

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

**COMMITTEE ON WAYS AND MEANS**

Minutes of Meeting  
Monday, February 15, 2010  
House Hearing Room 1 -- 2:00 p.m.

Chairman Murphy called the meeting to order at 3:00 p.m. and attendance was noted by the secretary.

**Members Present**

Mr. Biggs  
Mr. Brown  
Mr. Farley

Ms. Reagan  
Mr. Yarbrough

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

**Members Absent**

Mr. Chabin

**Committee Action**

HB2135 – DP (5-1-0-2)  
HB2157 – DP (5-2-0-1)  
HB2496 – DPA (4-2-0-2)  
HB2511 – DP (7-0-0-1)  
HB2630 – DP (7-0-0-1)

HB2660 – DP (3-2-0-3)  
HB2663 – DPA (4-2-0-2)  
HB2665 – DPA (7-0-0-1)  
HCR2056 – DP (5-2-0-1)  
HCR2057 – HELD

**CONSIDERATION OF BILLS**

**HB2135 – sanitary districts; bonds – DO PASS**

**Vice-Chairman Lesko moved that HB2135 do pass.**

Paul Benny, Assistant Research Analyst, explained that HB2135 is an emergency measure that increases the maximum bond maturity period from 20 years or 25 years and three months, depending on the type of bond, to 40 years and three months for bonds issued by a sanitary district and purchased by the federal government (Attachment 1).

Representative Lucy Mason, sponsor, testified that HB2135 is the same as a bill from last year and is necessary for the Ash Fork community sanitary district.

Vice-Chairman Lesko asked why it is necessary to extend the time limit from 20 to 40 years. Ms. Mason responded that it has to do with federal funding and deferred questions to other presenters.

Lewis Hume, Ash Fork Sanitary District Chairman, testified in support of HB2135. Mr. Hume stated that most of the community in Ash Fork has low income, and the 40 year time frame with low federal government interest rates makes capital improvement projects affordable for the community.

Vice-Chairman Lesko asked if there is a federal requirement that states the bonds should last 40 years. Mr. Hume responded that the federal requirement is 20-40 years, but that the project must last for the duration of the bond.

Marshall Trimble, Official State Historian, testified in support of HB2135. Mr. Trimble explained the history of the Ash Fork community and stated that keeping water clean has always been a problem.

David Monihan, Jr, representing self, testified in support of HB2135. Mr. Monihan testified that he compiled the engineering report for the project and reaffirmed its necessity.

Fred Rosenfeld, Ash Fork Sanitary District, testified in support of HB2135. Mr. Rosenfeld testified that although the loan period is for 40 years, it can be repaid early with no penalty.

**Question was called on the motion that HB2135 do pass. The motion carried by a roll call vote of 5-1-0-2 (Attachment 2).**

**HB2660 – STO; increased contribution limit – DO PASS**

**Vice-Chairman Lesko moved that HB2660 do pass.**

Paul Benny, Assistant Research Analyst, explained that HB2660 increases the individual income tax credit for contributions to school tuition organizations (Attachment 3).

Vice-Chairman Lesko announced the names of those who signed up in support of HB2660, but did not speak:

Mike Williams, representing self  
Robert Teegarden, representing self  
Sydney Hay, American Federation for Children  
Harry Miller, Executive Director, Tuition Organization for Private Schools  
Kanani Voegeli, Director of Administration, Arizona Scholarship Fund

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB2660, but did not speak:

Rebekah Friend, Lobbyist, Arizona AFL-CIO  
Jerry Spreitzer, Arizona Federation of Teachers  
Dan Lawrence, representing self  
Jennifer Loreda, Arizona Education Association  
Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

**Question was called on the motion that HB2660 do pass. The motion carried by a roll call vote of 3-2-0-3 (Attachment 4).**

**HB2496 – school tuition credit; contribution date – DO PASS AMENDED**

**Vice-Chairman Lesko moved that HB2496 do pass.**

**Vice-Chairman Lesko moved that the six-line Lesko amendment dated 2/3/10 be adopted (Attachment 5).**

Paul Benny, Assistant Research Analyst, explained that HB2496 allows a donation made to a school tuition organization (STO) between the close of the tax year and the income tax return filing deadline to be applied to either the current or preceding tax year for the purpose of claiming an income tax credit (Attachment 6).

Vice-Chairman Lesko, sponsor, stated that HB2496 would extend the deadline from December 31 to April 15 so people have a better idea of what their tax liabilities are and how much they can contribute.

Charlotte Beecher, Executive Director, Institute for Better Education, representing self, testified as neutral to the bill. Ms. Beecher stated that she has 30 years of experience working in Arizona education and testified that she is concerned about how the bill will affect middle and low income private school students.

Vice-Chairman Lesko announced the names of those who signed up in support of HB2496, but did not speak:

Deborah Sheasby, Legal Counsel, Center for Arizona Policy  
Ron Johnson, Executive Director, Arizona Catholic Conference  
Sydney Hay, American Federation for Children  
Robert Teegarden, representing self  
Mike Williams, representing self

Vice-Chairman Lesko announced the names of those who signed up as neutral to HB2496, but did not speak:

Harry Miller, Executive Director, Tuition Organization for Private Schools

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB2496, but did not speak:

Kanani Voegeli, Director of Administration, Arizona Scholarship Fund  
Rebekah Friend, Lobbyist, Arizona AFL-CIO  
Jerry Spreitzer, Arizona Federation of Teachers  
Dan Lawrence, representing self  
Rhonda Ball, teacher, representing self  
Jennifer Loreda, Arizona Education Association  
Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Mr. Farley read a letter he received from Kanani Voegeli in opposition to HB2496. Mr. Murphy responded that not all STOs agree on the impact of the bill and stated that having the cutoff date at December 31 disproportionately affects middle class Arizonans.

**Question was called on the motion that the six-line Lesko amendment dated 2/3/10 be adopted (Attachment 5). The motion carried.**

**Vice-Chairman Lesko moved that HB2496 as amended do pass. The motion carried by a roll call vote of 4-2-0-2 (Attachment 7).**

**HB2663- STOs; corporate tax credit requirements – DO PASS AMENDED**

**Vice-Chairman Lesko moved that HB2663 do pass.**

**Vice-Chairman Lesko moved that the six-line Murphy amendment dated 2/8/10 be adopted (Attachment 8).**

Jennifer Anderson, Majority Research Analyst, explained that HB2663 reorganizes the current statutory regulatory school tuition organizations (STOs) that accept corporate income tax credit donations and implements additional regulatory measures for STOs based on the recommendations of the Ad Hoc Committee on Private School Tuition Tax Credit Review (Attachment 9).

Vice-Chairman Lesko announced the names of those who signed up in support of HB2663, but did not speak:

Deborah Sheasby, Legal Counsel, Center for Arizona Policy  
Ron Johnson, Executive Director, Arizona Catholic Conference  
Sydney Hay, American Federation for Children  
Robert Teegarden, representing self  
Harry Miller, Executive Director, Tuition Organization for Private Schools  
Kanani Voegeli, Director of Administration, Arizona Scholarship Fund

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB2663, but did not speak:

Rebekah Friend, Lobbyist, Arizona AFL-CIO  
Dan Lawrence, representing self  
Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

**Question was called on the motion that the six-line Murphy amendment dated 2/8/10 be adopted (Attachment 8). The motion carried.**

**Vice-Chairman Lesko moved that HB2663 as amended do pass. The motion carried by a roll call vote of 4-2-0-2 (Attachment 10).**

**HB2665 – corporate tax allocation; sales factor – DO PASS AMENDED**

**Vice-Chairman Lesko moved that HB2665 do pass.**

**Vice-Chairman Lesko moved that the five-line Murphy amendment dated 2/12/10 be adopted (Attachment 11).**

Jennifer Anderson, Majority Research Analyst, explained that HB2665 repeals the current sourcing method for the determination of the situs of sales of other than tangible personal property and implements a new market-based sourcing method for corporate income tax purposes (Attachment 12).

Don Isaacson, University of Phoenix/Apollo Group, testified in support of HB2665. Mr. Isaacson testified that this revision could encourage other businesses to relocate to Arizona.

Matt Beckler, Vice-President of Tax, Apollo Group, testified in support of HB2665. Mr. Beckler testified that HB2665 will encourage growth in the job market without affecting the tax base. Mr. Beckler explained that the Apollo Group is currently the seventh largest employer in Arizona and stated that the company is in a situation where revenue earned in other states though e-commerce is also being taxed in Arizona.

William Fox, Professor, representing self, testified in support of HB2665. Mr. Fox testified that HB2665 is beneficial legislation because Arizona will be taxing services more evenly, it updates old tax formulas, provides a better tax environment for service providers, and helps balance the sales factor.

Vice-Chairman Lesko announced the names of those who signed up in support of HB2665, but did not speak:

Wendy Briggs, Lobbyist, American Express

Mitch Menlove, Grand Canyon University

Norman Moore, University of Phoenix

Discussion ensued regarding the Arizona economy, the Arizona tax system, and what date should appear on the amendment

**Mr. Yarbrough moved that the five-line Murphy amendment dated 2/12/10 (Attachment 11) be amended as follows:**

**page 1, line 4, strike “20\_\_” and insert “2011”**

**The motion carried.**

**Vice-Chairman Lesko moved that the five-line Murphy amendment dated 2/12/10 (Attachment 11) as amended be adopted. The motion carried.**

**Vice-Chairman Lesko moved that HB2665 as amended do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 13).**

### **HB2630 – capital gain income tax subtraction – DO PASS**

**Vice-Chairman Lesko moved that HB2630 do pass.**

Jennifer Anderson, Majority Research Analyst, explained that HB2630 allows taxpayers to subtract the amount of net capital gain derived from an investment in a small business for the purposes of computing Arizona adjusted gross income (Attachment 14).

Representative Barbara McGuire, sponsor, stated that the intent of the bill is to provide investors with additional incentive to invest in small businesses.

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB2630, but did not speak:

Rebekah Friend, Lobbyist, Arizona AFL-CIO

**Question was called on the motion that HB2630 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 15).**

### **HB2511 – municipal taxes; real estate foreclosures – DO PASS**

**Vice-Chairman Lesko moved that HB2511 do pass.**

Paul Benny, Assistant Research Analyst, explained that HB2511 exempts the transfer of property to a creditor due to a default on a debt from municipal excise tax (Attachment 16).

Jay Kaprosy, Senior Government Relations Advisor, Arizona Bankers Association, testified that this bill clarifies how banks can implement the Model City Tax Code.

Vice-Chairman Lesko announced the names of those who signed up in support of HB2511, but did not speak:

Wendy Briggs, Lobbyist, Arizona Bankers Association  
Allison Bell, Arizona Chamber of Commerce & Industry  
Stacey Langford, Arizona Bankers Association

Vice-Chairman Lesko announced the names of those who signed up as neutral to HB2511, but did not speak:

Jeffrey Kros, Legislative Director, League of Cities and Towns

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB2511, but did not speak:

Mike Williams, Town of Queen Creek

**Question was called on the motion that HB2511 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 17).**

### **HB2157 – transaction privilege licenses; fees – DO PASS**

**Vice-Chairman Lesko moved that HB2157 do pass.**

Paul Benny, Assistant Research Analyst, explained that HB2157 increases the application fee for a state transaction privilege tax (TPT) license from \$12 to \$50 (Attachment 18).

Sean Laux, Legislative Liaison, Department of Revenue, testified as neutral to HB2157. Mr. Laux stated that the \$12 fee was set in the 1980's and has not been increased since. He went on to explain that the Department would like to implement an annual renewal fee to determine which businesses are no longer operating.

Chairman Murphy, sponsor, stated that he is not opposed to increasing the fee to cover the cost of licensing, but he does not want to charge an annual renewal fee to businesses that are currently active. Discussion ensued regarding the cost of active and inactive businesses, how businesses are treated that only operate at certain times, and penalties for not filing paperwork.

Vice-Chairman Lesko announced the names of those who signed up as opposed to HB 2157, but did not speak:

Lori Lustig, Tucson Metropolitan Chamber of Commerce

Farrell Quinlan, State Director, National Federation of Independent Business - Arizona

**Question was called on the motion that HB2157 do pass. The motion carried by a roll call vote of 5-2-0-1 (Attachment 19).**

**HCR2056 – personal property; tax exemption – DO PASS**

**Vice-Chairman Lesko moved that HCR2056 do pass.**

Jennifer Anderson, Majority Research Analyst, explained that HCR2056 requires the Legislature to increase the amount of personal property exempt from property taxes and provide a full exemption by 2014, subject to voter approval (Attachment 20).

Chairman Murphy, sponsor, explained that the business personal property tax penalizes people who just show up to conduct business, and continues to tax them for property as it depreciates.

Vice-Chairman Lesko announced the names of those who signed up in support of HCR2056, but did not speak:

Tom Dorn, Lobbyist, East Valley Chambers of Commerce Alliance

Vice-Chairman Lesko announced the names of those who signed up in opposition to HCR2056, but did not speak:

Rebekah Friend, Lobbyist, Arizona AFL-CIO

Jennifer Loreda, Arizona Education Association

**Question was called on the motion that HCR2056 do pass. The motion carried by a roll call vote of 5-2-0-1 (Attachment 21).**

**HCR2057 – phase-out business personal property tax – HELD**

**Chairman Murphy announced that HCR2057 would be held.**

Without objection, the meeting adjourned at 4:50 p.m.

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Emilio Bascunan, Committee Secretary  
March 17, 2010

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