ARIZONA HOUSE OF REPRESENTATIVES
Fifty-first Legislature – Second Regular Session

COMMITTEE ON WAYS AND MEANS
Minutes of Meeting
Monday, February 24, 2014
House Hearing Room 1 -- 2:00 p.m.

Chairman Lesko called the meeting to order at 3:53 p.m. and attendance was noted by the secretary.

Members Present

Mr. Gallego
Mr. Mesnard
Mr. Olson
Mr. Petersen
Mr. Wheeler
Mr. Kwasman, Vice-Chairman
Mrs. Lesko, Chairman

Members Absent

Mr. Cardenas

Committee Action

SB1048 - DPA (5-2-0-1)
SB1081 - DP (7-0-0-1)
SB1134 - DP (6-0-0-2)
SB1272 - DP (6-0-0-2)
SB1300 - DP (7-0-0-1)

CONSIDERATION OF BILLS

SB1134 – sales tax; reduced reporting requirements – DO PASS

Vice-Chairman Kwasman moved that SB1134 do pass.

Michael Madden, Majority Research Assistant Analyst, explained that SB1134 stipulates that the Department of Revenue must allow transaction privilege tax taxpayers with annual liabilities less than $2000 to pay taxes annually and taxpayers with liabilities between $2000 and $8000 to pay quarterly (Attachment 1).

Senator Steve Farley, sponsor, stated that SB1134 mirrors HB2288 which passed out of the Committee on Ways and Means earlier this year. He explained that the bill increases cash flow to small businesses by reducing the reporting requirements, reducing red tape and paperwork. These limits have not been changed for 20 years.

Chairman Lesko announced the names of those who signed up as neutral on SB1134 but did not speak:
Sean Laux, Legislative Liaison, Department of Revenue

Vice-Chairman Kwasman announced the names of those who signed up in support of SB1134 but did not speak:
Farrell Quinlan, National Federation of Independent Business
Walter Dudley, representing self
Chad Heinrich, Greater Phoenix Chamber of Commerce
Mark Minter, Arizona Builders' Alliance
Bill Fathauer, Americans for Prosperity Arizona
Eric Emmert, East Valley Chamber of Commerce Alliance

Question was called on the motion that SB1134 do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 2).

SB1272 – nonprofit corporations; state monies; audits – DO PASS

Vice-Chairman Kwasman moved that SB1272 do pass.

Kyle Heitmann, Majority Research Intern, explained that SB1272 modifies the financial statement filing requirements for non-profit organizations receiving state financial assistance (Attachment 3).

Senator Kelli Ward, sponsor, stated that SB1272 is a constituent driven bill. She explained how difficult and expensive it is in rural areas to have audits done. This bill would begin to bring the limits in line with the federal government's but starting at the $25,000 limit instead of $350,000.

Allison Bell, Alliance of Arizona Nonprofits, spoke in favor of SB1272 and stated that this is consistent with other states. She explained that nonprofits are still required to report annually to the Internal Revenue Service (IRS) and any nonprofit that has over $50,000 in revenue must have a revenue report and expense report available to the public at www.guidestar.org. Ms. Bell answered clarifying questions from Mr. Olson.

Vice-Chairman Kwasman announced the names of those who signed up in support of SB1272 but did not speak:
Penny Allee Taylor, Valley of the Sun United Way

Question was called on the motion that SB1272 do pass. The motion carried by a roll call vote of 6-0-0-2 (Attachment 4).

SB1048 – tax credits; STOs; preapproval; entities – DO PASS AMENDED

Vice-Chairman Kwasman moved that SB1048 do pass.

Chairman Lesko moved that the Lesko five-line amendment to SB1048 dated 02/21/14 (Attachment 5) be adopted.

Jeanine Jones, Majority Research Analyst, explained that SB1048 allows an S corporation shareholder to claim an income tax credit in an amount equal to the pro rata amount contributed by the S corporation to a school tuition organization (Attachment 6). She explained that the

Lesko five-line amendment dated 02/21/14 makes a technical change to resolve a conflict with another bill (Attachment 5).

Maria Salazar-Calderon, representing self, spoke in favor of SB1048 and stated she is a single mother and the tax credit helps her daughters attend school.

Chairman Lesko announced the names of those who signed up as neutral on SB1048 but did not speak:
Sean Laux, Legislative Liaison, Department of Revenue

Vice-Chairman Kwasman announced the names of those who signed up in support of SB1048 but did not speak:
Sydney Hay, American Federation for Children
Ron Johnson, Arizona Catholic Conference
Tom Jenney, Americans for Prosperity Arizona
Farrell Quinlan, National Federation of Independent Business
Josh Kredit, Center for Arizona Policy
Sarah Raybon, representing self
Harry Miller, representing self
Dave Kopp, Americans for Prosperity Arizona
Bill Fathauer, Americans for Prosperity Arizona

Vice-Chairman Kwasman announced the names of those who signed up in opposition to SB1048 but did not speak:
Mark Lane, representing self
Karen McClelland, representing self
Jennifer Loredo, Arizona Education Association

Question was called on the motion that the Lesko five-line amendment to SB1048 dated 2/21/14 (Attachment 5) be adopted. The motion carried.

Vice-Chairman Kwasman moved that SB1048 as amended do pass. The motion carried by a roll call vote of 5-2-0-1 (Attachment 7).

SB1081 – tax credit; excise; SSN – DO PASS

Vice-Chairman Kwasman moved that SB1081 do pass.

Jeanine Jones, Majority Research Analyst, explained that SB1081 contains a Proposition 105 clause and requires claimants who are not required to file an individual income tax return to provide to the Department of Revenue (DOR) a valid social security number (SSN) for their selves and a valid SSN or Internal Revenue Service issued tax identification number for their spouse and qualifying children, as of January 1, 2015 (Attachment 8).

Sean Laux, Chief Legislative Liaison and Public Information Officer, Arizona Department of Revenue (DOR), in support of SB1081 explained that this bill was initiated by DOR. He stated the bill solves an issue for people who file the Credit for Increased Excise Taxes form using an I-10 tax number instead of a SSN.

Discussion ensued between Members and Mr. Laux as to who qualifies for the credit, percentages of filing, and I-10 numbers.

Vice-Chairman Kwasman announced the names of those who signed up in support of SB1081 but did not speak:
Kevin McCarthy, Arizona Tax Research Association

Question was called on the motion that SB1081 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 9).

SB1300 – internal revenue code conformity – DO PASS

Vice-Chairman Kwasman moved that SB1300 do pass.

Jeanine Jones, Majority Research Analyst, explained that SB1300 conforms Arizona tax statutes to the Internal Revenue Code as of January 1, 2014 (Attachment 10).

Chairman Lesko announced the names of those who signed up in support of SB1300 but did not speak:
Sean Laux, Legislative Liaison, Department of Revenue
Ryan DeMenna, Arizona Society of Certified Public Accountants
Walter Dudley, representing self
Kevin DeMenna, Arizona Society of Certified Public Accountants
Eric Emmert, East Valley Chamber of Commerce Alliance

Question was called on the motion that SB1300 do pass. The motion carried by a roll call vote of 7-0-0-1 (Attachment 11).

Without objection, the meeting adjourned at 4:21 p.m.

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Tracey Gardner, Committee Secretary
April 22, 2014

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