) has a mailing address, other than a post office, different than the situs address; c) has the same mailing address listed for more than one parcel; or d) appears to be a business entity. It also reduces the civil penalty to the amount of additional state aid paid in the preceding tax year, rather than twice the amount.

assessed valuations; audit (H.B. 2608) – Chapter 124

Allows the Department of Revenue to audit the county assessor's valuation of new construction and directs the governing body of each county, city, town, community college district and school district to fix property taxes in accordance with the values determined by the county assessor.

tax credit; charitable organizations (H.B. 2627) – Chapter 271

H.B. 2627 modifies certification criteria required by the Department of Revenue to qualify as a charitable organization by removing the requirement that organizations declare if they promote or provide referrals for abortions. Contains a severability clause.

ASRS; employees; election; enrollment (H.B. 2662) – Chapter 273

Allows new employees who are aged 65 or older to opt-out of enrollment in the Arizona State Retirement System (ASRS) before July 1, 2015. Individuals who are active, inactive or retired members of ASRS, are receiving long term disability benefits through ASRS, or have prior service under ASRS are not eligible to opt-out.

This legislation also requires ASRS to generate a report detailing the number and impact of opt-outs under this statute as well as recommendations regarding continuation of opt-out legislation beyond July 1, 2015.

sanitary districts; projects; revenues (H.B. 2702) – Chapter 274 E

An emergency measure, effective April 17, 2012, that exempts a sanitary district from voter approval requirements for repayment programs on loans taken through the Water Infrastructure Authority of Arizona for planning and design of a sewage system or sewage system improvements. This legislation also stipulates the financial obligations that the board of directors of a sanitary district may obligate revenues to and makes such obligations binding until they are fulfilled.

~~Arizona long-term care trust~~ (NOW: long-term care insurance premiums; deduction) (H.B. 2713) – Chapter 351

SEE THE APPROPRIATIONS COMMITTEE.

public school tax refund checkoff (H.B. 2727) – Chapter 77

Modifies the Assistance for Education Fund tax refund checkoff box to allow individual taxpayers to contribute any amount of their refund.

~~defined contribution retirement systems~~ (NOW: PSPRS; employer contributions) (H.B. 2745) – Chapter 362

An alternate contribution rate is prohibited for a retired Public Service Personnel Retirement System member who is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The bill also reduces the credited service requirement that a member must have before initiating a service purchase from ten years to five years for purchase of other public service, leave of absence service and military service.

H.B. 2745 also provides technical changes to the Arizona State Retirement System (ASRS) statutes regarding distribution, service purchase and investments, including providing modernization of the investment statutes. For new retirees the double subsidy for retirees who are enrolled in an

active public employer health insurance plan is eliminated. The bill ceases payment of the health benefit supplement to retirees and disabled members who are covered under an ASRS employer's active employee insurance plan, either as the insured or as a dependent, if the premium paid by the retiree or disabled member is subsidized by the ASRS employer. H.B. 2745 also caps long-term disability (LTD) income at 100 percent of the pre-disability salary. These amounts include social security disability, social security retirement, workers' compensation and veteran's disability payments. It allows ASRS to offset the member's monthly LTD program benefit by the amount necessary to reduce the member's total monthly income to meet the limit.

The bill contains an appropriation of \$47,000 from the ASRS Administration Account in FY 2013 to ASRS for the implementation of the act.

publicity pamphlets; bond elections (H.B. 2760) – Chapter 129

H.B. 2760 requires the governing board of a school district, at the same time as the order of the election, to publicly declare the deadline for submitting arguments, and immediately post the deadline in a prominent location on the district's website. It also requires the names of persons and entities submitting written arguments for proposed budget increases to be included in the report. The report shall contain the current full cash value and the assessed valuation provided by the Department of Revenue. The bill also requires the governing body to publish the deadline for submitting arguments for and against authorization of bond propositions in a newspaper of general circulation in the jurisdiction of the political subdivision.

property tax bills; payment; interest (H.B. 2801) – Chapter 130

Real and property tax liability in excess of \$100 may be divided in half, with the first half due October 1 and the second half due March 1 of the next year. If the taxpayer pays the tax liability in total before December 31 of the tax year, interest of 16 percent is forgiven. This legislation clarifies that statutory exemption from interest for payment before December 31 applies to tax liabilities less than \$100, which cannot be split.

personal property tax appeal deadline (H.B. 2803) – Chapter 216

Extends the deadline to file an administrative appeal of personal property valuation from 20 to 30 days from the receipt of a notice of valuation.

employment; incentives; regulatory tax credit (H.B. 2815) – Chapter 343

H.B. 2815 provides several changes to tax statutes in the areas of capital gains, depreciation, net operating loss, exempt personal property and tax credits for new employment, renewable energy and qualified facilities. Also establishes an employer-funded job training program study committee.

The bill establishes a new corporate and individual income tax credit for expanding or locating a qualified facility in this state. A *qualified facility* is defined as a facility in this state that devotes at least 80 percent of the property and payroll at the facility to either qualified manufacturing, qualified headquarters or qualified research. The qualified facility credit is limited to ten percent of the lesser of the amount the applicant has projected in total qualifying investment in the qualified facility or \$200,000 for each net new full-time employment position projected by the applicant at a qualified facility. Any claims for this credit are combined with the existing tax credit

for renewable energy to reach the existing \$70 million cap. The renewable energy tax credit and the tax credit for new employment are also extended through TY 2019.

H.B. 2815 also reduces the tax rate for capital gains paid by individuals by 25 percent over three years, and it extends the net operating loss carry forward period from five succeeding taxable years to 20 succeeding taxable years, beginning in TY 2012. The Department of Revenue is also required to recalculate the exempt amount of personal property as if legislative changes made in 2011 had been continuously in effect since 1997. An individual taxpayer is also allowed to claim a subtraction for property placed in service in 2013 or after for depreciation as if the federal bonus depreciation allowed was ten percent of the amount allowed federally.

The bill also establishes an employer-funded job training program study committee to evaluate existing job training programs established by the Arizona Commerce Authority and explore mechanisms for other job training programs.

Rio Nuevo; multipurpose facilities district (S.C.M. 1005)

SEE THE MEMORIALS AND RESOLUTIONS SECTION.

personal property tax exemption amount (S.C.R. 1012)

SEE THE MEMORIALS AND RESOLUTIONS SECTION.

property tax assessed valuation; limitation (S.C.R. 1025)

SEE THE MEMORIALS AND RESOLUTIONS SECTION.

LEGISLATION VETOED

ASRS; amendments (H.B. 2088) – VETOED

H.B. 2088 provides many technical changes to the Arizona State Retirement System (ASRS) statutes regarding administration, distribution, service purchase and investments, including providing modernization of the investment statutes. For new retirees, after the general effective date, the double subsidy for retirees who are enrolled in an active public employer health insurance plan is eliminated. The bill ceases payment of the health benefit supplement to retirees and disabled members who are covered under an ASRS employer's active employee insurance plan, either as the insured or as a dependent, if the premium paid by the retiree or disabled member is subsidized by the ASRS employer. H.B. 2088 also caps long-term disability (LTD) income at 100 percent of the pre-disability salary. These amounts include social security disability, social security retirement, workers' compensation and veteran's disability payments. It allows ASRS to offset the member's monthly LTD program benefit by the amount necessary to reduce the member's total monthly income to meet the limit.

The bill contains an appropriation of \$47,000 from the ASRS administration account in FY 2013 to ASRS for the implementation of the act.

In her veto message the Governor mentions two other provisions as reasons for her veto:

- This legislation exempts ASRS from all procurement oversight and rules including audit and termination protections, an exemption that could impact approximately billions of dollars in contracts. While following State procurement rules can be burdensome at times, the protections they provide, especially in contractual disputes, are critical to every one of our retirees.
- H.B. 2088 also makes changes to the governance of ASRS by transferring general oversight of the system away from the ASRS Board to ASRS, presumably to staff. This change, while intended to clarify ASRS governance, instead clouds it and potentially weakens the authority of the ASRS Board.

revenue allocation districts (H.B. 2469) – VETOED

H.B. 2469 establishes revenue allocation districts and allows capture of incremental local property tax revenues and local sales tax revenues to fund development projects. To qualify to establish a district a city or town shall first adopt a resolution that provides a general description of the operation and financing of the district and hold a public hearing on the plan. The governing body of the town may either appoint a board of five persons, or elect to serve themselves as the board of directors. Any owner of taxable property may file a written objection and the governing body is required to hear those written objections.

The district must be located entirely within the exterior boundaries of the forming city. Powers of the district include: 1) establishing user fees, rates or charges for the use of projects; 2) entering into agreements with the city for allocation of the property tax increments; and 3) by resolution, pledging an allocation of the increment value or bond proceeds supported by general obligation property tax.

District projects can be financed with proceeds from sale of revenue bonds, tax revenues from increment value of taxable real and personal property, incremental increases in municipal transaction privilege tax (TPT), proceeds from the sale of general obligation bonds, and grants and contributions. The question of authorizing ad valorem tax revenues, allocation of the increment of municipal TPT revenues, and issuance of general obligation and revenue bonds shall be submitted to qualified electors of the district and the owners of taxable real and personal property. The municipality may waive the election if all owners of taxable real and personal property in the district have signed a petition approving formation of the district.

The Governor vetoed H.B. 2469 for the following reasons: 1) legislative deliberations revealed very little detail regarding projects that may be undertaken with this new governmental entity; 2) a municipality may use this simply to avoid constitutional debt limits; 3) a taxpayer may have a significant amount of personal property, but no land, and that taxpayer would be denied a vote; 4) it seems likely that the application has the potential to be more utilized than suggested; and 5) it is unclear what administrative burdens this may involve, both for taxpayers and for the Department of Revenue.

empowerment scholarship accounts; expansion (H.B. 2626) – VETOED

Laws 2011, Chapter 75 prescribed rules and requirements for the Arizona Empowerment Scholarship Accounts Program (Program) pertaining to special education students. The Program

requires the State of Arizona to deposit monies to each account equal to 90 percent of base support levels that would otherwise be allocated for a qualified student.

H.B. 2626 expands the definition of a *qualified student*, to include a student who attends a school or school district that has been assigned a letter grade of “D” or “F” by the Arizona Department of Education, previously received an Arizona Scholarship for Pupils with Disabilities, is the child or legal ward of a member of the United States Armed Forces, has been identified as a gifted pupil, or has previously attended a public school and was determined to be eligible to receive a scholarship from a School Tuition Organization.

In her veto message, the Governor states that she has been a strong advocate for school choice in the past. However, she believes that since the expansion of the Arizona Empowerment Accounts program would cost the State General Fund additional money, she could not sign the bill at a time the state budget for education as a whole remains unclear.

county stadium districts; Rio Nuevo (H.B. 2647) – VETOED

H.B. 2647 allows components of Rio Nuevo to include privately-owned projects under certain conditions, and allows components to include a commercial real estate development project, if the project will benefit the district and will increase employment and tax revenue within the district. The bill prohibits a municipality from levying or assessing an impact or development fee within the boundaries of the district, and requires a municipality to employ its best efforts for issuing or denying municipal building permits for a project within a district within 30 days after submission of an application. Transaction privilege tax revenue distributed to the district may exceed the amount required to service the debts and obligations of the district, and these monies may be used for a hotel and convention center that may not necessarily be located on the multipurpose facility site. The bill also clarifies that districts are exempt from the gift clause in the Arizona Constitution.

H.B. 2647 also prohibits a county from levying or assessing an impact or development fee, connection or hookup fee or any other assessment within the exterior boundaries of the district.

In her veto message the Governor states that it is unwise to enact legislation that has a fiscal impact or changes tax policy until we have reached an agreement on projected revenues and appropriated expenditures as part of a state budget for FY 2013.