

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature – First Regular Session

COMMITTEE ON WAYS AND MEANS

Report of Regular Meeting  
Monday, January 26, 2015  
House Hearing Room 3 -- 2:00 p.m.

**Convened** 2:05 p.m.

**Recessed**

**Reconvened**

**Adjourned** 4:12 p.m.

**Members Present**

Mr. Cardenas  
Mr. Mesnard  
Mr. Olson  
Mr. Sherwood  
Mrs. Ugenti  
Mr. Weninger  
Mr. Wheeler  
Mr. Kern, Vice-Chairman  
Mr. Mitchell, Chairman

**Members Absent**

None

**Request to Speak**

Report – Attachment 1

**Presentations**

**Name**

None

**Organization**

**Attachments (Handouts)**

**Committee Action**

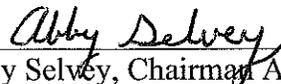
**Bill**

**Action**

**Vote**

**Attachments (Summaries,  
Amendments, Roll Call)**

HB2061	DP	5-4-0-0	2, 3, 4, 5
HB2062	DP	9-0-0-0	6, 7
HB2079	DP	6-3-0-0	8, 9
HB2083	DPA	8-1-0-0	10, 11, 12
HB2110	DP	9-0-0-0	13, 14
HB2128	DPA	6-3-0-0	15, 16, 17
HB2129	DPA	9-0-0-0	18, 19, 20
HB2130	DPA	9-0-0-0	21, 22, 23



Abby Selvey, Chairman Assistant  
January 27, 2015

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

# Information Registered on the Request to Speak System

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*House Ways and Means (1/26/2015)*

## **HB2062, confidential tax information; tax credits**

### **Support:**

Scot Mussi, Arizona Free Enterprise Club; Nancy Cottle, representing self; Walter Dudley, representing self

### **Neutral:**

Sean Laux, AZ DEPT OF REVENUE

## **HB2079, local bonding; property tax measure**

### **Testified in support:**

Sean McCarthy, representing self

### **Support:**

Scot Mussi, Arizona Free Enterprise Club; Scot Mussi, Arizona Free Enterprise Club; cynthia Dorfsmith, representing self; Michele Clendenen, representing self; John Brakeman, Spur PC Captain (Voice of the People), representing self; Annette Freeman, representing self; Shelly Sundaram, representing self; Patrick OMalley, representing self; Rebecca Jarman, representing self; Jose Borrajero, representing self; Emilena Turley, representing self; Susan Hicks, representing self; Tom Jenney, AMERICANS FOR PROSPERITY AZ; Jane Schutte, representing self; Jason Mick, representing self; Joyce Hill, representing self; Mickie Niland, representing self; Jeff Sandquist, NAIOP; Barbara Yates, representing self; Nancy Cottle, representing self; Lynne Weaver, representing self; Jim Kresse, representing self; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ; Ann Heins, representing self; Ralph Heins, representing self; Jered Skousen, representing self; Michael DiMaria, CENTURYLINK, INC; Michael Hunter, BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH; Karen Mackean, representing self; Jake Hoffman, SCHOOL BOARD MEMBERS ALLIANCE; Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

### **Neutral:**

Trey Williams, AZ ASSOCIATION OF COUNTIES

### **Oppose:**

Charles Essigs, Director of Government Relations, Arizona Association Of School Business Officials; Janice Palmer, AZ School Boards Assn; Jennifer Loreda, Arizona Education Association; Geoff Esposito, Arizona School Boards Association; Elizabeth Hatch, Mesa Public Schools; Linda Polito, Polito Associates

### **All Comments:**

John Brakeman, Spur PC Captain (Voice of the People), Self: A representative Republic works best when the citizenry is well informed of Truth in debated issues. HB 2079 guarantees that such Truth will be required in describing electioneering of bond measures. We strongly urge you to support HB 2079; Annette Freeman, Self: I support this measure.; Patrick OMalley, Self: Making it clear an issue affects property taxes increases transparency,

a good thing.; Jose Borrajero, Self: It is essential that voters know that bonds are not free money. Taxes are like paying for something one can not afford using cash. Bonds are like paying for something one can not afford using credit cards.; Susan Hicks, Self: Transparency is needed for the taxpaying public to understand the ramifications of a bonding measure.; Tom Jenney, AMERICANS FOR PROSPERITY AZ: Thanks for supporting transparency for taxpayers at the ballot.; Jason Mick, Self: I support HB2079. Improving transparency is important in government and this bill will move in that direction.; Mickie Niland, Self: I support the passage of HB2079, it builds transparency and critical trust with the voters. This makes it very clear that they are voting on issues that will affect their pocket books. Later they cannot say they were not informed.; Lynne Weaver, Self: Voters need clarity so they can cast an informed vote. It should be made clear that voting for a bond proposal is a vote to raise your own property taxes.; Jim Kresse, Self: The voters should realize that this request has property tax implications.; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ: Americans for Prosperity - AZ supports this bill. More transparency for taxpayers is always better.; Jered Skousen, Self: This bill would provide the transparency so that tax payers would know what they are really voting one. I support this bill.; Jake Hoffman, SCHOOL BOARD MEMBERS ALLIANCE: HB2079 is good legislation aimed at providing clarity for hard working Arizonans regarding ballot language that can often be confusing to understand. SBMA supports transparent local gov't & we believe this is a step in the right direction.

## **HB2083, income tax revisions**

### **Testified in support:**

Scot Mussi, Arizona Free Enterprise Club

### **Support:**

Tom Jenney, AMERICANS FOR PROSPERITY AZ; Jeff Sandquist, NAIOP; Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ; Walter Dudley, representing self; Eric Emmert, East Valley Chambers Of Commerce Alliance

### **Neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **All Comments:**

Farrell Quinlan, NATIONAL FEDERATION OF INDEPENDENT BUSINESS: NFIB is a strong supporter of the 3-year audit, Section 179 and bonus depreciation provisions of this bill.; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ: Americans for Prosperity - AZ supports this bill. This is a move in the right direction to improve tax policies in Arizona.

## **HB2129, municipal tax code commission; continuation**

### **Support:**

Brad Lundahl, SCOTTSDALE, CITY OF; Tom Belshe, League Of Arizona Cities And Towns; Heather Wilkey, Town Of Gilbert; Sara Sparman, Town Of Queen Creek

## **HB2130, state tax appeals board; continuation**

### **Support:**

Sara Sparman, Town Of Queen Creek

## **HB2061, online TPT; income tax reduction**

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **Support:**

Tom Jenney, AMERICANS FOR PROSPERITY AZ; Scot Mussi, Arizona Free Enterprise Club; Jeff Sandquist, NAIOP; Nancy Cottle, representing self; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ; Walter Dudley, representing self

### **All Comments:**

Tom Jenney, AMERICANS FOR PROSPERITY AZ: AFP-Arizona strongly supports using any online TPT revenue to make pro-growth income tax cuts.; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ: Americans for Prosperity - AZ supports this bill.

## **HB2110, taxing district boundaries; deadline extensions**

### **Testified in support:**

Pamela Pearsall, representing self

### **Support:**

Michael Combrink, MARICOPA COUNTY; Trey Williams, AZ ASSOCIATION OF COUNTIES; Sean McCarthy, representing self; Megan Kintner, Arizona Association Of Counties

### **Neutral:**

John Flynn, Arizona Fire District Association; Sean Laux, AZ DEPT OF REVENUE

### **All Comments:**

Michael Combrink, MARICOPA COUNTY: This legislation was submitted to AACO by the Maricopa County Assessor's Office.; Pamela Pearsall, Self: On behalf of the Assessor's Association and Yavapai County Assessor's Office

## **HB2128, leased religious property; class nine**

### **Testified in support:**

Benjamin Druyor, representing self; Josh Kredit, CENTER FOR ARIZONA POLICY; Stephen Wyatt, representing self

### **Testified as neutral:**

Michael Combrink, MARICOPA COUNTY; Robert Pizorno, Maricopa County Assessor's Office

**Testified as opposed:**

Tory Anderson, SECULAR COALITION FOR ARIZONA

**Oppose:**

Rebekah Friend, Arizona AFL-CIO; Trey Williams, AZ ASSOCIATION OF COUNTIES; Pamela Pearsall, representing self

**All Comments:**

Tory Anderson, SECULAR COALITION FOR ARIZONA: It's unconstitutional to give benefits to churches that aren't available to nonprofits. Additionally, if the government has to determine what constitutes "worship," that risks significant govt entanglement with religion.; Pamela Pearsall, Self: On behalf of the Assessor's Association we have concerns that we may be able to work out if we can meet with bill's proponents. But the position is opposed at this time unless an amendment is offered and adopted.; Robert Pizorno, Maricopa County Assessor's Office: The Maricopa County Assessor has requested language be added to this bill about verification that the exemption is given to the religious org. Once added our position may change.



# HOUSE OF REPRESENTATIVES

HB 2061

online TPT; income tax reduction

Sponsor: Representative Mesnard

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2061 reduces individual income tax rates in order to offset increased revenues received from online sales tax that is result of Congressional action.

## HISTORY

Transaction Privilege Tax (TPT) is imposed on a vendor for the privilege of conducting business in Arizona. Under this tax, the seller is responsible for remitting to the state the entire amount of tax due based on the gross proceeds or gross income of the business. While the tax is commonly passed on to the consumer at the point of sale, it is ultimately the seller's responsibility to remit the tax. Business activities subject to TPT include, but are not limited to: retail, restaurants and bars, hotel/motel, commercial leasing, advertising, amusements, personal property rentals, real property rentals, construction contracting, owner/builders, manufactured building, mining, timbering, transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines. The current Arizona TPT rate is 5.6%. The Arizona Department of Revenue (DOR) collects TPT and administers distribution to the state general fund (GF) and counties, cities and towns.

In 1992, the Supreme Court of the United States stated that absent federal legislation, states could not collect sales tax from retailers with no physical presence in their state. The Marketplace Fairness Act (MFA) is an example of federal legislation that would enable states to collect sales tax from remote retailers who have no presence, or nexus, in their state. The MFA, if enacted in its current form, would require Arizona to be in compliance with the Streamlined Sales and Use Tax Agreement or meet alternative tax simplification requirements. Arizona currently collects online sales tax from online retailers who also have brick and mortar stores in Arizona, as well as the online retailer Amazon.

## PROVISIONS

1. Requires DOR to determine the amount of additional revenue collected during the first full taxable year that a *qualifying federal law* produces new collections of remote retailer TPT.
2. Requires DOR to determine the amount that individual income taxes can be reduced in the following tax year (TY) in order to decrease individual income tax revenue by the amount of increased revenue from online TPT sales tax collections.
3. Requires DOR to certify its determinations to the Governor, Speaker of the House of Representatives, and President of the Senate one year prior to the TY in which the tax rates take effect.
4. Defines *qualifying federal law*.

Fifty-second Legislature  
First Regular Session

Analyst Initials DS  
January 22, 2015

ATTACHMENT 2

**HB 2061**

5. Includes legislative intent that this Act is not to be viewed as legislative support or opposition of the MFA or similar federal law.

PROPOSED  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2061  
(Reference to printed bill)

1 Page 1, between lines 24 and 25, insert:

2 "D. IN ADDITION TO THE DETERMINATIONS MADE UNDER SUBSECTIONS A AND B  
3 OF THIS SECTION, THE DEPARTMENT SHALL DETERMINE THE AMOUNT THAT WOULD BE  
4 DISTRIBUTED TO THE URBAN REVENUE SHARING FUND ESTABLISHED BY SECTION 43-206  
5 WITHOUT THE REDUCTIONS IN THE INDIVIDUAL INCOME TAXES PRESCRIBED IN THIS  
6 SECTION. NOTWITHSTANDING SECTION 43-206, THE AMOUNT DETERMINED PURSUANT TO  
7 THIS SUBSECTION SHALL BE DEPOSITED IN THE URBAN REVENUE SHARING FUND FOR THE  
8 APPLICABLE FISCAL YEAR."

9 Reletter to conform

10 Amend title to conform

MARK A. CARDENAS

2061mc  
01/23/2015  
11:04 AM  
C: kcb

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2061

(Reference to printed bill)

- 1 Page 1, line 2, strike "43" insert "42"; strike "10" insert "5"; strike "2" insert  
2 "1"  
3 Line 3, strike "43-1013" insert "42-5010.01"  
4 Line 4, strike "43-1013" insert "42-5010.01"; strike "Income tax" insert "Retail  
5 classification"  
6 Line 12, strike "INDIVIDUAL"; line 13, strike "INCOME TAXES" insert "THE  
7 TRANSACTION PRIVILEGE TAX RATE ON THE RETAIL CLASSIFICATION"  
8 Line 14, strike "INDIVIDUAL INCOME TAX" insert "TRANSACTION PRIVILEGE TAX";  
9 after "REVENUE" insert "FROM THE RETAIL CLASSIFICATION"  
10 Line 15, after the period strike remainder of line; strike lines 16 through 18  
11 Amend title to conform

MARK A. CARDENAS

2061mc2  
01/23/2015  
11:11 AM  
C: kcb

**ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2061

DATE January 26, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas			✓		
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood			✓		
Mrs. Ugenti			✓		
Mr. Weninger		✓			
Mr. Wheeler			✓		
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		5	4	0	0

APPROVED:

  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 5



# HOUSE OF REPRESENTATIVES

HB 2062

confidential tax information; tax credits

Sponsor: Representative Mesnard

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2062 authorizes the Department of Revenue (DOR) to disclose confidential statistics to legislative staff for matters relating to the Joint Legislative Income Tax Credit Review Committee.

## HISTORY

Laws 2002, Chapter 238 established the Joint Legislative Income Tax Credit Review Committee (Committee). The Committee is charged with determining each existing income tax credit's original purpose and establishing a standard for evaluating the credit's success or failure. Pursuant to Arizona Revised Statutes (A.R.S.) § 43-221, the standard for credit evaluation includes: (1) the history, rationale and revenue impact; (2) the benefit to the state in various economic terms; and (3) the complexity in the use and administration of the credit. The Committee is composed of five members from the Senate Finance Committee and five members of the House Ways and Means Committee.

A.R.S § 42-2003 authorizes the DOR to disclose confidential statistical information relating to Committee matters to the State Treasurer, the Committee and the Joint Legislative Budget Committee staff.

## PROVISIONS

1. Authorizes the DOR to disclose confidential information to the Committee's legislative staff.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - First Regular Session**

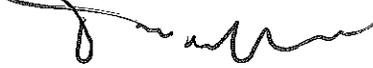
**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2062

DATE January 26, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood		✓			
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler		✓			
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		9	0	0	0

APPROVED:

  
 \_\_\_\_\_  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 \_\_\_\_\_  
 COMMITTEE SECRETARY

ATTACHMENT \_\_\_\_\_



# HOUSE OF REPRESENTATIVES

## HB 2079

local bonding; property tax measure

Sponsors: Representatives Petersen, Mitchell: Fann

X Committee on Ways and Means

Caucus and COW

House Engrossed

### OVERVIEW

HB 2079 requires all materials for an election to authorize indebtedness include the words "property tax measure" to describe the bond in question.

### HISTORY

Pursuant to Arizona Revised Statutes (A.R.S.) § 35-452 the governing body or a political subdivision board (Subdivision) may order an election to determine whether indebtedness is authorized. Subdivisions must order an election if a petition is signed by fifteen percent of qualified electors and may become indebted if a majority of voters approve the indebtedness. Bond counsel, financial advisory, printing, agent and registrar expenses are to be paid from the amount authorized by the electors or from current operating funds. Bond election expenses shall only be paid from current operating funds.

A.R.S. § 35-454 requires a Subdivision to mail an information pamphlet to every registered voter's household at least 35 days prior to an election for indebtedness. Pamphlets are required to have the following information:

- |   |   |   |
|---|---|---|
| > Amount bond authorizes                          | > Estimated issuance costs                  | > Project and expenditures for which the bond is issued |
| > Maximum interest rate                           | > Estimated tax impact                      | > Sum of current and proposed debt                      |
| > Estimated retirement schedule for current bonds | > Estimated total cost of the proposed bond | > Polling location and hours                            |
| > Estimated retirement schedule for proposed bond | > Current outstanding debt and debt limits  | > Arguments for and against proposed bond               |
| > Source of repayment                             |   |   |

If the principal and interest will be paid by a property tax levy, the voting ballot must contain the phrase "the issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on bonds".

### PROVISIONS

1. Requires all election materials that authorize indebtedness to use the words "property tax measure" to describe the bond in question.
2. Makes technical and conforming changes.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2079

DATE January 26, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas			✓		
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood			✓		
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler			✓		
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		6	3	0	0

APPROVED:

*Darin Mitchell*  
 DARIN MITCHELL, Chairman  
*Anthony Kern*  
 ANTHONY KERN, Vice-Chairman

*Alley Selvey*  
 COMMITTEE SECRETARY

ATTACHMENT \_\_\_\_\_



# HOUSE OF REPRESENTATIVES

HB 2083

income tax revisions

Sponsor: Representative Mesnard

X Committee on Ways and Means

Committee on Appropriations

Caucus and COW

House Engrossed

### OVERVIEW

HB 2083 makes various statutory changes based on the Joint Task Force on Income Tax Reform (Task Force) recommendations regarding audit period, income tax bracket inflation index and business expensing and bonus depreciation.

### HISTORY

The Task Force was established by the President of the Senate and Speaker of the House of Representatives on August 15, 2013. The charge of the Task force is to enhance Arizona's business friendly profile and to make our tax system fairer for the average taxpayer. The Task Force explored ways of reforming Arizona's existing personal income tax system in order to create a simple, predictable, and transparent system for all Arizona taxpayers. The task force met seven times and produced a final report, which can be found at <http://azleg.gov/itr/>

The Task Force made the following recommendations:

- Permanently increase instant expensing allowance to \$50,000.
- Permanently increase bonus depreciation allowance to 50%.
- Index income tax brackets for inflation.
- Reduce ITT graduated-rate system from five to three income tax brackets.
- Allow businesses to E-file income tax returns with Department of Revenue (DOR).
- Reduce audit period from four to three years.
- Provide DOR with resources to build an up-to-date, sophisticated IIT model.
- Repeal obsolete statutes.

### PROVISIONS

#### *Audit Period*

1. Requires all audits not based on federal information to be performed within three years after the report or return is filed, whichever expires later, beginning in the 2015 Tax Year (TY).
2. Stipulated that following an audit based on state information, an audit may still be performed based solely on federal information within four years.
3. Makes technical and conforming changes.
4. Applies retroactively beginning from and after December 31, 2014.

*Audit Period*

5. Requires DOR to increase the income dollar amount of each income tax bracket to compensate for the annual change in the Metropolitan Phoenix Consumer Price Index for each year beginning from and after December 31, 2015.
6. Stipulates that the revised dollar amount shall be raised to the nearest whole dollar.
7. Prohibits the dollar amount from being revised below the amount prescribed in the prior tax year.

*Arizona gross income*

8. Adds adjustment related provisions to the amounts utilized to calculate Arizona adjusted gross income.
9. Provides that a taxpayer may take an expense deduction in an amount equal to the amount allowed under the Internal Revenue Code (IRC) § 179 if the maximum deduction were \$500,000, reduced by the amount exceeding \$2 million, for qualified property placed in service during and after TY 2014.
10. Provides, for TY 2014, that a taxpayer may deduct 10% of the amount of bonus depreciation allowed under IRC § 168(k) and stipulates such an election applies for the rest of the asset's life.
11. Allows a tax payer to take a 50% bonus depreciation deduction for qualified property placed in service during and after TY 2014.
12. Outlines necessary calculations regarding additions to Arizona gross income to avoid a double deduction if a taxpayer uses the business expensing or bonus depreciation provisions for and after TY 2014.

*Repeal of Obsolete Statutes*

13. Repeals A.R.S. § 43-1021 (21) and A.R.S. § 43-1121 (9).

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2083

(Reference to printed bill)

- 1 Page 17, line 12, strike "2014" insert "2015"
- 2 Page 19, lines 11, 17, 37, 38, 39 and 41, strike "2013" insert "2014"
- 3 Page 25, line 2, strike "2014" insert "2015"
- 4 Amend title to conform

JAVAN D. MESNARD

2083jdm2  
01/23/2015  
11:36 AM  
C: dmt

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2083

DATE January 26, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood			✓		
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler		✓			
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		8	1	0	0

APPROVED:

  
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 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
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 COMMITTEE SECRETARY

ATTACHMENT 12



# HOUSE OF REPRESENTATIVES

HB 2110

taxing district boundaries; deadline extensions

Sponsor: Representative Mitchell

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2110 alters various dates regarding notice of the establishment or change in taxing boundaries.

## HISTORY

Arizona Revised Statutes § 42-17257 outlines notice requirements for the establishment or change in city, town or taxing district boundaries. On or before November 1 of the year preceding the year that assessment or taxes are to be levied, the governing body of each city, town, school district, community college district, special taxing district and assessment district that are organized by law or in the process of organizing by law must file with the Department of Revenue (DOR) and the county assessor information prescribed by the Director of DOR relating to changes in boundaries and the boundaries of newly created taxing jurisdictions. The Director of DOR may extend the deadline to allow the taxable jurisdiction to file the required information. The Director may not extend this deadline beyond February 15<sup>th</sup> of the year that the assessment of taxes is to be levied.

## PROVISIONS

1. Alters the deadline from December 31<sup>st</sup> to November 30<sup>th</sup>, for a governing body of a taxing jurisdiction to request an extension from DOR for the establishment or change of a taxing district.
2. Reduces extensions authorized by the Director of DOR from not beyond February 15<sup>th</sup> to not beyond December 20<sup>th</sup> of the preceding Tax Year (TY).
3. Alters the deadline from February 15<sup>th</sup> to December 20<sup>th</sup>, for the establishment or change of a tax district to be effective for an assessment and tax levying purposed for the TY.

**ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2110

DATE January 26, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood		✓			
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler		✓			
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		9	0	0	0

APPROVED:

*Darin Mitchell*  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

*Abby Selvey*  
 COMMITTEE SECRETARY

ATTACHMENT 14



# HOUSE OF REPRESENTATIVES

HB 2128

leased religious property; class nine

Sponsors: Representatives Mitchell, Allen J, Kern, et al.

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2128 classifies property leased to a religious institution as class nine property for the purpose of taxation.

## HISTORY

Arizona Revised Statutes § 42-12009 outlines class nine property classifications. Qualifying properties include improvements to federal, state, county and municipal property with an assessment ratio of one percent. Current law classifies property that is leased to a non-profit organization for charter school usage as class nine property.

All Arizona property is taxable, however, Article 9, Section 2 of the Arizona Constitution exempts property owned by a non-profit educational, charitable and religious organization from taxation.

Property assessment responsibilities are shared between the Department of Revenue (DOR) and the county assessors. *Centrally valued property*, which include mines, utilities, airlines and railroads, are valued by DOR. All other properties, which are referred to as *locally assessed properties*, are valued by the county assessor. Tax liability is determined using the valuation, the use classification assessment ratio, and the tax rate set by the applicable taxing jurisdiction.

## PROVISIONS

1. Classifies property, buildings and fixtures leased to a religious institution as class nine property.
2. Specifies that if only a portion of a property is leased to a religious institution, then only that portion qualifies as class nine property.
3. Exempts property, buildings and fixtures leased to an educational or religious institution from taxation.
4. Requires an educational or religious institution to notify the county assessor of qualifying tax exemption changes.
5. Qualifies *aviation-related* items as class nine property.
6. Includes real property leased to a religious institution for the entire valuation year as class nine property.
7. Mandates an owner of real property to file an affidavit with the county assessor stating that the religious institution is the sole beneficiary of the property tax classification and that the lease rates are at fair market value.
8. Makes technical and conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2128

(Reference to printed bill)

- 1 Page 1, line 12, after the period insert "TO QUALIFY UNDER THIS SUBSECTION, THE  
2 CHURCH, RELIGIOUS ASSEMBLY OR INSTITUTION MUST ANNUALLY FILE WITH THE  
3 ASSESSOR AN AFFIDAVIT THAT IT:
- 4 1. CONTINUES TO USE OR HOLD THE PROPERTY PRIMARILY FOR RELIGIOUS  
5 WORSHIP.
  - 6 2. IS THE SOLE ECONOMIC BENEFICIARY OF THE CLASSIFICATION OF THE  
7 PROPERTY AS CLASS NINE PURSUANT TO SECTION 42-12009, SUBSECTION A,  
8 PARAGRAPH 5."
- 9 Amend title to conform

DARIN MITCHELL

2128-p1-mitchell  
1/23/15  
12:04 PM  
H:laa





# HOUSE OF REPRESENTATIVES

HB 2129

municipal tax code commission; continuation  
Sponsor: Representative Mitchell

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X Committee on Ways and Means  
Caucus and COW  
House Engrossed

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## OVERVIEW

HB 2129 continues the Municipal Tax Code Commission until July 1, 2025.

## HISTORY

Laws 1991, Chapter 160, § 2, established the Municipal Tax Code Commission (Commission) to promote uniformity and consistency among municipality's excise tax bases through the Model City Tax Code. Pursuant to Arizona Revised Statutes (A.R.S.) § 42-6052 the Commission consists of the Director of the Department of Revenue or his representative and nine members who serve three year terms. The Commission members are mayors or council members from cities or towns that have adopted the Model City Tax Code. Five Commission members are appointed by the Governor, two appointed by the President of the Senate and two appointed by the Speaker of the House of Representatives.

Pursuant to A.R.S. § 42-6053 the Commission's purpose is to review and comment on language submitted by any city, town or taxpayer regarding any changes to the Model City Tax Code. The Commission prepares and delivers an annual report to the Governor, the President of the Senate and the Speaker of the House of Representatives.

Pursuant to A.R.S. § 41-3015.06 the Commission is scheduled to terminate on July 1, 2015. The Commission's sunset review was assigned to the Senate Finance and House of Representatives Ways and Means Committee of Reference (COR). A public hearing was held on October 7, 2014 for the COR to review the Commission's response to sunset and agency factors and to receive public testimony as required by A.R.S § 41-2954. After review, the COR recommended the Commission receive a 10 year continuation.

## PROVISIONS

1. Continues the Commission for 10 years, until July 1, 2025.
2. Includes a legislative intent clause.
3. Contains a retroactive date of July 1, 2015.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2129

(Reference to printed bill)

- 1 Page 1, line 7, strike "2025" insert "2023"
- 2 Line 8, strike "2025" insert "2023"
- 3 Line 9, strike "2026" insert "2024"
- 4 Amend title to conform

DARIN MITCHELL

2129-p1-mitchell  
1/15/15  
3:22 PM  
H:ajs

**ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2129

DATE January 26, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood		✓			
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler		✓			
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		9	0	0	0

APPROVED:



DARIN MITCHELL, Chairman  
ANTHONY KERN, Vice-Chairman

  
COMMITTEE SECRETARY

ATTACHMENT 20



# HOUSE OF REPRESENTATIVES

HB 2130

state tax appeals board; continuation

Sponsor: Representative Mitchell

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2130 continues the State Board of Tax Appeals until July 1, 2025.

## HISTORY

Laws 1974, Chapter 150, § 3, transferred select powers from the State Tax Commission to the State Board of Tax Appeals (Board). Pursuant to Arizona Revised Statutes (A.R.S.) § 42-1253 the Board hears and decides appeals filed by taxpayers who have received adverse decisions from the Arizona Department of Revenue and/or the Office of Administrative Hearings concerning income, transaction privilege, sales, use, luxury and estate tax. The Board also resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege or use tax. The Board consists of three members appointed by the Governor that serve six year terms. No more than two members may be from the same occupation or profession, and no more than two members may be from the same political party.

Pursuant to A.R.S. § 41-3015.06 the Board is scheduled to terminate on July 1, 2015. The Board's sunset review was assigned to the Senate Finance and House of Representatives Ways and Means Committee of Reference (COR). A public hearing was held on October 7, 2014 for the COR to review the Board's response to sunset and agency factors and to receive public testimony as required by A.R.S. § 41-2954. After review, the COR recommended the Board receive a 10 year continuation.

## PROVISIONS

1. Continues the Board for 10 years, until July 1, 2025.
2. Contains a legislative intent clause
3. Applied retroactively to July 15, 2015.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2130

(Reference to printed bill)

- 1 Page 1, line 7, strike "2025" insert "2023"
- 2 Line 8, strike "2025" insert "2023"
- 3 Line 9, strike "2026" insert "2024"
- 4 Amend title to conform

DARIN MITCHELL

2130-p1-mitchell  
1/15/15  
3:21 PM  
H:ajs

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2130

DATE January 26, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Mr. Sherwood		✓			
Mrs. Ugenti		✓			
Mr. Weninger		✓			
Mr. Wheeler		✓			
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		9	0	0	0

APPROVED:

  
 \_\_\_\_\_  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
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 COMMITTEE SECRETARY

ATTACHMENT 23