

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

**COMMITTEE ON WAYS AND MEANS**

Report of Regular Meeting  
Monday, February 16, 2015  
House Hearing Room 3 -- 2:00 p.m.

**Convened** 3:20 p.m.  
**Recessed**  
**Reconvened**  
**Adjourned** 5:32 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**

**Request to Speak**

Report – Attachment 1

**Presentations**

**Name**  
None

**Organization**

**Attachments (Handouts)**

**Committee Action**

<b><u>Bill</u></b>	<b><u>Action</u></b>	<b><u>Vote</u></b>	<b><u>Attachments (Summaries, Amendments, Roll Call)</u></b>
HB2069	DPA S/E	6-3-0-0	2, 3, 4, 5
HB2108	DP	9-0-0-0	6, 7
HB2252	HELD		
HB2450	DPA S/E	9-0-0-0	8, 9, 10
HB2590	DPA	9-0-0-0	11, 12, 13, 14
HB2614	DP	9-0-0-0	15, 16
HB2615	DP	8-0-0-1	17, 18
HB2616	DP	6-3-0-0	19, 20
HB2617	DPA	6-3-0-0	21, 22, 23
HB2653	DPA	9-0-0-0	24, 25, 26

  
Abby Selvey, Chairman Assistant  
February 17, 2015

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

COMMITTEE ON WAYS AND MEANS  
Monday, February 16, 2015

# Information Registered on the Request to Speak System

*House Ways and Means (2/16/2015)*

## **HB2108, property tax; class nine; conventions**

### **Testified in support:**

Trey Williams, AZ ASSOCIATION OF COUNTIES; Robert Pizorno, MARICOPA COUNTY, Maricopa County Assessor's Office

### **Support:**

Michael Combrink, MARICOPA COUNTY

## **HB2450, taxation; trust income; technical correction**

### **Testified in support:**

Kevin DeMenna, Jones Outdoor Advertising; Dwight Jones, representing self

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **Support:**

Craig McPike, representing self

### **All Comments:**

Kevin DeMenna, Jones Outdoor Advertising: Support the strike-everything amendment to HB 2450; Dwight Jones, Self: Support the strike everything amendment to HB 2450.

## **HB2614, contractor transaction privilege tax; application**

### **Testified in support:**

David Martin, Arizona Chapter Associated General Contractors; Spencer Kamps, HOME BUILDERS ASSOCIATION OF CENTRAL AZ

## **HB2615, illegal tax levies; review; notice**

### **Testified in support:**

Ryan Peters, LEAGUE OF ARIZONA CITIES & TOWNS

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

## **HB2069, technical correction; tax refund account**

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **Testified as opposed:**

Dana Wolfe Naimark, CHILDREN'S ACTION ALLIANCE; Curt Hench, representing self; Kathleen Beder, representing self

### **Support:**

Jeff Sandquist, NAIOP; Walter Dudley, representing self

### **Oppose:**

Jennifer Loreda, Arizona Education Association; Stephen Jennings, representing self; Jane McNamara, representing self; Robert Klassen, representing self; Christine Marsh, representing self; Megan Starr, representing self; Sandra Kravetz, representing self

### **All Comments:**

Stephen Jennings, Self: AARP, with 800,00 Arizona members, opposes tax and expenditure limits. The government should not limit its ability to address future economic and political changes and the need for investments, nor limit a future government's flexibility.; Jane McNamara, Self: I'm curious as to why anyone would support this bill? It's my understanding that states have been asking for help with needed tax revenue from online purchases. Why turn it down? It could be used to offset budget cuts, not reduce income taxes.; Robert Klassen, Self: While education funding is suffering, deliberately eliminating a source of revenue does not make sense.; Curt Hench, Self: Would take away revenue that state should have always received. Would further exacerbate the structural deficit, tying the hands of future legislators. Impossible to estimate addtl revenues to offset w/ income tax cuts. Could be disastrous.; Kathleen Beder, Self: This will be bad for the state, taking away needed revenue and hurting the middle class. Only the wealthy benefit from this tax break.; Sandra Kravetz, Self: This bill will reduce state revenue at a time that AZ desperately needs more funds.

## **HB2252, tax; delinquency dates; tax liens**

### **Neutral:**

Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE

### **All Comments:**

Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE: Support the amendments keeping the notice requirement for expiring liens.

## **HB2590, TPT reform; contractors.**

### **Testified in support:**

Craig McPike, representing self; Tom Belshe, League Of Arizona Cities And Towns; Kevin DeMenna, Arizona State Contractors Coalition (ASCC)

**Support:**

Mark Minter, EXECUTIVE DIRECTOR, Arizona Builders' Alliance; Thomas Dunn, AZ BUILDERS' ALLIANCE, Self; Nelson Brown, representing self; Karl Kortman, representing self; John Krecek, representing self; Betty Irish, representing self; Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Jeff Sandquist, NAIOP; Steve Barela, AZ PUBLIC SERVICE COMPANY (APS); David James, representing self; Gretchen Kitchel, SALT RIVER PROJECT (SRP); Michael Gardner, AZ BUILDERS' ALLIANCE; David Martin, Arizona Chapter Associated General Contractors; Steve Trussell, Arizona Rock Products Association; Michael DiMaria, CENTURYLINK, INC; Kevin McCarthy, Arizona Tax Research Association; Jennifer Stielow, Vice President, Arizona Tax Research Association; Helen Heiden, Arizona Chamber Of Commerce And Industry; Rebecca Hudson, Analyst, Corporate Public Affairs, SOUTHWEST GAS CORP; Eric Emmert, East Valley Chambers Of Commerce Alliance ; Manny Tarango, SALT RIVER PROJECT (SRP); Eric Emmert, East Valley Chambers Of Commerce Alliance ; Brad Lundahl, SCOTTSDALE, CITY OF; Spencer Kamps, HOME BUILDERS ASSOCIATION OF CENTRAL AZ; Tom Dorn, East Valley Chambers Of Commerce Alliance ; John Nyman, representing self; Jeff Weinman, representing self; Amy Houk, representing self; Kim Stine, representing self

**Neutral:**

Sean Laux, AZ DEPT OF REVENUE

**All Comments:**

Thomas Dunn, AZ BUILDERS' ALLIANCE, Self: clarifies business practices; Karl Kortman, Self: Kortman Electric is in support of HB2590.; Craig McPike, Self: Representing Arizona Builders' Alliance; David James, Self: Please vote YES on HB2590. Much confusion exists on the TPT reform effective 1-1-15. This bill contains critical clarifications to assist the contracting community in implementing the new law. As CFO of contracting firm - I urge a YES vote.

**HB2616, public school credit; equalization assistance****Testified as opposed:**

Meghaen Dell'Artino, EDUCATIONAL FINANCIAL REFORM GROUP

**Support:**

Kevin McCarthy, Arizona Tax Research Association

**Oppose:**

Charles Essigs, Director of Government Relations, Arizona Association Of School Business Officials; Janice Palmer, AZ School Boards Assn; Jennifer Loreda, Arizona Education Association; Karen McLaughlin, Director of Budget & Research, CHILDREN'S ACTION ALLIANCE; Geoff Esposito, Arizona School Boards Association; Mark Barnes, AZ SCHOOL ADMINISTRATORS ASSOC

**HB2617, regulatory relief tax credit****Support:**

Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

**Neutral:**

Steven Zylstra, representing self; Jodi Jerich, Arizona Corporation Commission

**All Comments:**

Jodi Jerich, Arizona Corporation Commission: Requests the bill be amended to not apply to the Corp. Commission primarily because the GRRC does not review ACC Rules.

**HB2653, tax liens; delinquency; partial payments**

**Testified in support:**

Charles 'Hos' Hoskins, representing self

**Support:**

Karen Winfield, representing self

**All Comments:**

Charles 'Hos' Hoskins, Self: Maricopa County Treasurer



# HOUSE OF REPRESENTATIVES

HB 2069

technical correction; tax refund account

Sponsor: Representative Mesnard

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2069 makes a technical correction to the Department of Revenue's tax refund account.

## SUMMARY OF THE PROPOSED STRIKE-EVERYTHING AMENDMENT TO HB 2069

The proposed strike-everything amendment to HB 2069 reduces individual income tax rates in order to offset increased revenues received from online sales tax that is the 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 estimate 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 proportionally decrease each individual income tax bracket by the amount of increased revenue from online TPT sales tax collections.

**HB 2069**

3. Requires DOR to certify its amounts 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*.
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. 2069

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 43, chapter 10, article 2, Arizona Revised Statutes,  
3 is amended by adding section 43-1013, to read:

4 43-1013. Income tax rate reduction for transaction privilege  
5 and use taxes on internet sales; definition

6 A. THE DEPARTMENT SHALL ESTIMATE THE AMOUNT OF ADDITIONAL REVENUE  
7 COLLECTED DURING THE FIRST FULL TAXABLE YEAR FOLLOWING THE DATE THAT THE  
8 DEPARTMENT BEGINS COLLECTING, AS A RESULT OF A QUALIFYING FEDERAL LAW,  
9 TRANSACTION PRIVILEGE AND USE TAXES FROM OUT-OF-STATE RETAILERS ON PURCHASES  
10 MADE BY RESIDENTS OF THIS STATE.

11 B. AFTER THE DEPARTMENT MAKES ITS ESTIMATE UNDER SUBSECTION A OF THIS  
12 SECTION, THE DEPARTMENT SHALL DETERMINE THE AMOUNT THAT INDIVIDUAL INCOME  
13 TAXES MAY BE REDUCED IN THE FOLLOWING TAXABLE YEAR IN ORDER TO DECREASE  
14 INDIVIDUAL INCOME TAX REVENUE BY THE AMOUNT OF ITS ESTIMATE UNDER SUBSECTION  
15 A OF THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE DEPARTMENT SHALL  
16 CALCULATE THE TAX RATE REDUCTIONS FOR EACH INDIVIDUAL INCOME TAX BRACKET  
17 PRESCRIBED IN SECTION 43-1011 IN PROPORTION TO THE SHARE OF THE INDIVIDUAL  
18 INCOME TAX COLLECTIONS ATTRIBUTABLE TO EACH OF THE TAX BRACKETS IN EFFECT  
19 DURING THE MOST RECENTLY COMPLETED TAXABLE YEAR.

20 C. THE DEPARTMENT SHALL CERTIFY THE AMOUNTS UNDER SUBSECTIONS A AND B  
21 OF THIS SECTION TO THE GOVERNOR, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES  
22 AND THE PRESIDENT OF THE SENATE AND SHALL SPECIFY IN THE CERTIFICATION THAT  
23 THE NEW TAX RATES TAKE EFFECT IN THE TAXABLE YEAR FOLLOWING THE TAXABLE YEAR  
24 DURING WHICH THE DEPARTMENT MAKES THE CERTIFICATION.

Adopted  # of Verbals \_\_\_\_\_

Failed \_\_\_\_\_ Withdrawn \_\_\_\_\_

Not Offered \_\_\_\_\_ Analysts Initials \_\_\_\_\_

1           D. FOR THE PURPOSES OF THIS SECTION, "QUALIFYING FEDERAL LAW" MEANS  
2           ANY FEDERAL LAW TO EXPAND THIS STATE'S AUTHORITY TO REQUIRE OUT-OF-STATE  
3           RETAILERS TO COLLECT AND REMIT TO THIS STATE TRANSACTION PRIVILEGE AND USE  
4           TAXES ON PURCHASES MADE BY RESIDENTS OF THIS STATE.

5           Sec. 2. Intent

6           It is the intent of the legislature that this act not be viewed as  
7           legislative support for or opposition to the Marketplace Fairness Act or  
8           similar federal law."

9 Amend title to conform

JAVAN D. MESNARD

2069jdm1  
02/12/2015  
12:30 PM  
C: dmt



# Children's Action Alliance

*A Voice for Arizona's Children since 1988*

## HB 2069 – S/E Online TPT/Income Tax Reduction Fact Sheet

HB 2069 shifts taxes from the wealthiest Arizonans to low and middle income taxpayers, attempts to limit options available to future legislatures, and depends on a "best guess" to make sure that state revenues aren't cut back too far with no chance of correction.

The legislation would require the Arizona Department of Revenue to reduce individual income tax rates to offset the additional revenue Arizona would receive if and when the Marketplace Fairness Act passes out of Congress and Arizona begins applying the sales tax to on-line purchases. Since Congressional action is not expected in the near future, no one knows when these tax cuts would occur.

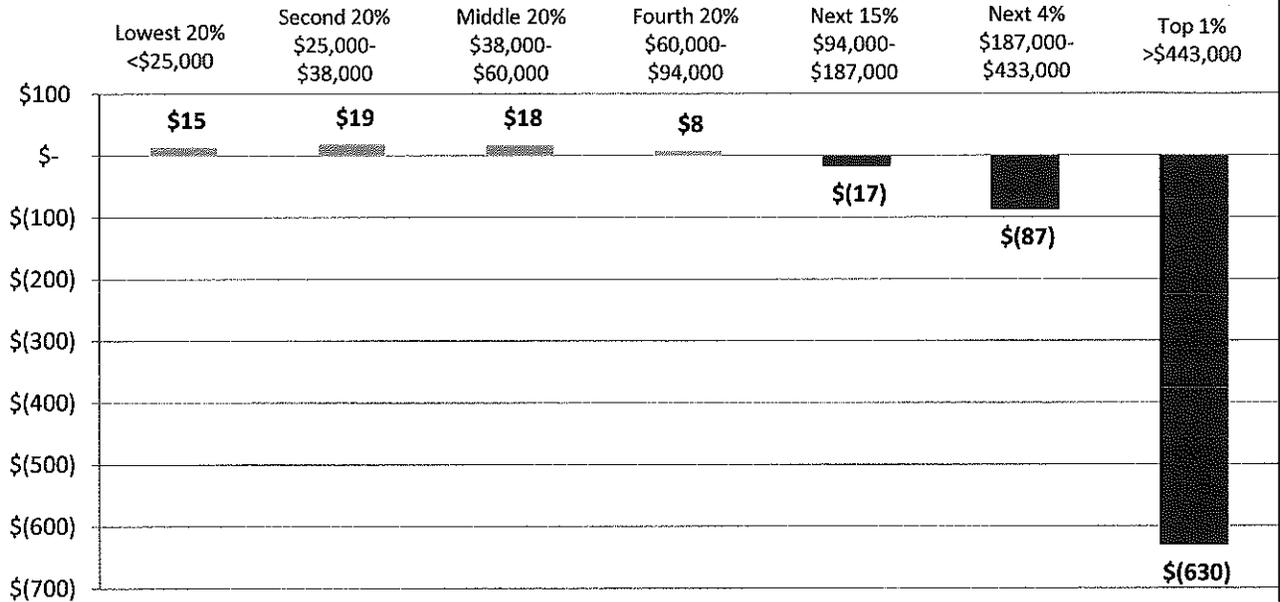
This ill-advised legislation has many problems: At a time when Arizona is struggling to pay its bills, close a structural deficit, and support voter priorities for education and child safety, it dictates future fiscal priorities to future legislatures. This tax cut has no set effective date and would be based on an administrative projection. If the projection was too high and income tax rates were cut more than the sales tax increase, the income taxes could not be restored without a 2/3 vote in the legislature.

The bill shifts total taxes away from the wealthiest Arizonans on to low and middle income taxpayers. This happens for two reasons. First, the bill directs the Arizona Department of Revenue to calculate the cuts in income tax rates in a way that gives bigger tax breaks to wealthier Arizonans. Second, it lowers income taxes and shifts reliance to sales taxes which hit lower income families harder.

According to an analysis performed by the Institute on Taxation and Economic Policy:

- Overall, 77% of taxpayers would receive an income tax reduction, but those with higher incomes are more likely to receive a reduction than other taxpayers and their cut is more substantial as a share of income and in sheer dollars.
- 99% of taxpayers in the top 5% of income would see an income tax cut, while only 39% of taxpayers in the lowest 20% would see a cut.
- 66% of the income tax cuts would go to taxpayers with incomes greater than \$94,000. The bottom 80% of taxpayers would receive 34% of the tax cuts.
- With the combined impact of the expanded sales tax and the lower income tax, the average taxpayer with income below \$94,000 would pay a net increase in taxes while taxpayers with incomes above \$94,000 would get a net tax cut.
- Taxpayers with incomes above \$433,000 would get an average net tax cut of more than \$600 a year, while taxpayers with incomes below \$25,000 would pay an average \$15 **more** in combined sales and income taxes each year.

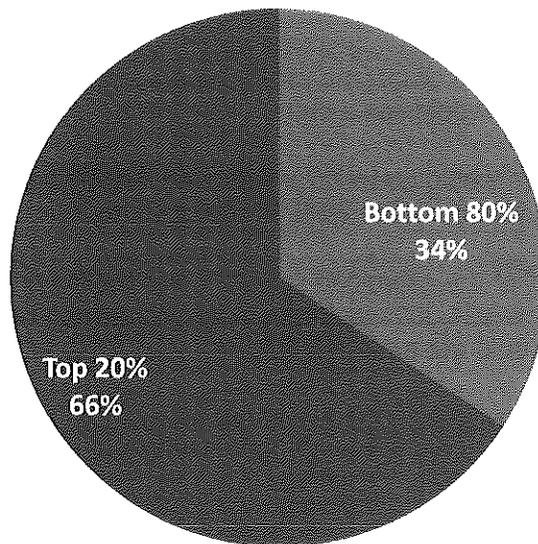
**TAXPAYERS WITH HIGHEST INCOMES GET TAX CUT  
MOST TAXPAYERS GET SMALL TAX INCREASE**  
(Net average impact of expanded sales tax and lower income tax rates by income level)



Based on \$100 million tax shift.

Source: Institute on Taxation and Economic Policy, February 2015.

**TWO-THIRDS OF INCOME TAX CUT WOULD GO TO WEALTHIEST 20% OF TAXPAYERS**



Source: Institute on Taxation and Economic Policy, February 2015.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2069

DATE February 16, 2015 MOTION: DPAS/E

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Cardenas	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
Mr. Mesnard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Mr. Olson		<input checked="" type="checkbox"/>			
Mr. Sherwood			<input checked="" type="checkbox"/>		
Mrs. Ugenti		<input checked="" type="checkbox"/>			
Mr. Weninger		<input checked="" type="checkbox"/>			
Mr. Wheeler			<input checked="" type="checkbox"/>		
Mr. Kern, Vice-Chairman		<input checked="" type="checkbox"/>			
Mr. Mitchell, Chairman		<input checked="" type="checkbox"/>			
		6	3	0	0

APPROVED:

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

*Abby Selvey*  
 COMMITTEE SECRETARY

ATTACHMENT 5



# HOUSE OF REPRESENTATIVES

## HB 2108

property tax; class nine; conventions  
Sponsors: Representatives Mitchell: Fann

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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### OVERVIEW

HB 2108 classifies improvements and property used exclusively for convention activities as class nine property.

### HISTORY

Arizona Revised Statutes (A.R.S.) § 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.

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.

Amended by Laws 2012, Chapter 349 § 1, A.R.S. § 42-12009, subsection A, paragraph 6 limits the classification of class nine property to improvements and property used exclusively for athletic, recreational, entertainment, artistic, and cultural facilities or used primarily for convention activities. This section of law also requires the improvements to become property of the government entity upon termination of the lease, with the exception of those used for convention activities.

### PROVISIONS

1. Provides that improvements and property used exclusively for convention activities are classified as class nine property.
2. Makes a technical correction.

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

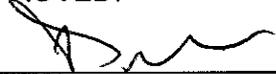
**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2108

DATE February 16, 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

  
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 COMMITTEE SECRETARY

ATTACHMENT 7



# HOUSE OF REPRESENTATIVES

HB 2450

taxation; trust income; technical correction

Sponsor: Representative Olson

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2450 Alters language regarding tax liens on trust income.

## SUMMARY OF THE PROPOSED STRIKE-EVERYTHING AMENDMENT TO HB 2450

HB 2450 exempts billboards from the rental classification of Transaction Privilege Tax (TPT).

## 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, transient lodging (hotel/motel), commercial leasing, advertising, amusements, personal property rentals, real property rentals, construction contracting, owner/builders, manufactured building, severance (mining, timbering), transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines.

## PROVISIONS

1. Specifies that TPT on personal property rentals does not apply to leasing or renting billboards.
2. Applies retroactively to December 31, 2007.
3. Sets a September 30, 2015 deadline for anyone to claim a refund.
4. Sets an aggregate cap of \$10,000 for refunds
5. Makes a technical correction.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2450

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 42-5071, Arizona Revised Statutes, is amended to  
3 read:

4 42-5071. Personal property rental classification

5 A. The personal property rental classification is comprised of the  
6 business of leasing or renting tangible personal property for a  
7 consideration. The tax does not apply to:

8 1. Leasing or renting films, tapes or slides used by theaters or  
9 movies, which are engaged in business under the amusement classification, or  
10 used by television stations or radio stations.

11 2. Activities engaged in by the Arizona exposition and state fair  
12 board or county fair commissions in connection with events sponsored by such  
13 entities.

14 3. Leasing or renting tangible personal property by a parent  
15 corporation to a subsidiary corporation or by a subsidiary corporation to  
16 another subsidiary of the same parent corporation if taxes were paid under  
17 this chapter on the gross proceeds or gross income accruing from the initial  
18 sale of the tangible personal property. For the purposes of this paragraph,  
19 "subsidiary" means a corporation of which at least eighty per-cent PERCENT of  
20 the voting shares are owned by the parent corporation.

21 4. Operating coin-operated washing, drying and dry cleaning machines  
22 or coin-operated car washing machines at establishments for the use of such  
23 machines.

24 5. Leasing or renting tangible personal property for incorporation  
25 into or comprising any part of a qualified environmental technology facility  
26 as described in section 41-1514.02. This paragraph shall apply for ten full  
27 consecutive calendar or fiscal years following the initial lease or rental by  
28 each qualified environmental technology manufacturer, producer or processor.

29 6. Leasing or renting aircraft, flight simulators or similar training  
30 equipment to students or staff by nonprofit, accredited educational  
31 institutions that offer associate or baccalaureate degrees in aviation or  
32 aerospace related fields.

Adopted <input checked="" type="checkbox"/>	# of Verbals _____
Failed _____	Withdrawn _____
Not Offered _____	Analysts Initials _____

1           7. Leasing or renting photographs, transparencies or other creative  
2 works used by this state on internet websites, in magazines or in other  
3 publications that encourage tourism.

4           8. Leasing or renting certified ignition interlock devices installed  
5 pursuant to the requirements prescribed by section 28-1461. For the purposes  
6 of this paragraph, "certified ignition interlock device" has the same meaning  
7 prescribed in section 28-1301.

8           9. LEASING OR RENTING BILLBOARDS THAT ARE DESIGNED, INTENDED OR USED  
9 TO ADVERTISE OR INFORM AND ARE VISIBLE FROM ANY STREET, ROAD OR OTHER  
10 HIGHWAY.

11           B. The tax base for the personal property rental classification is the  
12 gross proceeds of sales or gross income derived from the business, but the  
13 gross proceeds of sales or gross income derived from the following shall be  
14 deducted from the tax base:

15           1. Reimbursements by the lessee to the lessor of a motor vehicle for  
16 payments by the lessor of the applicable fees and taxes imposed by sections  
17 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,  
18 article 2 and article IX, section 11, Constitution of Arizona, to the extent  
19 such amounts are separately identified as such fees and taxes and are billed  
20 to the lessee.

21           2. Leases or rentals of tangible personal property that, if it had  
22 been purchased instead of leased or rented by the lessee, would have been  
23 exempt under:

24           (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, 49  
25 or 54.

26           (b) Section 42-5061, subsection B, except that a lease or rental of  
27 new machinery or equipment is not exempt pursuant to:

28           (i) Section 42-5061, subsection B, paragraph 13 if the lease is for  
29 less than two years.

30           (ii) Section 42-5061, subsection B, paragraph 21.

31           (c) Section 42-5061, subsection J, paragraph 1.

32           (d) Section 42-5061, subsection N.

33           3. Motor vehicle fuel and use fuel that are subject to a tax imposed  
34 under title 28, chapter 16, article 1, sales of use fuel to a holder of a  
35 valid single trip use fuel tax permit issued under section 28-5739 and sales  
36 of aviation fuel that are subject to the tax imposed under section 28-8344.

37           4. Leasing or renting a motor vehicle subject to and upon ON which the  
38 fee has been paid under title 28, chapter 16, article 4.

39           5. Amounts received by a motor vehicle dealer for the first month of a  
40 lease payment if the lease and the lease payment for the first month of the  
41 lease are transferred to a third-party leasing company.

1 C. Sales of tangible personal property to be leased or rented to a  
2 person engaged in a business classified under the personal property rental  
3 classification are deemed to be resale sales.

4 D. In computing the tax base, the gross proceeds of sales or gross  
5 income from the lease or rental of a motor vehicle does not include any  
6 amount attributable to the car rental surcharge under section 5-839, 28-5810  
7 or 48-4234.

8 E. Until December 31, 1988, leasing or renting animals for  
9 recreational purposes is exempt from the tax imposed by this section.  
10 Beginning January 1, 1989, the gross proceeds or gross income from leasing or  
11 renting animals for recreational purposes is subject to taxation under this  
12 section. Tax liabilities, penalties and interest paid for taxable periods  
13 before January 1, 1989 shall not be refunded unless the taxpayer requesting  
14 the refund provides proof satisfactory to the department that the monies paid  
15 as taxes will be returned to the customer.

16 Sec. 2. Retroactivity; refunds

17 A. Section 42-5071, Arizona Revised Statutes, as amended by this act,  
18 applies retroactively to from and after December 31, 2007.

19 B. Any claim for refund of transaction privilege or use tax based on  
20 the retroactive application of section 42-5071, subsection A, paragraph 9,  
21 Arizona Revised Statutes, as added by this act, relating to leasing or  
22 renting billboards after December 31, 2007 shall be submitted to the  
23 department of revenue on or before September 30, 2015, pursuant to section  
24 42-1118, Arizona Revised Statutes. A failure to file a claim on or before  
25 September 30, 2015 constitutes a waiver of the claim for refund under this  
26 section.

27 C. The burden is on the taxpayer to establish by competent evidence  
28 the amount of tax paid and qualifying for refund for taxable periods as  
29 provided by this section. The department of revenue shall:

- 30 1. Review all timely filed claims.
- 31 2. Determine, on audit if necessary, the correct amount of each claim.
- 32 3. Notify the taxpayer of its determination. The notice is final  
33 unless a taxpayer appeals in the manner provided in section 42-1251, Arizona  
34 Revised Statutes.

35 D. Notwithstanding section 42-1119, Arizona Revised Statutes, the  
36 department of revenue may not make a refund until after determination of the  
37 amount of all refund claims filed pursuant to this section. If a taxpayer  
38 appeals the department's determination, the department, pursuant to the rules  
39 protecting confidentiality under title 42, chapter 2, article 1, Arizona  
40 Revised Statutes, may notify other taxpayers who have filed claims as to the  
41 nature of any delay and, if possible, estimate the possible extent of the  
42 delay.

House Amendments to H.B. 2450

1           E. The aggregate amount of refunds under this section may not exceed  
2           ten thousand dollars and shall be paid according to the order in which the  
3           department receives the claims.

4           F. Interest is not allowed on any refundable amount if paid before  
5           March 1, 2016, but if the amount cannot be determined or paid until after  
6           March 1, 2016, interest accrues after that date under section 42-1123,  
7           Arizona Revised Statutes."

8 Amend title to conform

JUSTIN OLSON

2450jo1  
02/10/2015  
3:57 PM  
C: dmt

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

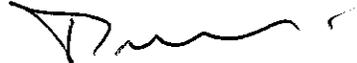
**ROLL CALL VOTE**

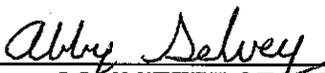
COMMITTEE ON WAYS AND MEANS BILL NO. HB 2450

DATE February 16, 2015 MOTION: DPAS/E

	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 10



# HOUSE OF REPRESENTATIVES

HB 2590

TPT reform; contractors.

Sponsors: Representatives Fann, Coleman: Campbell, et al.

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2590 alters statute regarding transaction privilege tax (TPT) pertaining to contractors.

## HISTORY

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.

Pursuant to Arizona Revised Statutes § 42-5075 the prime contracting classification is comprised of business engaged in prime contracting and the dealership of manufactured buildings. The TPT base for prime contracting is 65% of the gross sale proceeds or gross income derived from the business. Subsection O, as added by Laws 2014, Chapter 263, Section 13, provides that prime contractors are not subject to tax from the gross sale proceeds or gross income resulting from contracts for the maintenance, repair, replacement or alteration (MRRA) of real property if the contract does not include modification activity.

## PROVISIONS

### *Building Permits*

1. Restricts a city, town and board of supervisors from requiring an applicant for a building permit to hold a TPT license.
2. Permits a city or town to require a person that has been issued a building permit, and that does not hold a business license from the city or town, to apply for a business license within 30 days after issuing the building permit.

### *Contractor Licensure Qualifications*

3. Eliminates the requirements for an applicant to possess a TPT license and to submit the license number to the Registrar of Contractors to obtain or renew a contractor's license.

*Liability for Retail TPT*

4. States that a contractor or subcontractor working under the control of a prime contractor, that purchases tangible personal property exempt from TPT or use tax that incorporates such property into a MRRA project, is liable for an amount equal to any tax that the seller would have been required to pay.
5. Outlines the process by which a contractor or subcontractor working under the control of a prime contractor pays liable tax if tangible personal property is purchased exempt from TPT or use tax that is incorporated into a MRRA.
6. States that if a person purchases tangible personal property exempt from TPT or use tax with a canceled TPT license, that person is liable to pay tax on that property if used, consumed, sold or discarded.
7. Outlines the method of payment for a person who purchases tangible personal property exempt from TPT or use tax with a canceled TPT licensee.
8. States that if a person fails to report or pay taxes under this section, that person is liable for interest and penalties.
9. Entitles a person to an offset for taxes paid on tangible personal property believed to be for a MRRA project if a final determination finds the project was prime contracting.

*Retail Classification*

10. Exempts tangible personal property from retail TPT and use tax that will be utilized in a MRRA project for:
  - a. Qualifying hospitals.
  - b. Qualifying health care organizations.
  - c. Qualifying health centers.
  - d. Nonprofit charitable organizations.
  - e. Qualifying health science educational institutions.
11. Exempts from retail TPT and use tax tangible personal property that is sold to a person representing or working on behalf of another person under an exemption certificate.
12. Exempts from retail TPT and use tax the sale of tangible personal property utilized in a MRRA project that is located within the exterior boundaries of an Indian reservation for which the owner of the project is an Indian tribe or affiliated Indian.
13. Adds a person representing or working on behalf of a prime contractor to the TPT telecommunications exemption from MRRA.
14. Adds a person representing or working on behalf of a prime contractor to the TPT machinery and equipment for production of livestock, livestock products or agriculture, horticultural, viticultural or floricultural crops exemption from MRRA.

*Change Orders*

15. Requires a change order that directly relates to the scope of work of the original contract to be treated as part of the original contract. The contract amount must include any amount attributable to a change order that directly relates to the scope of work of the original contract.
16. Requires a change order that does not directly relate to the scope of work of the original contract to be treated as a new contract.

17. Stipulates that the treatment of change orders does not alter or affect the treatment of change orders in any other context, including with respect to the application of changes in the rate of tax.

*Prime Contracting Classification*

18. Replaces *construction, alteration, repair, improvement, movement, wrecking or, demolition or addition to or subtraction* with *modification* in various A.R.S. subsections regarding prime contracting.
19. Specifies, with the exception of special taxing districts, that surface, subsurface and vertical improvement to land contracts are subject to:
- a. Specific highway and public building statutes.
  - b. The prime contracting classification of TPT.
20. Defines *alteration* as an activity or action that causes a direct physical change to existing property and that meets one of the following requirements:
- a. Is a residential property with a contract amount less than 25% of the most recent full cash value assessment of the property.
  - b. Is a nonresidential property with a contract that meets all of the following requirements:
    - I. A contract value of less than \$750,000.
    - II. The scope of the work directly relates to no more than 40% of the square footage of the existing property.
    - III. The scope of the work expands the square footage no more than 10% of the existing property.
21. Prohibits project elements from being artificially separated from a contract to cause a project to qualify as an alteration. DOR has the burden of proof that project elements have artificially separated from a contract.
22. Specifies that work under a contract qualifies as an alteration if the owner and the person performing the work reasonably believed, at the inception of the contract, would be treated as an alteration, and on completion, the project exceeded the applicable threshold by no more than 25 %.
23. Specifies that *alteration* does not include *maintenance, repair or replacement*.
24. Clarifies the definition of *modification* means construction, grading and leveling ground, wreckage or demolition, that does not include:
- a. Improvement or movement.
  - b. Any MRRA project.
  - c. Any wreckage or demolition of existing property, or any other activity that is a necessary component of a MRRA project.
  - d. Any mobilization or demobilization related to a MRRA project, such as erection or removal or temporary facilities to be used by persons working on the project.
25. Clarifies the definition of *modify* means to make a modification or cause a modification to be and not construct, improve, move, wreck or demolish.
26. Defines *owners* as the person that holds the title to the real property or improvements to real property that is subject to the work, as well as an agent of the title holder or any person with the authority to perform or authorize work on the real property or improvements, including a tenant and a property manager.

27. Defines *replacement* as the removal of one component or system of existing property or tangible personal property installed in existing property, and the installation of a new component or system or new tangible personal property that provides the same or upgraded functionality, regardless of the contract amount for the removal and installation.

*Existing Inventory*

28. Permits a person that cancels their TPT license on or before the last day of the first month that occurs at least 60 days after the effective date to estimate the value of inventory purchased tax exempt, and provides the following procedures for the payment of taxes:

- a. If the estimation is a value of \$10,000 or less, the person is not liable for any tax.
- b. If the estimation is a value of more than \$10,000, the person is only liable for the tax above \$10,000 and is required to pay the excess value by one of the following methods:
  - i. A single payment with the tax based on the person's principle place of business.
  - ii. In 12 equal monthly installments with the tax based on the person's principle place of business.
  - iii. When the materials are incorporated into a MRRRA project, tax is due based on the purchase price of the materials and if the materials are sold or disposed, the tax is based on the revenues received.

*Hold Harmless*

29. Specifies the following for any contracts that are bid or entered into or any bidding obligation executed on or before the prescribed deadline:

- a. A person may treat the contract as taxable under the prime contracting classification.
- b. A person must be held harmless from any additional tax, penalty and interest if DOR determines by audit that the person's good faith treatment of the contract was either subject to or excluded from TPT under the prime contracting classification, or was incorrect.

*Miscellaneous*

30. Alters language requiring DOR to establish an exemption certificate to permit a person not subject to prime contracting to be employed by a contractor that is subject to prime contracting.

31. Adds to the definition of *tangible personal property*.

32. Defines numerous terms.

33. Makes technical and conforming changes.

34. Exempts DOR from rulemaking for the purpose of implementing this Act.

35. Contains a legislative intent clause.

36. Applies retroactively to January 1, 2015.

37. Contains an emergency clause.

PROPOSED  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2590  
(Reference to printed bill)

- 1 Page 7, line 31, strike "THE" insert "A"
- 2 Line 33, after "AMOUNT" insert "OF LIABILITY"
- 3 Line 34, strike the first and second "ARTICLE" insert "CHAPTER"
- 4 Line 35, strike "CHAPTER" insert "TITLE"
- 5 Page 8, lines 22 and 27, strike the first and second "ARTICLE" insert "CHAPTER";
- 6 strike "CHAPTER" insert "TITLE"
- 7 Line 28, strike "SECTION" insert "SUBSECTION"
- 8 Page 9, line 20, strike the first and second "ARTICLE" insert "CHAPTER"; strike
- 9 "CHAPTER" insert "TITLE"
- 10 Page 11, line 23, strike "T" insert "V"
- 11 Page 12, line 19, strike "EMPLOYED" insert "ENGAGED"
- 12 Page 32, line 16, after the period strike remainder of line
- 13 Strike line 17
- 14 Line 18, strike the period
- 15 Line 24, strike "dealership of manufactured buildings" insert "THE BUSINESS OF
- 16 MANUFACTURED BUILDING DEALER"
- 17 Line 28, after the period strike remainder of line
- 18 Strike line 29
- 19 Page 35, line 11, strike "or (&)" insert "(l),"; after "(m)" insert "or (n)"
- 20 Page 44, line 28, strike "AS DESCRIBED IN" insert "CLASS THREE PROPERTY UNDER"
- 21 Line 29, after "OR" insert "CLASS FOUR PROPERTY UNDER"
- 22 Page 46, line 26, after "UPGRADED" insert "DESIGN OR"
- 23 Line 27, strike "FOR THE REMOVAL AND INSTALLATION"
- 24 Page 48, line 28, strike "under the prime contracting"
- 25 Line 29, strike "classification"
- 26 Amend title to conform

2590-p1-mitchell  
2/13/15  
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H:laa

DARIN MITCHELL

Adopted <input checked="" type="checkbox"/>	# of Verbals _____
Failed _____	Withdrawn _____
Not Offered _____	Analysts Initials _____

**TPT REFORM – PRIME CONTRACTING**  
**2015 Pending Legislation (SB1446 and HB2590) – Key Provisions – 9 February 2015**

1. **Contractors Can Once Again Purchase All Project Materials on Tax-Exempt Basis (ARS 42-5061(A)(27))**
  - Contractors can once again issue a blanket Form 5000 for both:
    - Prime Contracting projects
    - Maintenance, Repair, Replacement and Alteration (MRRRA) projects
  - Vendors can rely on a Contractor's blanket Form 5000
  - Avoids impractical "dual inventory" problem
2. **Contractors Pay Tax When They Use Materials if Purchased Tax-Exempt (ARS 42-5008.01(A) and (B))**
  - Materials purchased tax-free for MRRRA projects (see #1) are taxed as they are used, based on job location
  - This applies even when a contractor cancels its TPT license
3. **GC May Issue Form 5005 to Subs for Materials Used in MRRRA Project (ARS 42-5008.01(A)(5) and (B)(7))**
  - Allows Subs to avoid risk of paying tax on materials without reimbursement from GC
  - Allows GC to assume tax liability for materials used by Subs in an MRRRA project, providing GC with offset for tax paid on materials if project found on audit to be taxable under Prime Contracting
4. **Change Orders (ARS 42-5075(O)(2))**
  - If the scope of work of a change order directly relates to the scope of work of the original contract, then the tax treatment of the change order follows the original contract
  - If the scope of work of a change order does not directly relate to the original, the tax treatment of the change order will depend solely on the scope of work of the change order
5. **Definition of Alteration (ARS 42-5075(R)(1))** Creates thresholds for determining tax status of project:
  - Residential Property: Tax on materials, if the contract price for the work is 25% or less of the property's Full Cash Value for property tax purposes (31.25%, with 25% cushion described below)
  - Commercial Property: Tax on materials, if all of the following are true:
    - Contract amount is \$750,000 or less (\$937,500, with 25% cushion)
    - Scope of work directly relates to 40% or less of existing square footage (50%, with 25% cushion)
    - Scope of work includes an expansion of existing square footage that is 10% or less of pre-existing square footage (12.5%, with 25% cushion)
  - 25% Cushion for All Property: If project qualifies for Alteration treatment when work begins, it will continue to qualify even if the threshold is blown by no more than 25% (cost overruns, change orders, etc.)
6. **Clarifies Definition of Prime Contracting Taxable "Modification" (ARS 42-5075(R)(6))**
  - Deletes terms that cause confusion ("improvement" and "movement")
  - Specifically excludes MRRRA activities (MRRRA trumps Prime Contracting)
  - Specifically excludes mobilization and demobilization (e.g., erection of temporary facilities, fencing)
7. **Provides Consistent Treatment for MRRRA Projects with Tax-Exempt Parties or for Tax-Exempt Property**
  - Qualifying hospitals, qualifying health care organizations, etc. (ARS 42-5061(A)(25))
  - On-reservation projects for Tribal government or Enrolled Member (ARS 42-5061(A)(60))
  - Electric generation, mining, manufacturing, etc. machinery and equipment (ARS 42-5008.01(A)(2), (B)(5))
8. **Excludes Roadway and other Surface/Subsurface Projects from MRRRA Treatment (ARS 42-5075(P))**
  - Maintain Prime Contracting tax treatment for most public works projects without vertical construction
  - Does not apply to state projects other than ADOT
  - Does not apply to most Special Taxing Districts
9. **Safe Harbor to Protect Industry During Transition Period (Session Law)**
  - Protection provided for good-faith bids/contracts entered into before May 1, 2015, assuming the Governor signs the bill in February 2015
  - Prime contracting treatment permitted for all projects started during this period, regardless of when completed

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

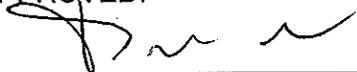
**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2590

DATE February 16, 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 14



# HOUSE OF REPRESENTATIVES

HB 2614

contractor transaction privilege tax; application

Sponsor: Representative Petersen

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2614 States the exemption from prime contracting for purposes of maintenance, repair, replacement, or alteration (MRRA) does not apply to contracts or written bids made or entered into before January 1, 2015.

## 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, transient lodging (hotel/motel), commercial leasing, advertising, amusements, personal property rentals, real property rentals, construction contracting, owner/builders, manufactured building, severance (mining, timbering), transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines.

Pursuant to Arizona Revised Statutes (A.R.S.) § 42-5075 the prime contracting TPT classification is comprised of businesses engaged in prime contracting and businesses engaged in the dealership of manufactured buildings. The TPT base for prime contracting is 65% of the gross sale proceeds or gross income derived from the business. Subsection O, as added by Laws 2014, Chapter 263, Section 13, provides that prime contractors are not subject to tax from gross sale proceeds or gross income resulting from contracts for MRRA of real property and if the contract does not include modification activity.

## PROVISIONS

1. States the exemption from prime contracting for purposes of MRRA does not apply to contracts or written bids made or entered into before January 1, 2015.
2. Outlines qualifications to receive an exemption pursuant to this Act.
3. Applies retroactively to December 31, 2014.

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

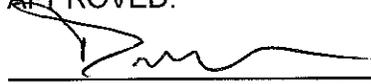
**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2614

DATE February 16, 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 16



# HOUSE OF REPRESENTATIVES

HB 2615

illegal tax levies; review; notice  
Sponsors: Representatives Ackerley; Mitchell

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2615 requires the Property Tax Oversight Commission (PTOC) to review secondary property tax levies for each county, city, town, and community college district.

## HISTORY

The Property Tax Oversight Commission (PTOC) was established in 1987. PTOC consists of five members, including the Director of the Department of Revenue (DOR) as the chairman. The remaining four members of PTOC serve three-year terms and are knowledgeable in the area of property tax assessment and levies. One of the four non-chair PTOC members is appointed by the Governor and the remaining three members are jointly appointed by the President of the Senate and the Speaker of the House of Representatives. DOR provides staff for PTOC, which meets at least once a year.

PTOC is the entity that reviews the levy limit calculations of political subdivisions. PTOC determines if any subdivisions are out of compliance with their levy limit. If a violation has occurred, then the subdivision must either correct the violation or appeal the decision.

Additionally, PTOC receives information from local governments regarding their compliance with Truth-in-Taxation (TNT) provisions. TNT requires local government to hold a hearing and take a vote on action to increase their property tax levies above the amount levied in the previous year. In 2003, legislation was passed requiring PTOC to determine if school districts, community college districts, counties or municipalities are violating TNT notice and hearing requirements and to notify them if they are in violation of TNT. Local governments may appeal PTOC's decisions.

## PROVISIONS

1. Requires PTOC to review secondary property tax levies in each county, city, town and community college district to identify violations of constitutional and statutory requirements.
2. Requires PTOC to provide various state entities with notice of violations pertaining to secondary property tax violations.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2615

DATE February 16, 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		✓			
		8	0	0	1

APPROVED

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

*Abby Solvey*  
\_\_\_\_\_  
COMMITTEE SECRETARY

ATTACHMENT 18



# HOUSE OF REPRESENTATIVES

HB 2616

public school credit; equalization assistance

Sponsor: Representative Olson

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2616 makes various changes to the Public School Tax Credit.

## HISTORY

Established by Laws 1997, Chapter 48, the Public School Tax Credit permits individuals to receive a dollar-for-dollar reduction in income tax liability for contributions to public schools. An individual may receive up to a \$200 Credit, or a married couple may receive up to a \$400 credit, for contributions to a public school in support of extracurricular activities and character education programs (Arizona Revised Statutes (A.R.S.) § 43-1089.01). Public School Tax Credit contributions that are not designated for a specific purpose are distributed at the discretion of the school site council or administrator. In Tax Year 2013, the Arizona Department of Revenue reported 253,842 claimants totaling approximately \$50.9 million.

School districts generally determine a budget capacity through a statutory formula that includes funding for transportation, a base level amount multiplied by a weighted student count and District Additional Assistance. Once a district's formula funding is determined, the district produces revenue through a levy on property within the district that is capped at a rate of \$4.253 for a unified school district or \$2.1265 for a common or high school district (A.R.S. § 41-1276 (H)). State equalization assistance is given to school districts that assess the maximum levy and are in need of additional revenue to meet their budget capacity (A.R.S. §15-971). Charter schools do not receive revenues from a property tax and their budget capacity is determined through a separate formula which includes the base level amount multiplied by a weighted student count and Charter Additional Assistance. Equalization assistance for charters is equal to the statutory funding formula amount.

## PROVISIONS

1. Removes the requirement for Public School Tax Credit contributions to be spent on character education programs and extracurricular activities.
  - a. Removes language regarding utilization of undesignated funds.
2. Modifies Public School Tax Credit contribution reporting requirements to require: schools that receive contributions to report the dollar amount received to the State Board of Education and DOR by September 1, of each year.
3. Includes in the equalization assistance formula for school districts and charter schools an item for extracurricular activities and classroom learning priorities assistance.
4. Determines the extracurricular activities and classroom learning priorities assistance to be \$47.38 multiplied by the student count of the school district or charter school.

Fifty-second Legislature  
First Regular Session

Analyst Initials   
February 13, 2015

ATTACHMENT 19

**HB 2616**

- a. Specifies the assistance must be used for extracurricular activities and classroom learning priorities.
5. Requires monies received through the Public School Tax Credit to be deducted from equalization assistance.
6. 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 2616

DATE February 16, 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, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 20



# HOUSE OF REPRESENTATIVES

HB 2617

regulatory relief tax credit

Sponsors: Representatives Mesnard, Mitchell; Kern, et al.

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2617 creates an income tax credit for small businesses that incur costs from specified state regulations.

## HISTORY

The Governor's Regulatory Review Council (Council) reviews and approves agency rules to ensure that the rules were properly developed and comply with specific statutory criteria. The Council reviews proposed rules to ensure that the agency has authority to make the rule and it does not conflict with existing law; the rule language is understandable; the rule's probable benefits outweigh its probable costs; and that the agency has addressed public comments.

The Council consists of seven members, six of which are appointed by the Governor to hold three-year terms. The Chair of the Council, the seventh member, is served by the Director of the Department of Administration or a designee. The members serve at the pleasure of the Governor and are required to meet at least once a month. The Council is regulated by Arizona Revised Statutes (A.R.S.) Title 41; Chapter 6, Article 5 and will repeal on January 1, 2018, pursuant to A.R.S. § 41-3017.05.

Added by Laws 2009, Chapter 32 § 2, the Joint Legislative Income Tax Credit Review Committee was established to determine the original purpose of existing tax credits and establish a standard for evaluating and measuring the success or failure of the tax credits. The standard for evaluating tax credits may include: (1) the history, rationale and estimated revenue impact of the credit; (2) whether the credit has provided a benefit to this state including, for corporate tax credits, measurable economic development, new investments, creation of new jobs or retention of existing jobs in this state; and (3) whether the credit is unnecessarily complex in the application, administration and approval process.

## PROVISIONS

1. Allows a *small business* to claim a tax credit for *creditable expenses* due to *extra regulation*, instead of pursuing judicial remedies or appeals against the regulating entity.
2. Specifies that a credit is against the *claimants'* income tax liability for the taxable year in which it is approved.
3. Specifies that a credit approved by the Council constitutes a debt against the state General Fund (GF) appropriation to the agency directly responsible for the regulation.
4. Appropriates \$350,000 from the GF to the Council for administering this Act and four full-time equivalent employment positions.

Fifty-second Legislature  
First Regular Session

Analyst Initials \_\_\_\_\_  
February 10, 2015

ATTACHMENT 21

HB 2617

5. Stipulates that a tax credit must be for a *creditable expense* greater than \$200 and each credit may only regard one regulation.
6. Specifies that each credit may not exceed \$1,000.
7. Caps the aggregate amount of credits at \$500,000; if the cap is reached, the Council must notify all parties to pending claims that further proceedings are terminated and no further credits may be awarded for that calendar year.
8. Allows credits approved by the Council to be carried forward for up to five years.
9. Designates the Council as the entity which shall administer the credit.
10. Requires the Council to develop an electronic claim form that includes the following:
  - a. The *claimant's* name.
  - b. The name, title, business address, phone number and email address of the individual submitting the claim.
  - c. Information necessary to determine whether the claimant is actually engaged in business activity, such as a transaction privilege tax license number.
  - d. An identification of the regulation and corresponding claim amount.
  - e. The regulating entity's name.
  - f. A waiver and acknowledgement that by filing the claim, the *claimant* will not litigate or pursue judicial remedies against the regulating entity or entities evaluating the claim.
  - g. Any other information required by the Council to evaluate and rule on validity of claims.
  - h. A declaration that the claim is true, complete and accurate to the *claimant's* best knowledge.
11. Allows the Council to forward a copy of the claim, as a formal notice, to the responsible regulating entity.
12. Grants the Council 60 days to evaluate, deny and notify *claimants* that their claim has been denied before it is automatically considered approved.
13. Requires the Council to notify the Department of Revenue of a claim upon approval.
14. Requires the Council to deny claims that are based on substantially similar circumstances to a previously denied claim.
15. Requires the Council to maintain a public electronic register of claims filed.
16. Requires the Council to provide, upon request, annual data on the number of claims filed, the number of claims accepted for review and the number of accepted claims.
17. Instructs the Joint Legislative Tax Credit Review Committee to review the tax credit during years ending in zero and five.
18. Defines various terms.
19. Contains a legislative purpose clause.

PROPOSED  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2617  
(Reference to printed bill)

- 1 Page 1, line 17, after "STATE" insert ", EXCEPT THE CORPORATION COMMISSION"
- 2 Line 37, strike "\_\_\_\_" insert "FIFTY"
- 3 Page 3, line 11, strike "SHALL" insert "MAY"
- 4 Line 13, strike "COMPLETE, CORRECT AND TIMELY"
- 5 Strike lines 30 through 32
- 6 Renumber to conform
- 7 Line 45, strike the colon
- 8 Page 4, line 1, strike "1."
- 9 Strike lines 7 through 12
- 10 Line 15, after "DENIED" insert a period strike remainder of line; strike lines
- 11 16 through 18; line 19, strike "INDIVIDUAL CIRCUMSTANCES."
- 12 Page 6, line 5, strike "\$350,000" insert "\$175,000"
- 13 Line 8, strike "four" insert "two"
- 14 After line 22, insert:
- 15 "Sec. 7. Effective date
- 16 This act is effective and applies to taxable years beginning from and
- 17 after December 31, 2015."
- 18 Amend title to conform

JAVAN D. MESNARD

2617jdm1  
02/13/2015  
12:22 PM  
C: dmt

Adopted  # of Verbals \_\_\_\_\_  
Failed \_\_\_\_\_ Withdrawn \_\_\_\_\_  
Not Offered \_\_\_\_\_ Analysts Initials \_\_\_\_\_

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2617

DATE February 16, 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		✓			
		6	3	0	0

APPROVED:



DARIN MITCHELL, Chairman  
ANTHONY KERN, Vice-Chairman

*Abby Selvey*  
 COMMITTEE SECRETARY

ATTACHMENT 23



# HOUSE OF REPRESENTATIVES

HB 2653

tax liens; delinquency; partial payments  
Sponsor: Representative Olson

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X Committee on Ways and Means  
Caucus and COW  
House Engrossed

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## OVERVIEW

HB 2653 contains various provisions regarding partial payments on delinquent taxes and subsequent Certificates of Purchase (CP).

## HISTORY

Pursuant to Arizona Revised Statutes (A.R.S.) § 42-17401 an elderly assistance fund (EAF) must be established by the board of supervisors in counties with populations exceeding two million people. EAFs are used to reduce the primary school district tax rates for elderly persons who qualify for the property valuation protection option (PVPO) under Article IX, Section 18 of the Arizona Constitution.

A.R.S. §§ 41-18101 and 41-18104 state that a county treasurer must secure unpaid delinquent tax payments by selling tax liens at an aggregate amount equal to all unpaid taxes, penalties, interest and charges due on the property for current and proceeding years. Tax lien purchasers are awarded a CP, and the CP bears interest at the bid rate beginning the first day of the month following the lien's sale. In order to redeem a property tax lien, the person owing back taxes must pay the county treasurer all fees, including taxes, interest and charges accrued on the property within three years of a CP being issued. If the county in which the lien is being redeemed has an EAF, the county treasurer must deposit an amount equal to the difference between the CP interest rate and 16%, as provided by A.R.S. §§ 42-18153 and 42-18053.

## PROVISIONS

1. Strikes a provision requiring partial payments accepted by county treasurers to be at least 10% of the amount due.
2. Requires the county treasurer from counties with an established EAF to accept, credit and issue receipts for partial delinquent tax payments equal to at least 25% of the total amount due.
3. Requires the county treasurer to issue separate CPs, with the original interest rate, for each subsequent year's taxes, including accrued interest and fees.
4. States that subsequent CPs issued by the county treasurer carry the full foreclosure right as the original and may be redeemed separately.
5. States that unredeemed subsequent CPs may be foreclosed at least three years after the lien would have been offered for sale but no more than ten years after the first day of the first month following the sale of the lien.

**HB 2653**

6. Stipulates that if a law or court order prohibits action to foreclose, the 10 year limitation from the sale date is extended an additional 12 months.
7. Makes conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2653

(Reference to printed bill)

1 Page 1, line 9, after "~~cent~~" strike remainder of line; line 10, strike "~~amount of~~  
2 ~~at least ten~~" insert "PERCENT of the installment and in an amount of at least  
3 ten"

4 Strike lines 17 through 21, insert:

5 "C. BEGINNING IN CALENDAR YEAR 2016, FOR ALL CERTIFICATES OF PURCHASE  
6 SOLD IN A COUNTY THAT HAS ESTABLISHED AN ELDERLY ASSISTANCE FUND PURSUANT TO  
7 SECTION 42-17401, THE COUNTY TREASURER SHALL ACCEPT A PARTIAL PAYMENT IN AN  
8 AMOUNT EQUAL TO AT LEAST TWENTY-FIVE PERCENT OF THE PRINCIPAL AMOUNT SHOWN ON  
9 THE OLDEST REMAINING YEAR OF THE DELINQUENCY PLUS ANY ACCRUED INTEREST AND  
10 FEES DUE ON THE PRINCIPAL PAYMENT AMOUNT."

11 Line 25, after the period insert "THE RECEIPT SHALL SHOW THE PRINCIPAL, INTEREST  
12 AND FEE AMOUNTS ALLOCATED TO THE CERTIFICATE OF PURCHASE AND THE AMOUNTS  
13 ALLOCATED TO THE ELDERLY ASSISTANCE FUND AND THE HOLDER OF THE CERTIFICATE OF  
14 PURCHASE AS PROVIDED BY SECTION 42-18153, SUBSECTION C."

15 Page 2, line 3, after the second "THE" insert "PRINCIPAL"; strike "TAXES" insert  
16 "CERTIFICATE OF PURCHASE"

17 Line 12, after "entries" insert "OR FOR ASSIGNMENT OF A SUBSEQUENT YEAR  
18 CERTIFICATE OF PURCHASE UNDER SECTION 42-18201, SUBSECTION B"

19 Between lines 12 and 13, insert:

20 "Sec. 3. Section 42-18152, Arizona Revised Statutes, is amended to  
21 read:

22 42-18152. When lien may be fully redeemed

23 A. A real property tax lien may be FULLY redeemed at any time:

24 1. Within three years after the date of sale.

25 2. After three years but before the delivery of a treasurer's deed to  
26 the purchaser or the purchaser's heirs or assigns.

27 B. A LIEN THAT HAS BEEN PARTIALLY REDEEMED UNDER SECTION 42-18056,  
28 SUBSECTION C MUST BE FULLY REDEEMED BEFORE THE DELIVERY OF A TREASURER'S DEED  
29 TO THE PURCHASER.

Adopted  # of Verbals \_\_\_\_\_

Failed \_\_\_\_\_ Withdrawn \_\_\_\_\_

Not Offered \_\_\_\_\_ Analysts Initials \_\_\_\_\_

1           Sec. 4. Section 42-18153, Arizona Revised Statutes, is amended to  
2 read:

3           42-18153. Amount required for redemption: elderly assistance  
4                                   fund deposit

5           A. To redeem a real property tax lien a person ~~must~~ SHALL pay to the  
6 county treasurer:

7           1. The amount for which the real property tax lien was sold, with  
8 interest at the rate stated in the certificate of purchase.

9           2. The amount of all taxes accruing on the real property after the  
10 sale and paid by the purchaser and endorsed on the certificate of purchase,  
11 with interest on the subsequent taxes at the same rate as stated in the  
12 certificate of purchase.

13           3. Any statutory fees paid by the purchaser or the purchaser's assigns  
14 in connection with the certificate, except the processing fee imposed by  
15 section 42-18116, subsection C, with interest at the rate stated in the  
16 certificate of purchase except as otherwise provided by this chapter.

17           B. To redeem a real property tax lien in a county that has established  
18 an elderly assistance fund a person shall pay to the county treasurer:

19           1. The amount for which the real property tax lien was sold, with  
20 interest at the rate prescribed by section 42-18053.

21           2. The amount of all taxes accruing on the real property after the  
22 sale and paid by the purchaser and endorsed on the certificate of purchase,  
23 with interest on the subsequent taxes at the same rate prescribed by section  
24 42-18053.

25           3. Any statutory fees paid by the purchaser or the purchaser's assigns  
26 in connection with the certificate, except the processing fee imposed by  
27 section 42-18116, subsection C, with interest at the rate prescribed by  
28 section 42-18053 except as otherwise provided by this chapter.

29           C. After a real property tax lien is redeemed under subsection B of  
30 this section, and if an elderly assistance fund is established in the county  
31 pursuant to section 42-17401, the county treasurer shall deposit an amount in  
32 the elderly assistance fund that is equal to EIGHTY PERCENT OF the difference  
33 in the amount of interest prescribed by section 42-18053 and the amount of  
34 interest stated in the certificate of purchase. THE REMAINING TWENTY PERCENT  
35 SHALL BE PAID TO THE HOLDER OF THE CERTIFICATE OF PURCHASE IF THE REDEMPTION  
36 WAS MADE IN PARTIAL PAYMENTS PURSUANT TO SECTION 42-18056.

1           Sec. 5. Section 42-18154, Arizona Revised Statutes, is amended to  
2 read:

3           42-18154. Certificate of redemption; issuance; contents; fee

4           A. If a person requests to redeem a real property tax lien that was  
5 sold under article 3 of this chapter, and if the county treasurer is  
6 satisfied that the person has the right to redeem the tax lien, and if the  
7 person pays the amount due, the county treasurer shall issue to the person a  
8 certificate of redemption.

9           B. The certificate shall:

10           1. Describe the parcels on which the tax lien is redeemed.

11           2. State:

12           (a) The date of redemption.

13           (b) The amount paid.

14           (c) By whom redeemed.

15           C. IF A PERSON REQUESTS TO PARTIALLY REDEEM A REAL PROPERTY TAX LIEN  
16 THAT WAS SOLD UNDER ARTICLE 3 OF THIS CHAPTER, AND IF THE COUNTY TREASURER IS  
17 SATISFIED THAT THE PERSON HAS THE RIGHT TO PARTIALLY REDEEM THE TAX LIEN, AND  
18 IF THE PERSON PAYS THE AMOUNT DUE, THE COUNTY TREASURER SHALL ISSUE TO THE  
19 PERSON A STATEMENT OF PARTIAL REDEMPTION. THE PARTIAL REDEMPTION STATEMENT  
20 SHALL:

21           1. IDENTIFY THE PERSON OR ENTITY MAKING THE PARTIAL REDEMPTIONS.

22           2. DESCRIBE THE PARCELS ON WHICH THE TAX LIEN IS PARTIALLY REDEEMED.

23           3. STATE:

24           (a) THE DATE OF THE PARTIAL REDEMPTION.

25           (b) THE AMOUNT PAID.

26           (c) THE AMOUNT ALLOCATED TO THE CERTIFICATE OF PURCHASE.

27           (d) THE AMOUNT ALLOCATED TO ACCRUED INTEREST ON THE PAYMENT AMOUNT.

28           (e) THE SEPARATE AMOUNTS ALLOCATED UNDER SECTION 42-18153, SUBSECTION  
29 C TO THE ELDERLY ASSISTANCE FUND AND THE HOLDER OF THE CERTIFICATE OF  
30 PURCHASE.

31           (f) THE PRINCIPAL AMOUNT REMAINING DUE.

32           ~~C.~~ D. For each certificate of redemption the county treasurer shall:

33           1. Make the proper entries in the treasurer's record of tax lien  
34 sales.

35           2. Collect a fee of FIVE DOLLARS EACH FOR THE FIRST AND LAST PARTIAL  
36 REDEMPTION OR ten dollars FOR A FULL REDEMPTION FOR WHICH NO PARTIAL PAYMENTS  
37 WERE MADE.

House Amendments to H.B. 2653

- 1           D. E. A holder of a certificate of redemption may record the
- 2           certificate in the office of the county recorder."
- 3   Renumber to conform
- 4   Page 2, line 18, after "lien" insert ", OR THE PURCHASE OF A SUBSEQUENT YEAR
- 5           CERTIFICATE OF PURCHASE BY ASSIGNMENT UNDER SECTION 42-18121, SUBSECTION A BY
- 6           THE HOLDER OF THE ORIGINAL CERTIFICATE OF PURCHASE,"
- 7   Line 30, after the second "THE" strike remainder of line; line 31, strike
- 8           "SECTION 42-18106" insert "SUBSEQUENT CERTIFICATE OF PURCHASE WAS ASSIGNED"
- 9   Line 34, after "REDEEM" insert "THE LIEN AND ALL CERTIFICATES OF PURCHASE
- 10           SUBSEQUENTLY ACQUIRED BY ASSIGNMENT HELD BY THE PERSON OR ENTITY THAT FILED
- 11           THE FORECLOSURE ACTION"
- 12   Line 39, strike "HEREIN" insert "IN THIS SUBSECTION"
- 13   Line 40, strike "SUCH" insert "THE"
- 14   Amend title to conform

JUSTIN OLSON

2653jo1  
02/13/2015  
11:00 AM  
C: dmt

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. HB 2653

DATE February 16, 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

*Abby Selvey*  
 \_\_\_\_\_  
 COMMITTEE SECRETARY

ATTACHMENT 26