

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – Second Regular Session

COMMITTEE ON WAYS AND MEANS

Minutes of Meeting
Monday, January 23, 2012
House Hearing Room 1 -- 2:00 p.m.

Chairman Harper called the meeting to order at 2:01 p.m. and attendance was noted by the secretary.

Members Present

Mr. Chabin
Mr. Farley
Mr. Gallego

Mr. Gray R
Mrs. Lesko
Mr. Mesnard

Mr. Olson
Mr. Vogt, Vice-Chairman
Mr. Harper, Chairman

Members Absent

None

Committee Action

HB2123 – DP (8-0-0-1)
HB2199 – DP (9-0-0-0)
HB2212 – DP (8-0-0-1)
HB2348 – DP (6-2-0-1)

HB2460 – DP (8-0-1-0)
HB2465 – DP (9-0-0-0)
HB2486 – DP (9-0-0-0)

CONSIDERATION OF BILLS

HB2212 - tax exempt organizations; returns; exception – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2212 aligns the threshold at which tax exempt organizations are required to file a state income tax return with guidelines prescribed by the Internal Revenue Service (IRS) (Attachment 1).

Representative Heather Carter, sponsor, informed the Committee that this bill is intended to reduce government bureaucracy on small non-profits and that it has been vetted by the Department of Revenue (DOR).

Marcus Osborn, Manager of Governmental and Public Affairs, The Alliance of Nonprofits, testified in support of HB2212, explaining that it changes the Arizona filing requirements to comply with federal requirements.

Chairman Harper announced the names of those who signed up in support of HB2212 but did not speak:

Patrick McWhortor, President and CEO, The Alliance of Arizona Nonprofits
Ginny Hildebrand, Executive Director, Association of Arizona Food Banks

Chairman Harper announced the names of those who signed up as neutral on HB2212 but did not speak:

Sean Laux, Legislative Liaison, Department of Revenue

Vice-Chairman Vogt moved that HB2212 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 2).

HB2465 - income tax brackets; inflation index – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2465 requires the Arizona Department of Revenue (DOR) to adjust the annual earnings contained in the individual income tax brackets in accordance with the metropolitan Phoenix Consumer Price Index (CPI), beginning in taxable year 2013 (Attachment 3).

Chairman Harper asked if there was a fiscal note; Mr. Drogaris answered in the negative.

Mr. Gray, sponsor, explained that this bill is not focused on making money for the government, but rather on what is fair for the taxpayer. It mimics what happens on a federal level, but uses a Phoenix CPI so that the inflation costs in Arizona will be reflected. Discussion ensued about which CPI to use; Mr. Gray stressed the importance of using a local index.

Scot Mussi, Arizona Free Enterprise Club, expressed his support for HB2465, which will ensure that taxpayers are not put into a higher tax bracket because of a cost of living raise. In response to Chairman Harper's question, he stated that he will research what other CPIs might be appropriate to use. Mr. Vogt inquired about the indices used in the 1980s and 1990s.

Stephen Slivinski, representing self, stated his support for HB2465, adding that the reasons for this legislation are very good.

Chairman Harper announced the names of those who signed up in support of HB2465 but did not speak:

Steve Voeller, President, Arizona Free Enterprise Club
Farrell Quinlan, State Director, National Federation of Independent Business

Chairman Harper announced the names of those who signed up in opposition to HB2465 but did not speak:

Seth Apfel, representing self

Chairman Harper announced the names of those who signed up as neutral on HB2465 but did not speak:

Sean Laux, Legislative Liaison, Department of Revenue

Vice-Chairman Vogt moved that HB2465 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 4).

HB2199 - I didn't pay enough fund – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2199 repeals and re-establishes the “I didn’t pay enough fund”, a voluntary method for taxpayers to contribute additional money to the state via their income tax return. HB2199 directs the distribution of its monies (Attachment 5).

Mr. Drogaris addressed Members’ questions, stating that the fund last year raised over \$17,000 from over 300 taxpayers.

Senator Judy Burges, sponsor, stated that HB2199 will provide medication for children with chronic illnesses and that the Department of Health Services will decide how the money is allocated to these patients.

Chairman Harper announced the names of those who signed up in support of HB2199 but did not speak:

Walter F. Dudley, representing self

Chairman Harper announced the names of those who signed up as neutral on HB2199 but did not speak:

Seth Apfel, representing self

Vice-Chairman Vogt moved that HB2199 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 6).

HB2348 - income tax returns; business identification – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2348 requires taxpayers who include business-related information on their Arizona individual income tax returns to provide an industry code for their business, as well as the amount of total gross receipts reported on their federal income tax returns, minus any federally allowable returns, allowances or adjustments (Attachment 7).

Mr. Olson asked if this is to standardize the business classifications, rather than allowing the taxpayer to write their own descriptions. Mr. Gonzalez-Plumhoff answered in the affirmative.

Mr. Farley asked for a description of what will be different if this bill passes and if the information would then be put twice on the income tax form.

Vice-Chairman Vogt assumed the Chair.

Representative Steve Court, sponsor, addressed Mr. Farley’s question: Schedule C is a federal tax form that is not submitted to Arizona and HB2348 will bring that tax information into Arizona to capture the volume of business by category.

Sean Laux, Legislative Liaison, Department of Revenue, stated his neutrality on HB2348 as he is uncertain that it will yield the information that the sponsor intends. He added he is continuing to talk with the sponsor about the logistics of fitting the requirement onto the front page of the Arizona tax form.

Mrs. Lesko moved that HB2348 do pass. The motion carried by a roll call vote of 6-2-0-1 (Attachment 8).

HB2123 - transaction privilege tax reform committee – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2123 establishes the Transaction Privilege Tax (TPT) Reform Committee, prescribes its membership, purpose and duration (Attachment 9).

Representative Steve Court, sponsor, explained that this bill evolved from a flat tax concept and will set up a committee to survey the TPT and broaden the base of the sales tax.

Mr. Gallego asked if legislation could come out of the committee's work; Representative Court answered in the affirmative.

Tom Belshe, Deputy Director, League of Arizona Cities and Towns, testified as neutral stating that he supports the idea but wants to ensure representation of all the people affected by the tax.

Vice-Chairman Vogt announced the names of those who signed up in support of HB2123 but did not speak:

Stephen Slivinski, representing self

Vice-Chairman Vogt announced the names of those who signed up in opposition to HB2123 but did not speak:

Seth Apfel, representing self

Vice-Chairman Vogt announced the names of those who signed up as neutral on HB2123 but did not speak:

Rene Guillen, Legislative Associate, League of Arizona Cities and Towns
Karen McLaughlin, Director of Budget and Research, Children's Action Alliance
Chad Heinrich, Government Relations Coordinator, City of Tempe

Kevin McCarthy, President, Arizona Tax Research Association, addressed the Members to answer questions. He stated his opinion that an exercise like this is not time well spent and could waste tax dollars. He added that his agency is focusing on the uniformity of taxes.

Mr. Court stated that this bill is intended to look at what might be the best tax policy overall and is revenue neutral. He added that another focus is to eliminate exemptions and deductions and to achieve a broader sales tax base with a lower rate.

Mrs. Lesko moved that HB2123 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 10).

HB2486 - homeowners' rebate affidavit – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2486 eliminates the current affidavit requirement related to additional state aid and alters the corresponding civil penalty assessed against an owner whose property is reclassified from Class 3 (owner-occupied residential) to Class 4 (leased or rented residential) (Attachment 11). In response to questions, Mr. Gonzales-Plumhoff stated that this bill was part of last year's jobs bill.

Representative Steve Court, sponsor, stated that HB2486 is in response to concerns raised last year that an affidavit not returned could result in a re-classification of the property; realtors and county assessors requested this legislation. In response to a question, he explained that this bill will ensure that Class 3 homeowners are getting the homeowners' rebate for owner-occupied residences.

Tom Farley, Arizona Association of REALTORS®, stated his support for HB2486 which will resolve his concerns that improper classification could result in errors in taxation and penalties not properly applied. He explained that more work will be done on the bill with the Governor's Office, specifically to resolve whether or not to define a category of owner-occupied residents who use a different mailing address, such as a post office box. In response to questions, Mr. Farley stated that he could support an effective date of 2012.

Chairman Harper resumed the Chair.

Jen Sweeney, Government Affairs Director, Arizona Association of Counties, appeared as neutral on HB2486, but expressed the importance of blending the bills and allowing a 2013 start date. She cited the post office box issue as being problematic to finalizing this legislation.

Mrs. Lesko asked what will be done differently to catch intentional fraud. Ms. Sweeney replied that the three categories should do it; counties do not talk to each other so, if properties are in different counties, an owner could get a homeowner's rebate on each property.

Chairman Harper announced the names of those who signed up in support of HB2486 but did not speak:

Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessors Office

Vice-Chairman Vogt moved that HB2486 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 12).

HB2460 - special taxing districts; boundaries – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2460 allows non-contiguous parcels of land, meeting specified criteria, to be annexed into fire or sanitary districts (Attachment 13).

Representative Jeff Dial, sponsor, stated that current law requires properties in a district to be contiguous; HB2460 will allow subdivisions that do not touch to be included in an existing district by request of the owners. He added that the properties or subdivisions cannot be more than one-half mile outside of the district. In response to questions, Representative Dial explained that Maricopa County has many situations that will be affected by this bill.

Lee Miller, Lobbyist, Maricopa County Fire Districts, stated his support for HB2460, stressing that the intent is not to create another fire district; there are six districts now. HB2460 will allow fire and emergency services to an owner who comes forward to request them. In response to a question, Mr. Miller stated that a fire district will not be compelled to accept a requestor into the district.

Discussion ensued about a situation when fire jumps to property which is not served and about owners who have no fire protection now. Mr. Miller explained that this bill is for rural areas, is voluntary for the property owners, and will not create layers upon layers of fire service.

Chairman Harper announced the names of those who signed up in support of HB2460 but did not speak:

John Flynn, Arizona Fire District Association

Vice-Chairman Vogt moved that HB2460 do pass. The motion carried by a roll call vote of 8-0-1-0 (Attachment 14).

Without objection, the meeting adjourned at 3:29 p.m.

Jane Dooley, Committee Secretary
January 27, 2012

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