

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – Second Regular Session

COMMITTEE ON WAYS AND MEANS

Minutes of Meeting
Monday, February 13, 2012
House Hearing Room 1 -- 2:00 p.m.

Chairman Harper called the meeting to order at 2:41 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

HB2178 – DPA S/E (7-0-0-2)	HB2688 – DISCUSSED AND HELD
HB2335 – HELD BY SPONSOR	HB2760 – DP (8-0-0-1)
HB2466 – DPA (8-0-0-1)	HB2774 – DP (6-3-0-0)
HB2478 – DPA S/E (8-0-0-1)	HB2801 – DP (8-0-0-1)
HB2518 – DISCUSSED AND HELD	HB2803 – DP (8-0-0-1)

CONSIDERATION OF BILLS

HB2518 - theme park districts – DISCUSSED AND HELD

Chairman Harper stated that this will be an informational hearing only for HB2518.

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2518 modifies the composition of Theme Park and Vehicle Support Facilities Districts, the types of revenue bonds that may be issued and the allowable locations of theme park sites (Attachment 1).

Representative Karen Fann, sponsor, explained that HB2518 is a follow-up to 2005 legislation to provide financing for theme parks. She stressed that this is about bonding and is a public/private partnership that taxpayers will not fund; HB2518 will extend the provisions from December 31, 2013 to December 31, 2020.

Al Richmond, Arizona State Railroad Museum, stated his support for HB2518. He explained that the Museum is a self-supporting venue and that HB2518 is a revenue-neutral bill which will

allow the project to proceed in a business-like manner. Discussion ensued about the bonding process.

Charles Holinka, Arizona State Railroad Museum, testified in support of HB2518. He addressed Members' questions about the boundaries of the districts, which have not yet been established. He explained that Williams and Phoenix will be the sponsoring entities.

Chairman Harper announced the names of those who signed up in support of HB2518 but did not speak:

Barry Aarons, Arizona Lodging and Tourism Association
Joseph Brehm, City of Prescott

Chairman Harper announced that HB2518 will be held.

HB2478 - schools; budget increases; bonds; ballots – DO PASS AMENDED S/E
S/E: property tax; facilities

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that the Olson two-page strike-everything amendment to HB2478 (Attachment 2) limits the types of improvements entitled to Class 9 assessment (Attachment 3).

Chairman Harper announced that, without objection, there will be a verbal amendment (Attachment 4) to the strike-everything amendment (Attachment 2) which will address the effective date of HB2478.

Representative Heather Carter, sponsor, distributed a map which shows State Trust Land in District 7 as shaded areas near freeways that will be prime land when the economy recovers (Attachment 5). She explained that, when these properties qualify for Class 9, the tax ratio changes from twenty percent to one percent, which is a huge financial hit to the district, and HB2478 will avoid situations where projects not designed to be Class 9 can obtain that one-percent property tax classification.

Keith Russell, Maricopa County Assessor, stated his support for HB2478. He explained the history of changes and the Court of Appeals decision that was rendered about Class 9 eligibility. He stressed that his office needs direction from the Legislature about how to classify these situations because now there are projects that do not qualify as Class 9 was originally intended. He urged the Members to clarify the statute so that his office can implement the laws correctly.

Kevin McCarthy, Arizona Tax Research Association, testified in support of HB2478, stating that there has been considerable confusion about a "Class 9 possessor."

Roberta Livesay, representing self, appeared in support of the legislation, explaining that Class 9 was created for America West Arena.

Chairman Harper announced the names of those who signed up in support of HB2478 but did not speak:

Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessor

Representative Carter reiterated that this is a clarification to protect homeowner property taxpayers.

Vice-Chairman Vogt moved that HB2478 do pass.

Vice-Chairman Vogt moved that the Olson two-page strike-everything amendment to HB2478 dated 2/9/12 (Attachment 2) be adopted.

Without objection, Vice-Chairman Vogt moved that the Olson two-page strike-everything amendment to HB2478 dated 2/9/12 (Attachment 2) be amended as follows (Attachment 4):

Page 2, between lines 27 and 28, insert "SECTION 2. EFFECTIVE DATE. THIS ACT IS EFFECTIVE FROM AND AFTER DECEMBER 31, 2012."

The motion carried.

Vice-Chairman Vogt moved that the Olson two-page strike-everything amendment to HB2478 dated 2/9/12 (Attachment 2) as amended be adopted. The motion carried.

Vice-Chairman Vogt moved that HB2478 as amended be adopted. The motion carried by a roll call vote of 8-0-0-1 (Attachment 6).

HB2688 - native American tribes; revenue sharing – DISCUSSED AND HELD

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2688 redirects 50 percent of transaction privilege tax (TPT) revenues collected on Indian reservations within Arizona back to each Indian tribe for telecommunication infrastructure and community development projects (Attachment 7).

Chairman Harper stated that this will be an informational hearing only.

Representative Albert Hale, sponsor, explained that HB2688 is designed to correct an injustice created by state law in the 1970s when taxes on non-Indian-owned businesses operating on Indian land were directed to towns and cities incorporated under state law. There are no towns incorporated under state law on reservation land, therefore county services are not extended onto reservation land. He explained that TPT taxes are paid by Indian people, but the people do not see the parks or libraries or recreation facilities that should come from those taxes.

Chairman Harper stated that he sees this as a budget issue.

Mr. Farley stated that the original legislation did not have the intent to deprive the reservations and that, at \$1.75 million per year, the budget could absorb this. Mr. Chabin concurred, adding that this is a fairness issue; he urged a vote on HB2688. Mr. Gallego stated that if this were any other community, the issue would be addressed for taxation uniformity and equity.

Representative Hale requested that the Legislature appropriate monies to create a development fund. Discussion ensued.

Jesse Thompson, Navajo County Supervisor, spoke in favor of HB2688 and explained the needs of the Navajo Nation.

Chairman Harper requested that the letters of support he has received (Attachment 8) be entered into the record.

Mike Bielecki, Navajo Nation, testified in favor of the bill, explaining that the Navajo Nation has 50 percent unemployment and that two-thirds of the earned dollars are spent off the reservation.

Paula Hale, representing self, stated her support for HB2688 and her belief that Arizona has an obligation to right this wrong.

Senator Jack Jackson, representing self, spoke in support of HB2688.

Chairman Harper announced the names of those who signed up in support of HB2688 but did not speak:

Paul Jepson, Assistant to the City Manager, City of Maricopa

Theresa Ulmer, Consultant, Cocopah Indian Tribe

Chairman Harper announced that HB2688 will be held.

HB2466 - local sales tax; payments; DOR – DO PASS AMENDED

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that HB2466 allows taxpayers residing in non-program cities to elect to pay municipal transaction privilege (TPT) and affiliated excise taxes directly to the Arizona Department of Revenue (DOR) (Attachment 9). He explained that the Gray 28-line amendment (Attachment 10) directs the online portal to be maintained by the Arizona Department of Administration (ADOA).

Mr. Gonzalez-Plumhoff added that testimony was taken at last week's meeting on this bill. Chairman Harper indicated that his concerns have been addressed.

Mr. Gray, sponsor, stressed that HB2466 will simplify and help with the TPT process.

Tom Belshe, Deputy Director, League of Arizona Cities and Towns, reiterated his support for HB2466.

Chairman Harper announced the names of those who signed up in support of HB2466 but did not speak:

Michelle Ahlmer, Executive Director, Arizona Retailers Association

Farrell Quinlan, State Director, National Federation of Independent Business

Scott Butler, City of Mesa

Brad Lundahl, Government Relations, City of Scottsdale

Patrice Kraus, Intergovernmental Affairs Coordinator, City of Chandler

Chad Heinrich, Government Relations Coordinator, City of Tempe

Ryan Peters, Intergovernmental Programs Coordinator, City of Glendale

Chairman Harper announced the names of those who signed up as neutral on HB2466 but did not speak:

Sean Laux, Legislative Liaison, Department of Revenue

Vice-Chairman Vogt moved that HB2466 do pass.

Vice-Chairman Vogt moved that the Gray 28-line amendment dated 2/10/12 (Attachment 10) be adopted. The motion carried.

Vice-Chairman Vogt moved that HB2466 as amended do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 11).

HB2335 - renewable energy equipment; valuation – HELD BY SPONSOR

Chairman Harper announced that HB2335 will be held at the request of the sponsor.

HB2774 - property tax exemption; religious property – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2774 expands the existing tax exemption for religious property, to include property used or held by a religious association or institution, and specifies that certain tax exempt churches are not required to present an Internal Revenue Service (IRS) letter of determination to establish nonprofit status (Attachment 12).

Mr. Chabin asked if this bill covers all properties held by a church, or just those properties used for worship. Mr. Drogaris explained that all properties are included, as long as they are not used for profit.

Mr. Gray, sponsor, stated that HB2774 will put the revised statutes more in line with the Arizona Constitution.

Keith Russell, Maricopa County Assessor, testified in opposition to HB2774, explaining that it is "soft" opposition but that he needs clarification so that his office can implement what the Legislature intends by the bill. He explained his concerns about the language in the bill (on page 2, beginning on line 19) which states that exemptions should be broadly construed in favor of the taxpayer; he explained that exemptions are usually construed technically and strictly, not broadly because of the impact on neighboring properties. He stated that the presumption is against exemption. Discussion ensued.

Deborah Sheasby, Legal Counsel, Center for Arizona Policy, stated her support for HB2774, stressing that it states that the property cannot be used or held for profit. She stated that she does not want the Assessor to have to look into church behavior too deeply and she will be happy to work on language in the bill. She stressed that it is a delicate task to determine what qualifies as religious worship.

Members discussed examples of someone giving property to a church to hold tax-free for years or decades, then reclaiming it. Members expressed concern that the fiscal impact of HB2774 is not known because it may exempt property owners who should be paying taxes to Arizona.

Chairman Harper announced the names of those who signed up in opposition to HB2774 but did not speak:

Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessor
Seth Apfel, representing self

Chairman Harper announced the names of those who signed up as neutral on HB2774 but did not speak:

Roberta Livesay, representing self
Anjali Abraham, Public Policy Director, American Civil Liberties Union of Arizona

Vice-Chairman Vogt moved that HB2774 do pass. The motion carried by a roll call vote of 6-3-0-0 (Attachment 13).

**HB2178 - technical correction; prepaid legal insurance – DO PASS AMENDED S/E
S/E: property taxes; refund; forgiveness**

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that the Harper 30-line strike-everything amendment to HB2178 (Attachment 14) incorporates administrative and qualifying changes relating to the individual and corporate income tax credit programs for contributions made to qualifying school tuition organizations (STOs) (Attachment 15).

James Mayhew, representing self, stated his support for the strike-everything amendment and referred to his testimony in last week's meeting.

Vice-Chairman Vogt moved that HB2178 do pass.

Vice-Chairman Vogt moved that Harper 30-line strike-everything amendment to HB2178 dated 1/31/12 (Attachment 14) be adopted. The motion carried.

Vice-Chairman Vogt moved that HB2178 as amended do pass. The motion carried by a roll call vote of 7-0-0-2 (Attachment 16).

HB2760 - publicity pamphlets; bond elections – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2760 modifies requirements related to submitting and publishing arguments for and against school override and bond elections (Attachment 17).

Mr. Olson, sponsor, explained that HB2760 will enhance transparency in bond proposals and measures.

Kevin McCarthy, President, Arizona Tax Research Association, testified in support of HB2760, explaining that it will make the information, particularly the tax rate or tax impact, public via a newspaper notification to alert citizens to weigh in on a proposal. In response to questions, he stated that there is a small cost associated with the newspaper notification.

Chairman Harper announced the names of those who signed up in opposition to HB2760 but did not speak:

Jennifer Loreda, Arizona Education Association
Sabrina Vazquez, Arizona School Administrators
Charles Essigs, Arizona Association of School Business Officials
Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Mrs. Lesko commented that she has experienced the problem solved by this legislation; the school district posted the notice on the front door of the school during summer recess and no one saw the notice.

Vice-Chairman Vogt moved that HB2760 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 18).

HB2801 - property tax bills; payment; interest – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2801 clarifies existing statute regarding forgiveness of interest on delinquent property taxes (Attachment 19).

Mr. Olson, sponsor, explained that, under current law, due taxes over \$100 can be paid in split payments and there can be an exemption for interest. He stated that HB2801 clarifies ambiguity in this law.

Chairman Harper announced the names of those who signed up in support of HB2801 but did not speak:

Keith Russell, Maricopa County Assessor
Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessor

Chairman Harper announced the names of those who signed up as neutral on HB2801 but did not speak:

Seth Apfel, representing self

Vice-Chairman Vogt moved that HB2801 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 20).

HB2803 - personal property tax appeal deadline – DO PASS

TJ Drogaris, House Majority Intern, explained that HB2803 extends the time frame for the owner or possessor of property to administratively appeal their property valuation of classification to the county assessor (Attachment 21).

Chairman Harper announced the names of those who signed up in support of HB2803 but did not speak:

Farrell Quinlan, State Director, National Federation of Independent Business
Walter F. Dudley, representing self

Mr. Olson, sponsor, explained that this will allow a large business owner to extend the time frame in order to manage the taxes of many businesses.

Chairman Harper announced the names of those who signed up as neutral on HB2803 but did not speak:

Keith Russell, Maricopa County Assessor

Paul Petersen, Attorney/Assessor Representative, Maricopa County Assessor

Vice-Chairman Vogt moved that HB2803 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 22).

Without objection, the meeting adjourned at 5:07 p.m.

Jane Dooley, Committee Secretary

February 29, 2012

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