ARIZONA STATE SENATE

46TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON FINANCE

DATE: February 28, 2003 **TIME:** 1:30 p.m. **ROOM:** SHR 1

CHAIRMAN: Senator Martin **VICE CHAIRMAN:** Senator Harper

ANALYST: Denisse Gee **COMMITTEE SECRETARY:** Nancy L. DeMichele

ASSISTANT ANALYST: Lace Collins

INTERN: Sharad Desai

ATTENDANCE **BILLS**

Committee Members	Pr	Ab	Ex	Bill Number	Disposition
Senator Brown	X			SB 1146	DPA/SE
Senator Burns	X			SB 1187	HELD
Senator Cheuvront	X			SB 1195	DPA/SE
Senator Garcia	X			SB 1272	DPA
Senator Jarrett	X			SB 1313	HELD
Senator Leff		X		SB 1332	HELD
Senator Weiers	X			SB 1343	HELD
Senator Harper, Vice Chairman	X				
Senator Martin, Chairman	X				

GOVERNOR'S APPOINTMENTS

Name	Position	Recommendation

Chairman Martin called the meeting to order at 1:36 p.m., and roll call was taken.

APPROVAL OF MINUTES

Senator Martin announced, without objection, the minutes of the meetings of February 10 and 17, 2003, are approved as distributed.

CONSIDERATION OF BILLS

SB 1272 – bond election pamphlets; disclosure – DO PASS AMENDED

Lace Collins, Finance Assistant Research Analyst, explained SB 1272 excludes inflation or growth projections when calculating the estimated tax impact of the proposed bond authorization and establishes a specific format to be used when calculating the estimated tax impact.

Senator Martin announced that an amendment was proposed and distributed on February 20, which is being withdrawn because it would have been a striker in disguise. He said a late amendment dated 2/28/03 at 10:26 a.m. was distributed this morning. He explained the amendment is essentially the same as the earlier amendment leaving the first line in place. He said the first line will be removed in the House of Representatives. Senator Martin stated that without objection his amendment is accepted. He asked Ms. Collins to describe that amendment.

Ms. Collins explained the 2-page Martin amendment dated 2/28/03 at 10:26 a.m. removes the requirement that the estimated tax impact be calculated without inflation and growth projections. The amendment instead limits the projections to 5% if the average of the annual total increases in secondary assessed valuation for the past five years is at least 10%, or 2.5% if the average of the annual total increases in secondary assessed valuation for the past five years is less than 10%. She said it replaces the format in the bill for the estimated tax impact and makes other technical and clarifying changes.

Senator Martin announced the individuals who registered their position on the bill (Attachment A).

> **Senator Harper moved SB 1272 be returned with a DO PASS recommendation.**
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> **Senator Harper moved the 2-page Martin amendment dated 2/28/03 at 10:26 a.m. be ADOPTED (Attachment B). The motion CARRIED by a voice vote.**
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> **Senator Harper moved SB 1272 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 7-0-2 (Attachment 1).**

SB 1332 – residential property tax limits; reform – HELD
SB 1187 – school tax credit; programs; activities – HELD

Senator Martin announced SB 1332 and SB 1187 will be held.

SB 1195 - sales tax rates; preexisting contracts – DO PASS AMENDED/STRIKE EVERYTHING

Senator Martin explained SB 1195 was heard at the last meeting. He said nothing has changed with the amendment. He also noted that he believes a tentative agreement has been reached; however,

the details have not been finalized. He said if an agreement has been reached with the parties, there will not be any need for the bill.

Senator Martin announced the individuals who registered their position on the bill (Attachment A).

Senator Harper moved SB 1195 be returned with a DO PASS recommendation.

Senator Harper moved the 13-line Martin strike-everything amendment dated 2/20/03 at 1:45 p.m. be ADOPTED (Attachment C). The motion CARRIED by a voice vote.

Senator Harper moved SB 1195 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 7-0-2 (Attachment 2).

SB 1146 – eminent domain; technical correction – DO PASS AMENDED; STRIKE EVERYTHING

Denisse Gee, Finance Research Analyst, explained the Jarrett strike-everything amendment dated 2/24/03 at 2:10 p.m. to SB 1146 allows an individual taxpayer to contribute a portion of their income tax refund to the State general fund via a checkoff on the income tax return. She distributed a form entitled "Arizona Form 140 – Resident Personal Income Tax Return" from the Arizona Department of Revenue (DOR) showing the current checkoff items (Attachment D).

Senator Martin announced the individuals who registered their position on the bill (Attachment A).

Senator Brown stated he believes this should be studied more carefully to determine if anything further should be done.

Senator Jarrett stated since the State is in a budget crisis, this legislation could benefit the State if individuals decide to designate a portion of their refund to the State.

Senator Harper stated he believes this presents a good opportunity for people to donate to the State general fund by checking off the appropriate box on their tax returns.

Senator Weiers stated that as much as he would like to think people will donate their tax refunds, he is doubtful it will happen. He said as noble as it appears, he agrees with Senator Brown.

Senator Harper moved SB 1146 be returned with a DO PASS recommendation.

Senator Harper moved the 16-line Jarrett strike-everything amendment dated 2/24/03 at 2:10 p.m. be ADOPTED (Attachment E). The motion CARRIED by a voice vote.

Senator Harper moved SB 1146 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 5-3-1 (Attachment 3).

SB 1343 – property valuation; three-year period – HELD

Ms. Gee explained SB 1343 allows county assessors to value all locally assessed property on a three-year cycle, except agricultural, timeshare and golf course land. Ms. Gee explained the 2-page Weiers amendment dated 2/21/03 at 10:00 a.m. provides the following (Attachment F):

- The amendment provides that a commercial property may be valued every two years.
- The amendment requires the Maricopa County Assessor's Office to file a plan with DOR to comply with DOR's standard appraisal methods and technique guidelines prior to issuing valuation notices.
- The amendment requires the Assessor to revalue a property if a class of property fails to comply with DOR's ratio standard guidelines.

In response to Senator Jarrett, **Senator Weiers, bill sponsor,** explained the reasons for this legislation. He said the Maricopa County Assessor's Office brought this issue to him, and this measure will actually save money by reducing the mandates back on the Assessor's Office.

Michael Racy, Lobbyist, Association of Advocates for Property Taxpayers of Arizona, testified in opposition of SB 1343. He said the Association is comprised of professionals who file property tax appeals, and most work in multiple counties thus enabling them to have a broader perspective than any single county assessor. He said the members of this Association handle approximately 80% of the property tax appeals filed in the State, particularly on commercial properties. He pointed out that this idea has been discussed many times over the past several years, and similar bills have failed before the Legislature in the past. He said the bill was brought back this year and many constructive meetings have taken place with Mr. Bailey from the Assessor's Office. He noted that progress has been made with some taxpayer protections in this bill.

Mr. Racy commented that a strong concern is having the entire Arizona property tax system designed around the concept of annual revaluations. He said if valuations are not done on an annual basis, there may be profound fiscal impacts on counties, school districts and the State. Mr. Racy stated that there will absolutely be a fiscal impact to local jurisdictions as well as to the State as a result of this bill. He said the only scenario where there would not be a fiscal impact is if property tax values remain absolutely flat, which has never happened for a multi-year period in this State.

Senator Weiers stated he was under the impression that there was an understanding or compromise between the interested parties regarding the inclusion of his amendment. He said based on Mr. Racy's testimony, he would like to hold the bill at this time.

Senator Martin announced that SB 1343 will be held at the request of the sponsor.

Senator Martin announced the individuals who registered their position on the bill (Attachment A).

SB 1313 – contractors; indemnity agreements – HELD

Senator Martin stated he has been meeting with the stakeholders on this issue in an attempt to work out an agreement with the parties. He said unfortunately final language is not available to present today, and he realizes that this is the last meeting to hear Senate bills. However, he stated there are other bills that can be used for this issue. He said meetings will continue with the stakeholders, and he is hopeful that something can be done to resolve this issue. Senator Martin announced SB 1313

will be held at this time, but he will continue to work with the stakeholders during this session and possibly the interim period.

There being no further business, the meeting adjourned at 2:03 p.m.

Respectfully submitted,

Nancy L. DeMichele
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)