

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

COMMITTEE ON WAYS AND MEANS

Minutes of Meeting
Monday, January 25, 2010
House Hearing Room 1 -- 2:00 p.m.

Chairman Murphy called the meeting to order at 2:05 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

HB2250 – DPA (6-2-0-0)
HB2445 – DP (5-2-0-1)

HB2513 – DP (8-0-0-0)

CONSIDERATION OF BILLS

HB2513- municipal transaction privilege taxes; report – DO PASS

Vice-Chairman Lesko moved that HB2513 do pass

Paul Benny, Assistant Research Analyst, explained that HB2513 requires municipalities that do not contract with the Department of Revenue (DOR) for transaction privilege tax (TPT) collections to submit a report to DOR by September 1 each year on the total amount of TPT collected by the municipality from the previous year (Attachment 1).

Jennifer Schuldt, Senior Research Analyst, Arizona Tax Research Association, testified in support of the bill. Ms. Schuldt stated that HB2513 would improve the quality of tax collection data given to the census bureau.

Vice-Chairman Lesko announced the names of those signed up in support of HB2513 but did not speak:

Michael Dimaria, Director of Legal Issues, Qwest Communications
Penny Allee Taylor, Specialsit/Government Affairs, Southwest Gas Corporation
Courtney Gilstrap Levinus, AMA, AZREIA and ARPOLA

Gretchen Kitchel, Sr. Public Affairs Rep., Pinnacle West Capital Corporation

Vice-Chairman Lesko announced the names of those signed up as neutral on HB2513 but did not speak:

Jeffrey Kros, Legislative Director, League of Cities and Towns

Question was called on the motion that HB2513 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 2).

HB2445 – mining transaction privilege tax; application – DO PASS

Vice-Chairman Lesko moved that HB2445 do pass.

Jennifer Anderson, Majority Research Analyst, explained that HB2445 specifies that the transaction privilege tax mining classification applies only to nonmetalliferous mineral product mined, quarried or otherwise extracted from Arizona, retroactive to 2002 (Attachment 3).

Mr. Chabin asked what the fiscal impact of the bill will be. Ms. Anderson explained that there would be no fiscal impact.

Chairman Murphy announced that the Natural Resources and Rural Affairs committee had not yet heard the bill and will hold HB2445 for now.

HB2250 – Arizona’s job recovery act – DO PASS AMENDED

Vice-Chairman Lesko moved that HB2250 do pass.

Vice-Chairman Lesko moved the three-page Murphy amendment dated 1/25/10 be adopted (Attachment 4).

Jennifer Anderson, Majority Research Analyst, explained that HB2250 establishes a new Arizona Job Training Program, the Arizona Quality Jobs Program, and the Arizona Opportunity Fund; expands the type of businesses that qualify for Enterprise Zone tax incentives; reduces the Class 1 property assessment ratios from 20% to 15% over five years beginning in TY 2012; phases down the state equalization property tax over three years; decreases the corporate income tax rate from 6.968% to 4.5% over four years beginning in TY 2011; and lowers the individual income tax by 10% over four years beginning in TY 2011 (Attachment 5). Ms. Anderson went on to explain the amendment.

Chairman Murphy made a statement about the current status of Arizona’s tax structure and budget deficit, and invited the Speaker of the House to testify.

Representative Kirk Adams, Speaker of the House, sponsor, testified that HB2250 was designed using proven methods for economic growth and explained how Arizona’s job losses compare to the nation.

Mr. Chabin asked why the Legislature is proposing tax decreases to corporations like payday lenders, strip clubs, and APS. Speaker Adams responded that all businesses in Arizona would

benefit from the bill, and explained how job growth will occur statewide. Chairman Murphy stated that broadness is one of the benefits of HB2250.

Mr. Chabin stated that there was no fiscal note for HB2250 and asked how HB2250 would affect the budget. Speaker Adams stated that HB2250 is not addressing the state budget, but the portions of the bill that go into effect immediately are self-financing and do not impact the budget in a meaningful way. Speaker Adams went on to say that the portions of HB2250 that will affect the budget do not begin until 2012, with full implementation in 2016, and that focusing on just state government spending without regard for the private sector is shortsighted.

Mr. Farley asked if a fiscal note was available. Speaker Adams confirmed that one had been requested but not yet received. Discussion ensued regarding static analysis vs. dynamic analysis, revenue recovery, tax rates, and overall competitiveness.

Mr. Farley commented that he did not believe the bill would make it through the Senate. Speaker Adams responded that he would not share private conversations he had with President Burns, but that President Burns was a co-sponsor of the bill.

Chairman Murphy announced that due to the number of people wishing to speak on HB2250, testimony would be limited to three minutes.

Barry Broome, Greater Phoenix Economic Council, testified in support of HB2250. Mr. Broome stated that more tax competitiveness and job growth is needed to help solve the deficit.

Tim Lawless, President, National Association of Industrial and Office Properties (NAIOP), testified in support of HB2250. Mr. Lawless stated that NAIOP helps attract new business and HB2250 provides more tools to do that. Mr. Lawless went on to explain how California was losing aerospace companies and how HB2250 would help retain companies already in Arizona.

Mr. Chabin explained how taxes have been shifting from corporations to individuals. Mr. Lawless responded that lowering taxes on corporations sends a signal to businesses that Arizona will treat them fairly. Discussion ensued regarding tax fairness, cutting government services, and the effect of different types of taxes.

Dana Naimark, President/CEO, Children's Action Alliance, testified in opposition to HB2250. Ms. Naimark testified that the tax code is obsolete and needs reform, but providing more tax cuts is not the way. Ms. Naimark went on to say that she doesn't want to see more cuts to K-12 education, state parks, and health care.

Mr. Farley asked if Ms. Naimark could explain in more depth how the tax cuts led to Arizona's current deficit. Ms. Naimark stated which taxes had been cut and they do contribute to the deficit. Discussion ensued regarding tax rates, economic growth, and revenues.

Eric Emmert, East Valley Chambers of Commerce Alliance, testified in support of HB2250. Mr. Emmert stated that employers are hopeful about the job creation sections of HB2250 and have some suggestions for improving the enterprise zone section that can be addressed going forward.

John Kaites, Arizona Technology Council, testified in support of HB2250. Mr. Kaites deferred testimony to Steve Zylstra.

Steve Zylstra, Exec Director of AZ Technology Council, testified in support of HB2250. Mr. Zylstra testified that he represents base research and development industries that create new products and exports. Mr. Zylstra went on to say there was a dearth of initial capital for small technology companies and would like to see the bill expanded to include HB2243.

Mr. Chabin stated that it is important to target industries like the ones Mr. Zylstra represents. Mr. Murphy responded that micro targeting industries cannot create enough jobs to make up for those lost. Discussion ensued regarding the intent of the bill, program cuts, and increasing the tax base.

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association, testified as neutral on HB2250. Ms. Palmer testified that a quality education system is dependent on a quality business sector and explained how her organization attempted to find a revenue neutral way to update the tax system. Ms. Palmer went on to say that the Arizona School Boards Association wants to be constructive going forward with HB2250.

Marcus Osborn, Manager of Gov. and Public Affairs, AZ Chamber of Commerce, AZ Manufacturing Council, testified as neutral on HB2250. Mr. Osborn testified that they were taking a very detailed look at the economic development package but they are very supportive of the property tax reductions. Mr. Osborn went on to say that attracting and growing business is globally competitive and property tax reductions are a good way to compete.

Laurie Liles, Senior VP, Public Affairs, Arizona Hospital and Healthcare Association, testified as neutral on HB2250. Ms. Liles said that her organization is neutral because they had not yet had a chance to discuss HB2250 and all its implications. Ms. Liles went on to explain hospitals contribution to the economy and the number of jobs created.

Farrell Quinlan, Director, National Federation of Independent Business, testified in support of HB2250. Mr. Quinlan testified that they have the same concerns that others have, but that HB2250 will help grow business and in turn fund state spending priorities. Mr. Quinlan went on to describe the benefits of property tax reductions.

Vice-Chairman Lesko announced the names of those who signed up in support of HB2250 but did not speak:

Steve Voeller, President, Arizona Free Enterprise Club, Arizona Free Enterprise Club

Sharolyn Hohman, President & CEO, Southwest Valley Chamber of Commerce

Courtney Gilstrap Levinus, Central AZ Chamber & AMA

Richard Hubbard, President/CEO Valley Partnership, Valley Partnership

Ed Wren, legislative counsel, UMC

Joseph Abate, of counsel, Martinez & Curtis PC, AT&T

Theodore Kraver, CaptiveMotion Inc.

Patricia Hill, Legislative Liaison, Maricopa Community Colleges

Deanna Kupcik, President & CEO, Buckeye Valley Chamber of Commerce

Bob Rosenberg, citizen, representing self

Tom Dorn, Lobbyist, East Valley Chambers of Commerce Alliance

Elaine Arena, West Valley Chambers of Commerce Alliance
Gene Holmquist, CEO/President, Ensynch and the AZ Tech Council
Pat Stone, VP of Sales, Flypaper Studio and Arizona Technology Council
David Beachamp, Bryan Cave LLP and AZ Tech Council
Ronald Schott, representing self
Rod Lenniger, COO, Zog Media and Arizona Technology Council
Joseph Ferro, Director Information & Network Technology, Cox Communications, and Arizona Technology Council
Justin Williams, President, Data Site Consortium, Inc., AZ Technology Council
Todd Bankofier, Principal, Fairmont Capital Group, AZ Technology Council
Bret Zahn, VP, Corporate Operations, Lifelock
Chuck Vermillion, CEO, One Neck It
Fred Coon, Chairman, CEO, Stuart, Cooper & Coon, INC., AZ Technology Council
Joanne Bradley, COO & VP, Namescape Corporation, AZ Technology Council
Mark Goldstein, President, International Research Center, AZ Technology Council
Susan Shultz, CEO, The Board Institute, INC
John Cummerford, Shareholder, Greenburg Traurig, AZ Technology Council

Vice-Chairman Lesko announced the names of those who signed up as neutral on HB2250 but did not speak:

Allison Bell, Arizona Chamber of Commerce & Industry
Jack Lunsford, President & CEO, WESTMARC

Vice-Chairman Lesko announced the names of those who signed up in opposition to HB2250 but did not speak:

Mrs. Sue Davis, representing self;
Jennifer Bonnett, Arizona Public Health Association
Rebekah Friend, Lobbyist, Arizona AFL-CIO
Ramon Garcia, representing self
Susan Wilkins, representing self
Timothy Schmaltz, Coordinator, Protecting Arizona's Family Coalition
Colleen Fisher, Case Manager/Social Worker, representing self
Suzanne Schunk, Director Family Support Services, representing self
Amy Schwabendlender, Community Investment Manager, representing self
Kay Martin, Chaplain, representing self
Peri Jude Radecic, Director of Public Advocacy, Arizona Center for Disability Law
Carol Stambaugh, Executive Director, National Association of Social Workers, AZ Chapter
Martin Quezada, representing self
Bonnie Danowski, Valley Interfaith Project
Joy Wilcox, representing self
Molly McGovern, SEIU Arizona
John Wright, Vice President, Arizona Education Association
Leslie Carlson, representing self
Jack Beveridge, CEO, AZ Public Health Association
Ellen Katz, Litigation Director, William E. Morris Institute for Justice
Shannon Rich, representing self
Jennifer Patrick, Spa Coordinator, MSW Student, representing self
Maureen Casey, Parent of a child with a disability, representing self

Question was called on the motion that the three-page Murphy amendment dated 1/25/10 be adopted. The motion carried.

Vice-Chairman Lesko moved that HB2250 as amended do pass.

Mr. Chabin made a substitute motion that HB2250 be held and requested a roll call vote. The motion failed (3-5-0-0) (Attachment 6).

Question was called on the motion that HB2250 as amended do pass. The motion carried by a roll call vote of 6-2-0-0 (Attachment 7).

HB2445 – mining transaction privilege tax; application – DO PASS (continued)

Vice-Chairman Lesko moved that HB2445 do pass.

Representative Frank Pratt, sponsor, testified that HB2445 is revenue neutral and clarifies current practice.

Mr. Brown asked if HB2445 included coal. Mr. Pratt responded that HB2445 does not include coal but that he is willing to look at it and amend the bill.

Mr. Farley asked how the bill is revenue neutral if companies currently paying taxes will no longer be paying taxes. Mr. Pratt responded that it does not change the status of the way taxes are being paid now, just clarifies that the way they pay will not change in the future. Discussion ensued about the application of tax regulations.

Mr. Chabin asked whether or not there would be less revenue generated if HB2445 is implemented.

Sean Laux, Legislative Liaison, Department of Revenue, testified that the department has not yet had the chance to review any fiscal impact.

Mr. Farley asked if a company is potentially due taxes on something, but Department of Revenue was not collecting them, would HB2445 mean that they could not collect the back taxes. Mr. Laux responded that he could not say whether a particular taxpayer is being assessed, but the legislation is based on a ruling issued by the Department in 2008. Discussion ensued regarding confidentiality.

Dan Garrett, Partner, OMYA, testified in support of HB2445. Mr. Garrett testified that the taxpayer was concerned because they did not think they should be taxed on items that were mined outside of Arizona and received a negative ruling from the Department of Revenue.

Mr. Farley asked if marble that is mined outside of Arizona is subject to use tax instead of severance tax, then HB2445 would be revenue neutral. Mr. Garrett responded that the tax has never been paid. Discussion ensued regarding the changing of tax regulations.

Question was called on the motion that HB2445 do pass. The motion carried by a roll call vote of 5-2-0-1 (Attachment 8).

Without objection, the meeting adjourned at 5:10 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>).