ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – Second Regular Session

COMMITTEE ON WAYS AND MEANS

Minutes of Meeting
Monday, February 20, 2012
House Hearing Room 1 -- 2:00 p.m.

Vice-Chairman Vogt called the meeting to order at 2:28 p.m. and attendance was noted by the secretary.

Members Present

Mr. Farley
Mr. Gallego
Mr. Gray R
Mrs. Lesko
Mr. Mesnard
Mr. Olson
Mr. Vogt, Vice-Chairman
Mr. Harper, Chairman

Members Absent

Mr. Chabin

Committee Action

SB1122 – DP (7-0-0-2)
SB1125 – DP (8-0-0-1)
SB1217 – DP (8-0-0-1)
SB1279 – DP (8-0-0-1)

CONSIDERATION OF BILLS

SB1122 - tax refund checkoff boxes – DO PASS

TJ Drogaris, House Majority Intern, explained that SB1122 removes the statutory requirement that a space be provided for voluntary tax donations (checkoff boxes) on the first page of the individual income tax return form (Attachment 1).

Sean Laux, Legislative Liaison, Department of Revenue, stated his support for the legislation, explaining that current statute requires the boxes be on the front page, making it difficult to add anything new to the front page or to redesign the form at some future date.

Chairman Harper moved that SB1122 do pass. The motion carried by a roll call vote of 7-0-0-2 (Attachment 2).

SB1125 - DOR audits; three-year limit – DO PASS

TJ Drogaris, House Majority Intern, explained that SB1125 reduces the time period in which the Arizona Department of Revenue (DOR) can send a notice of additional tax due (Attachment 3).

Walter F. Dudley, representing self, stated his support for SB1125. He explained that currently Arizona has four years to audit and challenge a tax return, whereas the federal Internal Revenue Service has only three years. SB1125 will change statute to match the federal timeframe, which will simplify the process as well as record-keeping.

Mrs. Lesko asked why there is a $21.3 million fiscal note on this bill and if that is the amount the state collects in the fourth year of an audit. Mr. Dudley stated that he did not know, but perhaps it has to do with staffing issues. Discussion ensued.

Farrell Quinlan, State Director, National Federation of Independent Business, testified in support of SB1125 explaining that this will help small businesses whose recordkeeping will now match federal requirements.

Sean Laux, Legislative Liaison, Department of Revenue, stated that he is neutral on SB1125. He addressed Mrs. Lesko's question about the $21.3 million fiscal note stating that about 70 percent of audit leads come from the federal government which can take up to 16 months to arrive.

Chairman Harper moved that SB1125 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 4).

SB1217 - class three property tax; affidavit – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that SB1217 eliminates the current affidavit requirement related to additional state aid (the "Homeowner's Rebate") 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 5).

Jen Sweeney, Government Affairs Director, Arizona Association of Counties, explained her support for SB1217, stating that it does match HB2486 which passed out of this Committee earlier in the Session.

Vice-Chairman Vogt announced the names of those who signed up in support of SB1217 but did not speak:
Nicole LaSlavic, Government Affairs Director, Arizona Association of REALTORS®
Walter F. Dudley, representing self
Keith Russell, Maricopa County Assessor
Paul Petersen, Maricopa County Assessor

Chairman Harper moved that SB1217 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 6).

SB1279 - personal property tax; computer software – DO PASS

Daniel Gonzalez-Plumhoff, House Majority Research Analyst, explained that SB1279 excludes intangible property from the definition of *personal property*, and requires that business

computers and certain software be valued and assessed as tangible personal property (Attachment 7).

Kevin McCarthy, President, Arizona Tax Research Association, testified in favor of SB1279. He distributed information from the *Personal Property Manual*, Index of Business and Property Types, issued by the Arizona Department of Revenue (DOR) (Attachment 8). He explained that software has not ever been taxable in Arizona and the Legislature had not created a mechanism to tax it. SB1279 strikes "intangibles" and clarifies what is and is not taxable. He noted that operating software is exempt from taxes. He stressed that it is important that this is clarified in statute.

Discussion ensued on differentiating between operating software and application software and on retroactivity. Mr. McCarthy stressed that many counties state that they had never intended to tax software applications.

Jen Sweeney, Government Affairs Director, Arizona Association of Counties, stated that her opposition is "soft" and that she is working with the sponsor and the stakeholders to resolve concerns about taxing applications.

Rachel Leach, Intern, Maricopa County Assessor's Office, explained her opposition with regard to the definition of "intangible property." She will meet with Mr. McCarthy and the DOR to understand the language and the ramifications of SB1279.

Vice-Chairman Vogt announced the names of those who signed up in support of SB1279 but did not speak:
Farrell Quinlan, State Director, National Federation of Independent Business
Heather Bernacki, East Valley Chambers of Commerce Alliance
Lyn White, Manager, Government Relations, Freeport-McMoRan Copper & Gold
Walter F. Dudley, representing self
Jason Bagley, Government Affairs Manager, Intel Corporation
Michelle Bolton, Greater Phoenix Chamber of Commerce
Gretchen Conger, Arizona Chamber of Commerce and Industry
Eric Emmert, Arizona Association for Economic Development
Ken Quartemain, Arizona Technology Council

Vice-Chairman Vogt announced the names of those who signed up in opposition to SB1279 but did not speak:
Keith Russell, Maricopa County Assessor
Paul Petersen, Maricopa County Assessor

Vice-Chairman Vogt announced the names of those who signed up as neutral on SB1279 but did not speak:
Sean Laux, Legislative Liaison, Department of Revenue

Chairman Harper moved that SB1279 do pass. The motion carried by a roll call vote of 8-0-0-1 (Attachment 9).

Without objection, the meeting adjourned at 2:53 p.m.

_____

Jane Dooley, Committee Secretary
March 13, 2012

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