

ARIZONA HOUSE OF REPRESENTATIVES
Forty-ninth Legislature – Second Regular Session

COMMITTEE ON WAYS AND MEANS

Minutes of Special Meeting
Thursday, January 21, 2010
House Hearing Room 1 -- 2:00 p.m.

Chairman Murphy called the meeting to order at 2:10 p.m. and attendance was noted by the secretary.

Members Present

Mr. Biggs
Mr. Brown
Mr. Chabin

Mr. Farley
Ms. Reagan
Mr. Yarbrough

Mrs. Lesko, Vice-Chairman
Mr. Murphy, Chairman

Members Absent

None

Committee Action

HB2070 – DPA (6-1-0-1)
HB2247 – DP (7-0-0-1)
HB2303 – DP (4-3-0-1)
HB2407 – DP (5-3-0-0)
HB2434 – DP (6-0-0-2)

HB2507 – DP (6-0-0-2)
HB2508 – DP (6-0-0-2)
HB2509 – DPA (6-0-0-2)
HB2514 – DP (7-0-0-1)
HB2515 – HELD

CONSIDERATION OF BILLS

HB2515 – confidential tax information; utilities – HELD

Chairman Murphy announced that HB2515 would be held.

HB2303 – health services districts; voter approval – DO PASS

Vice-Chairman Lesko moved that HB2303 do pass.

Jennifer Anderson, Majority Research Analyst, explained that HB 2303 eliminates the option to form a Public Health Services District by unanimous vote of the County Board of Supervisors (Attachment 1)

Representative Sam Crump, sponsor, explained that he was running the bill on behalf of the Arizona Tax Research Association and to help protect taxpayers. Representative Crump went on

to explained how a Board of Supervisors can increase taxes by a majority vote and deferred to Mr. McCarthy.

Mr. Chabin described some of the history behind the establishment of Public Health Services District agreements between cities and counties and his concerns with the retroactive date in HB2303. Mr. Crump deferred to Mr. McCarthy.

Kevin McCarthy, President, Arizona Tax Research Association, testified in support of HB2303. Mr. McCarthy explained the process of establishing other types of special taxing districts and stated his concerns for lack of voter input when creating Public Health Services Districts. Mr. McCarthy went on to explain that retroactive dates are common in many bills.

Mr. Chabin asked how health districts are treated differently than prison districts. Mr. McCarthy explained how maintenance of effort differences requires counties to spend the money on prisons and how health district funds are used to offset general fund spending (Attachment 2).

Vice-Chairman Lesko announced the names of those who signed up in support of HB2303 but did not speak:

Penny Allee Taylor, Specialsit/Government Affairs, Southwest Gas Corporation
Gretchen Kitchel, Sr. Public Affairs Rep., Pinnacle West Capital Corporation
Russell Smoldon, Lobbyist, SRP
Courtney Gilstrap Levinus, Central AZ Chambers & AMA

Question was called on the motion that HB2303 do pass. The motion carried by a roll call vote of 4-3-0-1 (Attachment 3).

HB2514 – charter schools; food; tax exemption – DO PASS

Vice-Chairman Lesko moved that HB2514 do pass.

Paul Benny, Assistant Research Analyst, explained that HB2514 expands the current transaction privilege tax and use of tax exemption for food and drink served for consumption at public schools to include charter schools (Attachment 4)

Jay Kaprosy, Senior Government Relations Advisor, AZ Charter Schools Association, testified in support of HB2514. Mr. Kaprosy explained how HB2514 would solve some parody issues with charter school cash flow.

Question was called on the motion that HB2514 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 5).

HB2070 – school tax credit; fees; limitation – DO PASS AMENDED

Vice-Chairman Lesko moved that HB2070 do pass.

Paul Benny, Assistant Research Analyst, explained that HB2070 expands the public school tax credit to include tutoring programs and limits the amount of contributions a public school can use for students' character education programs or extracurricular activities (Attachment 6),

Vice-Chairman Lesko moved that the 10-line Murphy amendment dated 1/21/10 be adopted (Attachment 7)

Paul Benny, Assistant Research Analyst, explained that the amendment starts the \$500 per student limit at the beginning of the 2010 fall school semester and clarifies that the limit for students' character education programs or extracurricular activities is \$500 per student. The amendment also adds a retroactivity clause to January 1, 2010.

Mr. Farley asked if HB2070 expands the overall amount of the contribution limit or if it just allows the funds to be spent on more items. Mr. Murphy responded that the limit is unchanged. Discussion ensued on other programs and how programs are paid for in schools.

Mrs. Lesko asked if there had been a fiscal note requested. Mr. Benny said that none had been requested but he would be happy to get one for her. Discussion ensued about whether or not the bill obligated the general fund and if more people would take advantage of the tax credit.

Jennifer Loreda, Arizona Education Association, testified in opposition to the bill. Ms. Loreda explained that the AEA is opposed to any tax credits that reduce general fund revenue at this time.

Vice-Chairman Lesko announced the names of those who signed up in opposition to HB2070 but did not speak:

Michael Smith, ASSOC, Az. School Administrators

Question was called on the motion that the 10-line Murphy amendment dated 1/21/10 be adopted. The motion carried.

Vice-Chairman Lesko moved that HB2070 as amended do pass. The motion carried by a roll call vote of 6-1-0-1 (Attachment 8).

HB2407 – municipal sales tax; utilities – DO PASS

Vice-Chairman Lesko moved that HB407 do pass.

Jennifer Anderson, Majority Research Analyst, explained that HB2407 exempts utilities provided to customers outside of a municipality's taxing jurisdiction from any municipal excise tax and prescribes conditions under which a city or town may increase municipal tax rates (Attachment 9).

Mr. Biggs asked what tax classifications apply in HB2407. Ms. Anderson responded that under the privileged taxing section there are classifications for amusement, construction contracting, jet fuel, manufacturing, mining, hotels, restaurants and bars, retail sales, and about 40 other options.

Mr. Biggs asked if a city wanted to increase the tax on mining, would they need to increase all other taxes as well. Ms. Anderson confirmed that is correct.

Mr. Farley asked if HB2407 would make different tax classifications illegal. Ms. Anderson said she would need to look into that and get back to him. Ms. Lesko asked if the legislature gives authority to a municipality to raise taxes on tourism, would they still need to raise other business taxes. Ms. Anderson said she was unsure about that specific situation, but if a city raised their Transaction Privilege Tax on one classification they would have to raise it on the others.

Representative Frank Antenori, sponsor, explained the background behind HB2407 and that it would not apply to special districts if they received authority from the voters or from the Legislature. It only applies to increases in Transaction Privilege Tax.

Ms. Reagan asked if Scottsdale sent a ballot initiative to the voters to increase the bed tax and it passed, would they still have to increase all other taxes. Representative Antenori said that would be a tax approved by the voters and would not apply.

Mr. Farley read a legal opinion from the Oro Valley County Attorney and asked Mr. Antenori to respond. Mr. Antenori explained that he is trying to stop the systematic targeting of individual taxpayer groups.

Tom Belshe, Member Services Director, League of Arizona Cities and Towns, testified in opposition to the bill. Mr. Belshe explained some of the issues that would arise for individual cities should the bill pass.

Christopher Avery, Chief Water Counsel, representing self, testified as neutral to HB2407. Mr. Avery said it was his opinion that the bill would be found unconstitutional and cost cities a lot to fight in court.

Mr. Biggs asked if clauses related to energy and the Corporation Commission were removed, would Mr. Avery still think the bill is unconstitutional. Mr. Avery responded that there were other portions of the bill that implicate the Corporation Commission and went on to explain how Tucson utilities have already cut their budget.

Mr. Antenori stated that he would be okay with removing utilities rate increase from the bill if there is a constitutional issue. Discussion ensued on the purpose of the bill and constitutionality.

Vice-Chairman Lesko announced the names of those who signed up in support of HB2407 but did not speak:

Michael Dimaria, Director of Legal Issues, Qwest Communications
Russell Smoldon, Lobbyist, SRP
Courtney Gilstrap Levinus, AMA, AZREIA and ARPOLA

Vice-Chairman Lesko announced the names of those who signed up in opposition to HB2407 but did not speak:

Jacqueline Walker, Intergov, City of Kingman
Amber Wakeman, City of Tempe Govt Relations
Ryan Harper, Triadvocates LLC, City of Sierra Vista
Katie Decker, Legislative Liaison, Town of Fountain Hills
Mike Williams, City of Tempe
David Johnson, Intergovernmental Affairs Analyst, Town of Buckeye

Michael Celaya, Intergovernmental Relations Director, City of Surprise
Scott Butler, City of Mesa
Ryan Peters, Intergovernmental Programs Administrator, City of Glendale
Shirley Gunther, Intergovernmental Affairs Manager, City of Avondale
Connie Scoggins, Asst City Attorney, City of Yuma
Pat Dennis, IGA, City of El Mirage
Jennifer Pena, Deputy City Clerk, City of Litchfield Park
Romina Korkes, Intergovernmental Programs Manager, City of Goodyear
Paul Jepson, Assistant to the City Manager, City of Maricopa
Lisa Estrada, Intergovernmental Affairs Coordinator, City of Peoria
Michelle Gramley, Town of Gilbert

Question was called on the motion that HB2407 do pass. The motion carried by a roll call vote of 5-3-0-0 (Attachment 10).

HB2247 – property tax appeals to court – DO PASS

Vice-Chairman Lesko moved that HB2247 do pass.

Jennifer Anderson, Majority Research Analyst, explained that HB2247 assigns statutory provisions related to a new property owner's right to appeal the valuation of classification of the property to a new, separate section of statute (Attachment 11)

Mr. Biggs, sponsor, explained that there were two conflicting statutes on appeals and counties need clarification on the legislative intent.

Michael Racy, Arizona Association of Property Tax Advocates, testified in support of the bill. Mr. Racy explained that HB2247 makes no substantive changes to the law and one county has been trying to apply both sections together.

Vice-Chairman Lesko announced the names of those who signed up neutral to HB2407 but did not speak:

Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessor

Question was called on the motion that HB2407 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 12).

HB2434 – car rental surcharge; vanpool exception – DO PASS

Vice-Chairman Lesko moved that HB2434 do pass.

Paul Benny, Assistant Research Analyst, explained that HB2434 provides an exemption from the car rental surcharge for vehicles used in vanpools (Attachment 13).

Marcus Osborn, Manager of Gov. and Public Affairs, Valley Metro, testified in support of HB2434. Mr. Osborn explained that there is some confusion in the statute relating to vanpools and HB2434 clarifies the intent.

Question was called on the motion that HB2434 do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 14).

HB2507 – property tax valuation; governmental actions – DO PASS

Vice-Chairman Lesko moved that HB2507 do pass.

Jennifer Anderson, Majority Research Analyst, explained that HB2507 clarifies how the limited value of properties that are split or combined as a result of a government action are determined (Attachment 15).

Chairman Murphy announced the names of those who signed up as neutral to HB2507 but did not speak:

Paul Petersen, Attorney/Assessor Representative, Maricopa County

Question was called on the motion that HB2507 do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 16).

HB2508 – property valuation; equalization calendar – DO PASS

Vice-Chairman Lesko moved that HB2508 do pass.

Paul Benny, Assistant Research Analyst, explained that HB2508 provides more time for county assessors to submit property values to the Department of Revenue for equalization reviews (Attachment 17).

Mr. Murphy, sponsor, deferred questions to Sean Laux.

Sean Laux, Legislative Liaison, Department of Revenue, testified in support of the bill. Mr. Laux explained that some small counties were having difficulty meeting the current deadline.

Ryan Tasseau, Maricopa County Assessor, testified in opposition to the bill. Mr. Tasseau explained that by extending the date assessors lose 30 days in their appeal process. Mr. Tasseau went on to explain that they would be in support of the bill if the appeals deadline was also extended.

Question was called on the motion that HB2507 do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 18).

HB2509 – property tax liens; redemption; foreclosure – DO PASS AMENDED

Vice-Chairman Lesko moved that HB2509 do pass.

Vice Chairman Lesko moved that the three-line Murphy amendment dated 1/20/10 be adopted (Attachment 19).

Paul Benny, Assistant Research Analyst, explained that HB2509 preserves the right of a tax lien holder to recover attorney's fees after public notice is given when a property has a lawsuit pending and that the amendment clarifies the bill (Attachment 20).

Anjali Abraham, Associate Government Affairs Director, Arizona Association of Counties, testified in support of HB2509. Ms. Abraham explained that in the event of a foreclosure the bill allows the tax lien holder to at least recover attorney's fees.

Chairman Murphy announced the names of those who signed up in support of HB2507 but did not speak:

Jen Sweeney, Government Affairs Director, Arizona Association of Counties

Question was called on the motion that the three-line Murphy amendment dated 1/20/10 be adopted. The motion carried.

Vice-Chairman Lesko moved that HB2507 as amended do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 21).

Without objection, the meeting adjourned at 3:50 p.m.

Emilio Bascunan, Committee Secretary
February 5, 2010

(Original minutes, attachments and audio on file in the Chief Clerk's Office; video archives available at <http://www.azleg.gov>).