

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

**COMMITTEE ON WAYS AND MEANS**

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

**Convened** 3:03 p.m.

**Recessed**

**Reconvened**

**Adjourned** 4:39 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**

**Organization**

**Attachments (Handouts)**

**Committee Action**

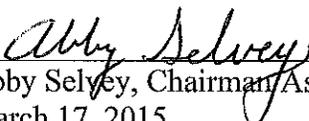
**Bill**

**Action**

**Vote**

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

SB1088	DPA S/E	6-3-0-0	2, 3, 4
SB1103	DP	8-0-0-1	5, 6
SB1120	DP	8-0-1-0	7, 8
SB1133	DP	6-2-0-1	9, 10
SB1135	DPA	8-0-0-1	11, 12, 13, 14
SB1181	DP	8-1-0-0	15, 16, 17

  
Abby Selvey, Chairman/Assistant  
March 17, 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

*House Ways and Means (3/16/2015)*

## **SB1120, technical correction; restaurant classification (NOW: fine art; TPT; exemption)**

### **Testified in support:**

Meghaen Dell'Artino, Scottsdale Art Auction; Bob Pejman, representing self; Brad Richardson, representing self

### **Testified as opposed:**

Ken Strobeck, LEAGUE OF ARIZONA CITIES & TOWNS

### **Support:**

Brad Lundahl, SCOTTSDALE, CITY OF; Tom Farley, Scottsdale Art Auction; Eric Emmert, Scottsdale Chamber Of Commerce; Trey Brennen, representing self; Ron Bailey, representing self; Jinger Richardson, representing self; Mark Pabst, representing self

### **Neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **All Comments:**

Ken Strobeck, LEAGUE OF ARIZONA CITIES & TOWNS: This bill moves the state away from tax base uniformity established by HB2111 in 2013.

## **SB1133, TPT; municipalities; customer refund claims**

### **Testified in support:**

Russell Smoldon, Ryan

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **Testified as opposed:**

Tom Belshe, League Of Arizona Cities And Towns

### **Support:**

Kevin McCarthy, Arizona Tax Research Association; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Michael DiMaria, CENTURYLINK, INC; Philip Bashaw, GRAND CANYON STATE ELECTRIC COOP ASSN; Robert Medler, TUCSON METROPOLITAN CHAMBER OF COMMERCE; Spencer Kamps, HOME BUILDERS ASSOCIATION OF CENTRAL AZ

**Oppose:**

Adriana Martinez, City Of Tucson

**All Comments:**

Russell Smoldon, Ryan: I appreciate you hearing this bill in Committee.

**SB1135, tax liens; delinquency; partial payments.****Testified in support:**

Charles 'Hos' Hoskins, representing self

**Support:**

Russell Pearce, representing self; Royce Flora, representing self

**All Comments:**

Russell Pearce, Self: Senate Bill 1135 is intended help property owners avoid foreclosure but are precluded from doing so because the lump sum redemption requirement is too great an obstacle to overcome. It may only affect a few individuals, but assisting just one would; Royce Flora, Self: I support this bill with the Darin Mitchell amendment.

**SB1181, vehicle inspections; ADOT****Testified in support:**

Marc Osborn, FARMERS INSURANCE GROUP OF COMPANIES; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES

**Support:**

David Childers, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Don Isaacson, INSURANCE AUTO AUCTIONS, STATE FARM INSURANCE COMPANIES; J. Michael Low, Attorney, ALLSTATE INSURANCE CO, American Family Insurance

**Neutral:**

Kevin Biesty, ADOT

**SB1088, income tax brackets; inflation index.****Testified in support:**

Sydney Hay, AMERICAN FEDERATION FOR CHILDREN; Angela Ramirez, representing self

**Testified as opposed:**

Janice Palmer, AZ School Boards Assn

## Support:

Kelly Norton, AZ MINING ASSN; Krystal Slivinski, AMERICANS FOR PROSPERITY AZ; Tyler DiGrazia, representing self; Karen Mackean, representing self; Jim Foust, representing self; Tom Holding, representing self; Joyce Hill, representing self; Terry Hill, representing self; joy staveley, Chairman, Coconino County Republican Committee, representing self; Dawn Monahan, representing self; Robert Medler, TUCSON METROPOLITAN CHAMBER OF COMMERCE; Ron Johnson, Arizona Catholic Conference; Michael Hunter, BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH; Josh Kredit, CENTER FOR ARIZONA POLICY; Aiden Fleming, Arizona Department Of Education

## Oppose:

Alyce Simpson, representing self; Geoff Esposito, Arizona School Boards Association; Kathryn Kozak, representing self; Diann Christensen, representing self; Blake Sacha, representing self; John Chiazza, representing self; Jen Darland, representing self; Erin Hart, representing self; Tiffany Seay, representing self; Brandon Seay, representing self; Lisa Doll, representing self; Roseanne Lopez, representing self; Mary Ann Wilson, representing self; Julia Winn Bacon, representing self; Jeannie Pacheco, representing self; Christine Marsh, representing self; Tory Anderson, SECULAR COALITION FOR ARIZONA; Kathleen Beder, representing self; Scott Hammond, representing self; Bonnie Sneed, representing self; Sandra Kravetz, representing self; Amanda Morton, representing self; Karen McClelland, representing self; Robyn Prud'homme-Bauer, representing self; Gini McGirr, League of Women Voters of Arizona, Legislative Chair, League Of Women Voters Of AZ; Steve Chestnut, representing self; Gini McGirr, League of Women Voters of Arizona, Legislative Chair, representing self; Mark Lane, representing self; Alicia Klassen, representing self; Michelle Benham, representing self; Sarah Ells, representing self; Judith K. Moll, representing self; Larry Wallen, representing self; Howard Moody, representing self; Steve Ramos, representing self; Jennifer Loreda, Arizona Education Association; Dee Puff, representing self; Mary McKell, representing self; Barbarba Tellman, representing self; Cheryl Hasebe, representing self; Joey Ramirez, representing self; Erin LaChapelle, representing self; Barbara Underwood, representing self; Robert Klassen, representing self; Barbara Jean Robertson, representing self; Katherine O'Boyle, representing self; Josselyn Berry, representing self; Megan Starr, representing self; Brad Dicus, representing self; Ruth Ellen Elinski, representing self; Kim Bostrom, representing self; Pamela Lizardi, representing self; Tamra Brady, representing self; Eleanor Eisenberg, The League Of Women Voters, AZ; Suzy Horvath, representing self; Michael Sweedo, representing self; Anne & Alfonso Velosa, representing self; Julianne Hartzell, representing self; Jean Gray, representing self; Kathryn Knecht, representing self; Elora Diaz, AZ SCHOOL ADMINISTRATORS ASSOC; Elizabeth Spilotro, representing self; Charles Essigs, Director of Government Relations, Arizona Association Of School Business Officials; Anne Greenberg, representing self; Amy Bhola, representing self

## All Comments:

Alyce Simpson, Self: This bill guarantees that the state will have less revenue EVERY YEAR than the year before! Is that what you want? How will you balance your budget then? More education cuts? VOTE NO!!!; joy staveley, Self: We must spend within our means. We cannot continue to look at tax increases for new revenue, especially since a smaller and smaller number of citizens are paying those taxes.; Geoff Esposito, Arizona School Boards Association: Opposed to the strike-everything amendment; Kathryn Kozak, Self: Vouchers do nothing to support education in rural communities. All they do is take public funds and put them in private hands with no oversight, and rural communities with no choices receive very little help. Please vote no on this. FUSD Board Member; Diann Christensen, Self: I am a parent. I oppose this strike-everything amendment. There is no accountability for ESA tax dollars or oversight over how effective the child's schooling is. When public schools are underfunded, this is irresponsible spending.; Blake Sacha, Self: I am a public school parent and former school board members. I am opposed to this attempt to use a strike everything tactic to expand vouchers.; John Chiazza, Self: This Bill has

fraud written all over it!! With no accountabilities, no one will actually know if any students using the ESAs are receiving a quality Education. We should be investing to fund traditional schools.; Jen Darland, Self: ESAs lack any kind of accountability to Arizona tax payers. Please vote NO.; Erin Hart, Self: Against the strike everything amendment for ESAs.; Tiffany Seay, Self: My family and I are strongly against this bill. This bill would remove tax payer funds and use them for private schools which have NO accountability. I am asking that you VOTE NO on this bill. ESA have no place in AZ due to no accountability.; Brandon Seay, Self: There is no accountability for taxpayer funds with ESA's. I strongly oppose the expansion of ANY of the empowerment scholarships. Private schools SHOULD NOT be receiving taxpayer moneys through these programs. Please vote NO on this expansion.; Lisa Doll, Self: This is one more way to steal from public education. Haven't you all done enough damage?; Roseanne Lopez, Self: I am against all bills that would expand the voucher program will little accountability. This money belongs to public schools who are doing a better job than private and charter schools.; Mary Ann Wilson, Self: As a School Board Member in the Glendale Elementary School District, I oppose this bill as it lacks any real accountability. We should be investing in traditional public schools where we know our children will be getting a quality education.; Julia Winn Bacon, Self: ESAs lack accountability and do not allow taxpayers an opportunity to see how their tax dollars are being spent. We should focus our resources on traditional public schools that serve more than 1 million Arizona children. As a parent, I oppose this.; Jeannie Pacheco, Self: This strike everything bill lacks accountability and we should choose to invest in traditional public schools not privately owned institutions. I am a parent with a child in school.; Tory Anderson, SECULAR COALITION FOR ARIZONA: Secular Coalition for Arizona opposes the strike everything amendment. We oppose expanding the Arizona ESA program because it allows for public dollars to be used for religious instruction.; Kathleen Beder, Self: This is cheating. It is to expand ESA - absolutely not if you can't properly fund public education first!; Scott Hammond, Self: Please do not pass this bill.; Bonnie Sneed, Self: Please do not approve expansions of ESAs in any form. Taxpayer dollars should not be used for any purpose that is not accountable financially, nor academically. I am a Board Member who advocates for transparency and prudent spending. This is neither.; Sandra Kravetz, Self: Stop draining money from the general fund to funnel taxes to private schools.; Amanda Morton, Self: Stop public funding of private religious education!; Karen McClelland, Self: Please vote no on the Strike everything amendment o increase ESAs. VOUCHERS do not improve education for all, use public \$ to teach religion, are unaccountable for use of \$ and do not admit all students. Spend the \$ on PUBLIC education for ALL.; Robyn Prud'homme-Bauer, Self: This bill will be an empowerment scholarship bill -- when do we start supporting the 85% who attend good, very good and excellent public schools by choice?! They deserve support too!; Gini McGirr, League Of Women Voters Of AZ: Please vote NO on this bill. No funding except for public schols.; Steve Chestnut, Self: This strike-everything amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions.; Gini McGirr, Self: No funding from general fund except to public schools. Vote No.; Mark Lane, Self: Opposed to the s/e bill. There continues to be NO accountability both for empowerment accounts and STO's both in how the funds are being used by the parent and the school on the quality of education, since the state cannot monitor private schools.; Alicia Klassen, Self: I am opposed to the strike everything ESA amendment. Please do not do anything more to drain resources from our public schools.; Michelle Benham, Self: I am opposed to the use of public funds to support religious education and instruction. Please use public funds to better fund public schools and honor the separation of church and state.; Sarah Ells, Self: This bill would redirect scarce education dollars into the hands of agencies that have no system for accountability to kids or taxpayers. Please Vote No on this bill. - Sarah Ells, Flagstaff USD Gov Bd Member; Judith K. Moll, Self: Tax money should only go to public schools!; Larry Wallen, Self: Opposed. Amendment lacks accountability, and we should choose to invest in traditional public schools over privately-owned institutions. There is no way to see if students who receive are actually using correctly. Please fund public education.; Howard Moody, Self: o This strike-everything amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions.; Jennifer Loreda, Arizona Education Association: AEA must oppose this S/E because moving kids from

the STO to the ESA program is a double hit to the state's general fund because the corporate STO program continues to grow at 20% annually even though kids will be moved from the STO to ESA w/SB1088.; Dee Puff, Self: As a Board Member I strongly oppose this strike-over amendment. All available funds should go to public schools not private ones where we have no real accountability. Please oppose this bill and support quality public education.; Barbarba Tellman, Self: Please do not expand the voucher program any more while you are robbing public schools. Time to end this inequity.; Cheryl Hasebe, Self: I am opposed to this strike-everything amendment. This amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions.; Erin LaChapelle, Self: I am strongly against this bill! This bill simply further drains state funding for public schools. This is not "school choice" this is handing more public money to private institutions. Fund public schools with public money, not private schools!; Barbara Underwood, Self: Please vote against this bill. This strike-everything amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions. Barbara Underwood Payson Governing Board President.; Barbara Jean Robertson, Self: Vote NO on 1088 - the striker bill that will further drain funds away from public education. Enough already!; Megan Starr, Self: With the extremely tight budget and the lack of available funds for public schools, please do not divert anymore money from public schools to private schools, especially without strict accountability.; Ruth Ellen Elinski, Self: As a voter, I urge you to vote no on this bill. This strike-everything amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions.; Janice Palmer, AZ School Boards Assn: oppose the striker; Pamela Lizardi, Self: This bill expands a program that has NO oversight. Until you start making equal charter schools with public education as far as oversight and funding I will NOT support this. PAMELA A LIZARDI, Ph. D (ABD) School Board Member; Tamra Brady, Self: Vote no on this bill which would open a huge number of new accounts for a program that lacks any effective oversight. Even the Department of Education is concerned that they cannot prevent fraud and abuse with these vouchers.; Eleanor Eisenberg, The League Of Women Voters, AZ: The League of Women Voters opposes the continuing massive transfer of funds from the public schools to the private sector. Such measures, combined with the new budget, will destroy our neighborhood school capacity to education Arizona's children.; Ron Johnson, Arizona Catholic Conference: Support the strike everything amendment; Suzy Horvath, Self: Arizona is broke. That is the message, you passed a balanced budget, also the message. There is not a dollar value fixed to this proposed legislation and zero accountability. This does not ooze fiscal conservatism or balance.; Michael Sweedo, Self: This bill does not have ANY accountability and is a gift of public funds that will hurt public education. Get on to eliminating all the tax giveaways this session is considering so we can educate instead of incarcerate(ing). Quit striker bills.....; Anne & Alfonso Velosa, Self: There is no way to see if students who receive ESAs get a quality education. Please oppose the strike-everything amendment.; Julianne Hartzell, Self: The strike everything amendment includes an ESA expansion. Can be very difficult to follow OUR tax dollars once they go into private provider's accounts. or ensure reaching our students where most needed.; Michael Hunter, BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH: The Goldwater Institute supports the strike-everything amendment on Empowerment Scholarship Accounts.; Jean Gray, Self: I request that you oppose the stike-everything amendment. It is lacks accountability & is ripe for fraud. Choose to invest in traditional public schools over privately-owned institutions. Governing Board member for LESD #79.; Kathryn Knecht, Self: Private school vouchers hurt a million AZ kids in public schools. 86% of AZ students should not be short-changed. Vouchers hurt district schools, teachers, students and communities! Kathy Knecht PUSD Board; Josh Kredit, CENTER FOR ARIZONA POLICY: Center for Arizona Policy supports the strike-everything amendment to SB 1088.; Aiden Fleming, Arizona Department Of Education: Superintendent Douglas supports expansion efforts to the ESA program.; Elizabeth Spilotro, Self: This bill lacks any sense of accountability over spending or educational quality. Please invest in public schools and local control.; Amy Bhola, Self: This strike-everything amendment lacks any real accountability, and we should choose to invest in traditional public schools over privately-owned institutions. Amy Bhola, Catalina Foothills School District Governing Board Member

**SB1103, charitable tax credit; foster children**

**Testified in support:**

Bahney Dedolph, representing self



# HOUSE OF REPRESENTATIVES

SB 1088

income tax brackets; inflation index.

Sponsors: Senators Lesko, Barto, Burges, et al.

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

HB 1088 requires the Arizona Department of Revenue (DOR) to adjust the income dollar amounts for each tax bracket in accordance with the annual change in the Metropolitan Phoenix Consumer Price Index.

## SUMMARY OF THE PROPOSED STRIKE-EVERYTHING AMENDMENT TO SB 1088

SB 1088 adds to the definition of *qualified student* regarding Arizona Empowerment Scholarship Accounts (ESA).

## HISTORY

Laws 2011, Chapter 75, established the ESA Program to allow a student to receive a portion of the monies that otherwise would be allocated for the student to attend a public school. ESA monies may be spent on tuition to a qualified school, textbooks, school services or any other expense authorized under the program. Arizona Revised Statutes § 15-2401 defines an ESA *qualified student* as an Arizona resident who is any of the following:

- Identified as having a disability,
- Attends or is eligible to attend kindergarten at a D or F school or school district,
- A previous scholarship recipient of the ESA program or the Arizona Scholarships for Pupils with Disabilities Program,
- A child whose parent or guardian is a member of the armed forces and on active duty or was killed in the line of duty (these students are exempt from any further requirements for qualification),
- A child who is a ward of the juvenile court, or
- A child who is a sibling of a current or previous ESA recipient.

The *qualifying student* must also meet at least one of the following requirements:

- Attended a governmental primary or secondary school as a full-time student for at least 100 days of the prior fiscal year and who transferred under a contract to participate in an ESA,
- Previously participated in the ESA program,
- Received a scholarship from a School Tuition Organization and continues to attend a qualified school,
- Was eligible for an Arizona Scholarship for Pupils with Disabilities, or
- Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a kindergarten or preschool children with disabilities program.

Laws 2013, Chapter 250, enacted session law that caps new ESAs through 2019 at 0.5% of the total number of students enrolled in school districts and charter schools during the previous school year.

**SB 1088**

**PROVISIONS**

1. Expands the definition of a *qualified student*, for an ESA to also include a student who:
  - a. Has been awarded an educational scholarship; and
  - b. Continues to attend a qualified school.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1088

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 15-2401, Arizona Revised Statutes, is amended to  
3 read:

4 15-2401. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Curriculum" means a complete course of study for a particular  
7 content area or grade level, including any supplemental materials required by  
8 the curriculum.

9 2. "Department" means the department of education.

10 3. "Eligible postsecondary institution" means a community college as  
11 defined in section 15-1401, a university under the jurisdiction of the  
12 Arizona board of regents or an accredited private postsecondary institution.

13 4. "Parent" means a resident of this state who is the parent or legal  
14 guardian of a qualified student.

15 5. "Qualified school" means a nongovernmental primary or secondary  
16 school or a preschool for pupils with disabilities that is located in this  
17 state and that does not discriminate on the basis of race, color or national  
18 origin.

19 6. "Qualified student" means a resident of this state who:

20 (a) Is any of the following:

21 (i) Identified as having a disability under section 504 of the  
22 rehabilitation act of 1973 (29 United States Code section 794).

23 (ii) Identified by a school district or by an independent third party  
24 pursuant to section 15-2403, subsection I, as a child with a disability as  
25 defined in section 15-761.

26 (iii) A child with a disability who is eligible to receive services  
27 from a school district under section 15-763.

28 (iv) Attending a school or school district that has been assigned a  
29 letter grade of D or F pursuant to section 15-241 or who is currently

1 eligible to attend kindergarten and who resides within the attendance  
2 boundary of a school that has been assigned a letter grade of D or F pursuant  
3 to section 15-241.

4 (v) A previous recipient of a scholarship issued pursuant to section  
5 15-891 or this section.

6 (vi) A child of a parent who is a member of the armed forces of the  
7 United States and who is on active duty or was killed in the line of duty. A  
8 child who meets the requirements of this item is not subject to subdivision  
9 (b) of this paragraph.

10 (vii) A child with a guardian who is a member of the armed forces of  
11 the United States and who is on active duty or was killed in the line of  
12 duty. A child who meets the requirements of this item is not subject to  
13 subdivision (b) of this paragraph.

14 (viii) A child who is a ward of the juvenile court and who is residing  
15 with a prospective permanent placement pursuant to section 8-862 and the case  
16 plan is adoption or permanent guardianship.

17 (ix) A child who was a ward of the juvenile court and who achieved  
18 permanency through adoption or permanent guardianship.

19 (x) A child who is the sibling of a current or previous empowerment  
20 scholarship account recipient.

21 (xi) A CHILD WHO WAS AWARDED AN EDUCATIONAL SCHOLARSHIP PURSUANT TO  
22 SECTION 43-1504 AND WHO CONTINUES TO ATTEND A QUALIFIED SCHOOL.

23 (b) And, except as provided in subdivision (a), items (vi) and (vii)  
24 of this paragraph, who meets any of the following requirements:

25 (i) Attended a governmental primary or secondary school as a full-time  
26 student as defined in section 15-901 for at least the first one hundred days  
27 of the prior fiscal year and who transferred from a governmental primary or  
28 secondary school under a contract to participate in an empowerment  
29 scholarship account.

30 (ii) Previously participated in the empowerment scholarship account  
31 program.

32 (iii) Received a scholarship under section 43-1505 and who continues  
33 to attend a qualified school if the student attended a governmental primary

1 or secondary school as a full-time student as defined in section 15-901 for  
2 at least ninety days of the prior fiscal year or one full semester prior to  
3 attending a qualified school.

4 (iv) Was eligible for an Arizona scholarship for pupils with  
5 disabilities and received monies from a school tuition organization pursuant  
6 to section 43-1505 or received an Arizona scholarship for pupils with  
7 disabilities but did not receive monies from a school tuition organization  
8 pursuant to section 43-1505 and who continues to attend a qualified school if  
9 the student attended a governmental primary or secondary school as a  
10 full-time student as defined in section 15-901 for at least ninety days of  
11 the prior fiscal year or one full semester prior to attending a qualified  
12 school.

13 (v) Has not previously attended a governmental primary or secondary  
14 school but is currently eligible to enroll in a kindergarten program in a  
15 school district or charter school in this state.

16 (vi) Has not previously attended a governmental primary or secondary  
17 school but is currently eligible to enroll in a program for preschool  
18 children with disabilities in this state.

19 (vii) HAS BEEN AWARDED AN EDUCATIONAL SCHOLARSHIP PURSUANT TO SECTION  
20 43-1504 AND CONTINUES TO ATTEND A QUALIFIED SCHOOL.

21 7. "Treasurer" means the office of the state treasurer."

22 Amend title to conform

DARIN MITCHELL

1088dm.doc  
03/11/2015  
4:12 PM  
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**ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1088

DATE March 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		✓			
		6	3	0	0

APPROVED:

  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 4



# HOUSE OF REPRESENTATIVES

## SB 1103

charitable tax credit; foster children

Sponsors: Senators Bradley, Begay; Barto, et al.

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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### OVERVIEW

SB 1103 expands the tax credit for contribution to qualifying charitable organizations to include a qualifying foster care charitable organization.

### HISTORY

Arizona Revised Statutes (A.R.S.) § 43-1088 outlines requirements for an organization to be considered a qualified foster care charitable organization. A qualified foster care charitable organization must annually provide services to at least two hundred Arizona foster children and spend at least 50% of its budget on services for Arizona foster children.

Taxpayers who make voluntary donations to a qualifying foster care charitable organization are eligible for a tax credit. A single individual or head of household may not claim a tax credit exceeding \$400 in any Taxable Year (TY). Married couples filing joint returns may not claim a tax credit exceeding \$800 in any TY.

A.R.S. § 8-521.01 allows the Department of Child Safety (DCS) to establish a transitional independent living program for a person who is under 21 years of age and was the subject of a dependency petition, adjudicated dependent or placed voluntarily. DCS is required to provide care and services that complement the person's own efforts to achieve self-sufficiency and to accept personal responsibility for preparing and making the transition to adulthood. The care and services provided must be based on an individualized written agreement between DCS and the person.

### PROVISIONS

1. Expands the qualifying foster care charitable tax credit to include:
  - a. Donations made to a qualifying organization that provides services to a transition independent living program.
2. Makes technical corrections.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1103

DATE March 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

  
COMMITTEE SECRETARY

ATTACHMENT 6



# HOUSE OF REPRESENTATIVES

SB 1120

fine art; TPT; exemption

Sponsor: Senator Lesko

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1120 exempts *works of fine art* from transaction privilege tax (TPT) if specified requirements are met.

## 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.

Pursuant to Arizona Revised Statutes § 44-1771 defines *works of fine art* as original artworks that are:

- A visual rendition including a painting, drawing, sculpture, mosaic or photograph.
- A work of Calligraphy
- A work of graphic art, including an etching, lithograph, offset print or silkscreen.
- A craft work in materials including clay, textile, fiber, wood, metal, plastic or glass.
- A work of mixed media, including a collage or a work consisting of combined media.

## PROVISIONS

1. Exempts *works of fine art* from TPT if sold to nonresidents and if the vendor ships or delivers the purchase out of state.
2. Applies retroactively to Tax Years beginning January 1, 2015.
3. Makes technical corrections.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1120

DATE March 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	1	0

Abby Selvey  
COMMITTEE SECRETARY

APPROVED:  
  
DARIN MITCHELL, Chairman  
ANTHONY KERN, Vice-Chairman

ATTACHMENT 8



# HOUSE OF REPRESENTATIVES

SB 1133

TPT; municipalities; customer refund claims

Sponsor: Senator Lesko

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1133 outlines the process for a customer to file a claim for a transaction privilege tax (TPT) refund.

## HISTORY

Pursuant to Arizona Revised Statutes (A.R.S.) § 42-5061 businesses in the retail classification for TPT purposes engage in selling tangible personal property at the retail level. The TPT base for retail classifications is the gross sale proceeds or gross income from sales transactions. This statute further prescribes certain sale items that are exempt from TPT.

Use tax is assessed on items purchased in other states and brought into Arizona for storage, use, or consumption, and for which no tax or lesser tax has been paid in another state. The use tax serves to protect Arizona retailers from out-of-state competition by attempting to ensure that in-state and out-of-state purchases are taxed at an equal rate. A.R.S. § 42-5159 provides for use tax exemptions.

A.R.S. § 42-1118 allows the Department of Revenue (DOR) to refund taxes, interest or penalties assessed in excess of amounts actually due to a taxpayer. Where overpayments cannot be credited towards other penalties or interest owed by the taxpayer, DOR can completely refund the entire overpayment in installments or in a lump sum, issue a voucher to apply towards future tax liabilities or issue a refund in part and a credit voucher towards the remaining overpayment balance.

## PROVISIONS

### *TPT Claims*

1. Permits a vendor, in the case of TPT, to claim a refund from DOR.
2. Permits a customer who paid an amount equal to a state or municipal TPT that was passed on by the vendor or who paid use tax to a vendor to file a claim for an amount equal to any tax and interest that the vendor could otherwise claim.
3. States that any claim by a customer is in lieu of the vendor claiming a refund for the underlying tax and that if a claim is paid, only the customer may be held liable for any amount erroneously paid or credited to the customer.
4. Outlines the manner in which customers may file claims through an affirmative assignment of rights by the vendor to the customer using a form prescribed by DOR.

5. Permits a customer to provide DOR with a form explaining their efforts to obtain an assignment if the vendor fails or refuses to properly assign its right to a claim within 60 days of the customer's written request to the vendor or if the vendor is no longer in business.
6. States that if a claim is filed, DOR must attempt to notify the vendor of the claim.
7. Requires DOR to continue processing a claim after receiving written acknowledgment from the vendor affirming the accuracy of the information regarding the transactions provided by the customer.
8. Requires DOR, regarding the payment of credit of monies to a customer pursuant to a claim, to amend the vendor's returns or account to reflect the amount paid or credited to the customer.
9. States that if the vendor objects to the claim or fails to respond within 30 days, DOR may continue to process the claim, and on paying or crediting monies to the customer, DOR must amend the vendor's returns or account to reflect the amount paid or credited to the customer and notify the vendor of the adjustment.
10. Permits DOR, notwithstanding any other law to the contrary, to communicate with the vendor regarding the customer's claims.
11. States that a submitted claim is subject to any offset, defense or other claim that DOR has against either the customer or the vendor.
12. Restricts DOR from requiring the vendor or customer to submit amended returns for a claim submitted pursuant to this Act.
13. States, notwithstanding any law to the contrary, DOR may disallow a claim filed by a customer if DOR already paid or credited a TPT or use tax refund from the same transaction.
14. Outlines various requirements that DOR must include in forms regarding TPT refunds.
15. States that if DOR disallows a claim:
  - a. DOR must notify the customer and the vendor.
  - b. DOR's action is final unless the customer files an appeal to DOR.

***Provisions Specific to State TPT Claims***

16. Allows interest to be paid with respect to any amount refunded from the date the claim is accepted through the date of the credit or payment of the claim.
17. Permits DOR to disclose vendor information to a customer in order for the customer to pursue a claim.
18. States that a person in connection with a claim pursuant to this Act, that is a prevailing party, may be reimbursed for reasonable fees and other costs related to an administrative proceeding that is brought by or against DOR.

***Provision specific to Municipal TPT Claims***

19. Requires municipal TPT claims to be made to the tax collector of the city or town where the original tax was paid.
20. Prohibits the tax collector from refusing to process valid claims and allows the customer, in cases where a valid claim is refused by a tax collector, to consider the refusal as a denial of the claim and to file a petition for a hearing.

**SB 1133**

21. Outlines the process for a denial of a claim.
22. Stipulates that tax paid on an activity that is not subject to tax or that qualifies for an exemption is not considered as excess collected tax.
23. Requires that interest on a claim be paid to the customer making a claim and reasonable fees and other costs related to administrative processing to a successful customer appeal if the tax collector's position was not justified, was brought for the purpose of harassment or the frustration of the claim process.

*Miscellaneous*

24. Defines various terms.
25. 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. SB 1133

DATE March 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	2	0	1

APPROVED:



DARIN MITCHELL, Chairman  
ANTHONY KERN, Vice-Chairman

*Abby Selvey*  
 COMMITTEE SECRETARY

ATTACHMENT 10



# HOUSE OF REPRESENTATIVES

## SB 1135

tax liens; delinquency; partial payments.

Sponsor: Senator Smith

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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### OVERVIEW

SB 1135 requires treasurers in counties with an established elderly assistance fund (EAF) to accept partial payments for delinquent taxes and to issue subsequent year certificates of purchase (CPs) for unpaid delinquent taxes.

### HISTORY

Pursuant to Arizona Revised Statutes (A.R.S.) § 42-17401 an 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 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 which taxes are delinquent. 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. Requires county treasurers, in counties with an established EAF, to accept partial delinquent tax payments in an amount to equal at least 25% the principal amount plus any accrued interest and fees.
2. Requires county treasurers, in counties with an established EAF, to issue receipts for partial delinquent tax payments to the taxpayer and to the CP holder showing the principal, interest and fee amounts allocated to the CP and the amounts allocated to the EAF
3. States that county treasurers, in counties with an established EAF, must credit the taxpayer for delinquent payments and the remaining delinquency amount relates only to the amount remaining unpaid.
4. Requires county treasurers, in counties with an established EAF, to issue separate certificates of purchase for each subsequent year's taxes, accrued interest and related fees bearing the same interest rate as the original CP.

**SB 1135**

5. Stipulates that county treasurers cannot accept partial payments after an action to foreclose has been initiated.
6. States that subsequent CPs carry the full foreclosure right as the original and may be redeemed separately or in whole.
7. Requires county treasurers, in counties with an established EAF, to issue a statement of partial redemption which:
  - a. Describes the parcels on which the tax lien is partially redeemed.
  - b. State the date of partial redemption, amount paid, principal amount remaining due and by whom the lien was partially redeemed.
8. Imposes a fee, to be collected by county treasurers, in the amount of \$5 for each partial payment, or \$10 for a full redemption where no partial payments were made.
9. States that holders of subsequent year CPs may file to foreclose the right to redeem beginning three years after the date the tax lien would have been offered for sale, but not more than ten years after the last day of the month in which the tax lien was assigned.
10. Removes the requirement stating that persons redeeming a property lien must pay statutory fees paid by the purchaser of the CP, plus interest.
11. Makes technical and conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1135

(Reference to Senate engrossed bill)

1 Page 1, line 4, after "taxes:" strike remainder of line; strike line 5; line 6,  
2 strike "fund counties" insert "certificates of purchase:"  
3 Strike lines 14 through 16, insert:  
4 "B. In accepting payments under subsection A of this section, the  
5 county treasurer shall issue a receipt to the taxpayer, subject to section  
6 42-18055, subsection C, stating that it covers a partial payment of taxes."  
7 Line 18, after "AFTERWARDS" insert "FOR TAX YEAR 2014 AND AFTERWARDS"; after  
8 "COUNTY" strike remainder of line  
9 Line 19, strike "PURSUANT TO SECTION 42-17401" insert "WITH A POPULATION OF MORE  
10 THAN THREE MILLION PERSONS IF NO PRIOR YEAR CERTIFICATES OF PURCHASE ARE  
11 OUTSTANDING"  
12 Line 21, after the first "THE" insert "OLDEST"  
13 Line 24, strike "RECEIPT" insert "PARTIAL PAYMENT STATEMENT"; after "TAXPAYER"  
14 strike remainder of line  
15 Strike lines 25 through 34, insert "AS PROVIDED BY SECTION 42-18154,  
16 SUBSECTION C.  
17 E. PARTIAL PAYMENTS ON DELINQUENT TAXES SHALL BE IMPOUNDED AND  
18 DISBURSED BY THE COUNTY TREASURER AS PRESCRIBED BY SECTION 42-18152,  
19 SUBSECTION C WHEN THE IMPOUNDED MONIES ARE SUFFICIENT TO FULLY REDEEM THE  
20 OLDEST OUTSTANDING CERTIFICATE OF PURCHASE.  
21 F. IF NO CERTIFICATE OF PURCHASE IS OUTSTANDING, THE COUNTY TREASURER  
22 SHALL CREDIT THE TAXPAYER WITH THE PAYMENT, AND IF ANY PART OF THE TAX OR ANY  
23 INSTALLMENT REMAINS UNPAID AT THE DATE OF DELINQUENCY, THE DELINQUENCY  
24 RELATES ONLY TO THE AMOUNT REMAINING UNPAID."

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

House Amendments to S.B. 1135

- 1 Page 1, line 39, strike "separate redemptions:"
- 2 Line 43, after the period strike remainder of line; line 44, strike "ESTABLISHED
- 3 AN ELDERLY ASSISTANCE FUND PURSUANT TO SECTION 42-17401,"
- 4 Page 2, line 3, after the period strike remainder of line; strike lines 4
- 5 through 14
- 6 Line 15, strike "C."
- 7 Line 16, after "entries" insert a period; strike remainder of line; strike line
- 8 17, insert:
- 9 "B. BEGINNING IN CALENDAR YEAR 2016, ON OR AFTER JUNE 1 IN A COUNTY
- 10 WITH A POPULATION OF MORE THAN THREE MILLION PERSONS IF NO PRIOR YEAR
- 11 CERTIFICATES OF PURCHASE ARE OUTSTANDING, IF A PERSON WHO HOLDS A CERTIFICATE
- 12 OF PURCHASE FOR TAX YEAR 2014 AND AFTERWARDS DESIRES TO PAY SUBSEQUENT TAXES,
- 13 THE COUNTY TREASURER SHALL ISSUE A SEPARATE CERTIFICATE OF PURCHASE BY
- 14 ASSIGNMENT FOR EACH SUBSEQUENT YEAR'S TAXES, ACCRUED INTEREST AND RELATED
- 15 FEES DUE ON THE PROPERTY. THE PRINCIPAL AMOUNT OF EACH SUBSEQUENT YEAR'S
- 16 CERTIFICATE OF PURCHASE BEARS INTEREST AT THE RATE STATED IN THE ORIGINAL
- 17 CERTIFICATE OF PURCHASE EXHIBITED BY THE PERSON FROM THE FIRST DAY OF THE
- 18 MONTH FOLLOWING THE PURCHASE OF THE SUBSEQUENT CERTIFICATE. THE TREASURER
- 19 SHALL COLLECT A FEE OF FIVE DOLLARS FOR ASSIGNMENT OF A CERTIFICATE OF
- 20 PURCHASE FOR EACH SUBSEQUENT YEAR. EXCEPT AS PROVIDED BY SECTION 42-18201,
- 21 SUBSECTION B, SUBSEQUENT CERTIFICATES OF PURCHASE BY ASSIGNMENT CARRY THE
- 22 SAME FORECLOSURE RIGHT AS THE ORIGINAL CERTIFICATE OF PURCHASE, AND PARTIAL
- 23 PAYMENTS SHALL BE ACCEPTED BY THE TREASURER AS PRESCRIBED BY SECTION
- 24 42-18056, SUBSECTION C BY ANY PARTY WITH A VESTED INTEREST IN THE PROPERTY."
- 25 Strike lines 28 through 44
- 26 Page 3, strike lines 1 through 16, insert:
- 27 "C. THE COUNTY TREASURER SHALL REFUND ALL PARTIAL PAYMENT AMOUNTS
- 28 IMPOUNDED UNDER SECTION 42-18056, SUBSECTION E TO THE PERSON OR PERSONS OR
- 29 THEIR HEIRS OR ASSIGNS WITHIN THIRTY DAYS AFTER DELIVERING THE TREASURER'S
- 30 DEED TO THE PURCHASER."
- 31 Renumber to conform

1 Page 3, strike lines 31 through 42, insert:

2 "C. IF A PERSON REQUESTS TO MAKE A PARTIAL PAYMENT ON A CERTIFICATE OF  
3 PURCHASE IN A COUNTY WITH A POPULATION OF MORE THAN THREE MILLION PERSONS AND  
4 IF THE COUNTY TREASURER IS SATISFIED THAT THE PERSON HAS THE RIGHT TO MAKE A  
5 PARTIAL PAYMENT AND IF THE PERSON PAYS THE AMOUNT DUE PURSUANT TO SECTION  
6 42-18056, SUBSECTION C, THE TREASURER SHALL ISSUE TO THE PERSON A STATEMENT  
7 OF PARTIAL PAYMENT. THE PARTIAL PAYMENT STATEMENT SHALL:

8 1. IDENTIFY THE PERSON OR ENTITY MAKING THE PARTIAL PAYMENT.

9 2. DESCRIBE THE PARCELS ON WHICH THE PARTIAL PAYMENT IS MADE.

10 3. STATE:

11 (a) THE DATE OF THE PARTIAL PAYMENT.

12 (b) THE AMOUNT PAID.

13 (c) THE AMOUNT REMAINING DUE TO FULLY REDEEM THE LIEN ON THE DATE OF  
14 THE PARTIAL PAYMENT."

15 Reletter to conform

16 Line 43, after "redemption" insert "AND STATEMENT OF PARTIAL PAYMENT,"

17 Page 4, line 1, strike "EACH PARTIAL REDEMPTION OR" insert "THE FIRST AND LAST  
18 PARTIAL PAYMENT AND"

19 Line 2, strike "WHERE" insert "IF"

20 Line 10, after "lien" strike remainder of line; strike line 11; line 12, strike  
21 "SUBSECTION C, BY THE HOLDER OF THE ORIGINAL CERTIFICATE OF PURCHASE,"

22 Line 24, strike "A" insert "B"

23 Line 25, after the second "THE" strike remainder of line; line 26, strike  
24 "SECTION 42-18106" insert "SUBSEQUENT YEAR CERTIFICATE OF PURCHASE WAS  
25 ASSIGNED"

26 Line 29, after "REDEEM" insert "THE LIEN REPRESENTED BY CERTIFICATES OF PURCHASE  
27 ACQUIRED BY ASSIGNMENT AND HELD BY THE PARTY THAT FILED THE ACTION TO  
28 FORECLOSE. ALL CERTIFICATES OF PURCHASE HELD BY OTHER PARTIES REMAIN IN  
29 PLACE"

30 Line 34, strike "HEREIN" insert "IN THIS SUBSECTION"

31 Line 35, strike "SUCH" insert "THE"

32 Page 5, line 8, after "(a)" insert "OF THIS PARAGRAPH"

33 Line 11, after "(b)" insert "OF THIS PARAGRAPH"

House Amendments to S.B. 1135

- 1 Page 5, line 13, strike "SHALL" insert "MAY"
- 2 Line 14, strike the second comma; after "DATE" insert "THE TREASURER RECEIVES"
- 3 Line 15, strike "IS RECEIVED BY THE TREASURER"
- 4 Amend title to conform

DARIN MITCHELL

1135dm1  
03/13/2015  
10:04 AM  
C: dmt

**THE PURPOSE OF SB1135 IS TO PROVIDE A MEANS  
FOR PROPERTY OWNERS TO AVOID FORCLOSURE ON  
DELINQUENT PROPERTY TAX LIENS BY ALLOWING  
FOR PARTIAL PAYMENTS**

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**PARTIAL PAYMENTS ON DELINQUENT TAXES ARE  
ALLOWED FOR INCOME AND SALES TAXES BUT NOT  
PROPERTY TAXES**

---

**TAX LIEN FORECLOSURE HISTORY**

<u>Tax Year</u>	<u>Foreclosure Year</u>	<u>Total Foreclosed</u>
2003	2008	55
2004	2009	68
2005	2010	72
2006	2011	105
2007	2012	171
2008	2013	311
2009	2014	377
2010	2015	Estimate 450

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**600 PERCENT INCREASE 2008-2014**

**ABOUT 270 IN 2014 WERE RESIDENTIAL.**

**ABOUT 150 WERE OWNER OCCUPIED.**

**5,042 NEW LIENS ARE ELIGIBLE FOR FORECLOSURE IN  
2015. THIS IS THE LARGEST NUMBER EVER.**

**THIS TIME LAST YEAR IT WAS 3,647.**

# County Treasurer Administers Tax Lien Sales

## 42-18101. Sale and foreclosure of tax liens; effect of insubstantial failure to comply

A. The county treasurer shall secure the payment of unpaid delinquent taxes by using the provisions of this article and articles 4, 5 and 6 of this chapter to sell the tax liens provided for in section 42-17154 and to foreclose the right to redeem.

B. An insubstantial failure to comply with these provisions does not affect the validity of:

1. The assessment and levy of taxes.
2. Any tax lien on real property for delinquent unpaid taxes.
3. The sale of a tax lien or the foreclosure of the right to redeem by which tax collection is enforced.

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Charles "Hos" Hoskins  
Maricopa County Treasurer

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- Involved in the Arizona property tax system for 40 years
- Assistant Director in the Arizona Department of Revenue responsible for overseeing valuation of all property in the state
- Director of Arizona Department of Revenue
- Tax lien investments instructor for 15 years at Arizona School of Real Estate and Business in Scottsdale
- Authored numerous property tax articles – Most recent was January 2015
- BS in management-Arizona State University
- Retired Fighter Pilot - 274 combat missions in Vietnam

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

**ROLL CALL VOTE**

COMMITTEE ON \_\_\_\_\_ WAYS AND MEANS \_\_\_\_\_ BILL NO. SB 1135

DATE March 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		✓			
		8	0	0	1

APPROVED:

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

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

ATTACHMENT 14



# HOUSE OF REPRESENTATIVES

SB 1181

vehicle inspections; ADOT

Sponsors: Senator Worsley; Representative Gray

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1181 allows the Arizona Department of Transportation (Department) Director to establish a fee for a Level Two or Level Three inspection that is conducted at a location other than the Department's facility for an insurance company or agent.

## HISTORY

Arizona Revised Statutes (A.R.S.) outlines law regarding title certificates for salvaged, stolen and nonrepairable vehicles. Specifically, subsection L requires an insurance company or agent to submit an affidavit to the Department if the vehicle was recovered from theft and has damages to the air bag system or other significant damage compromising the function of the vehicle. The Department is prohibited from issuing a certificate of title in such cases but may issue a restored salvage certificate of title if all of the following apply: (1) the vehicle is repairable; (2) the Department completes a Level Three inspection; and (3) the vehicle meets other requirements prescribed by the Department.

A.R.S. § 28-2011 describes the three levels of vehicle inspections that the Department is authorized to conduct. Currently, the inspections and fees are outlined as follows:

- Level One: consists of matching the public identification number and a secondary identification number to the ownership documents to determine the vehicle's identity.
- Level Two: consists of matching the public, secondary and confidential vehicle identification numbers to the ownership documents to determine the vehicle's identity and is subject to a \$20 fee.
- Level Three: consists of a Level Two inspection plus verification of the vehicle identification numbers on some or all parts to determine the vehicle's identity and to prove the vehicle is fit for highway use and is subject to a \$50 fee.

## PROVISIONS

1. Allows the Director of the Department to establish an additional inspection fee for a Level Two or Level Three inspection conducted at a location other than the Department's facility for an insurance company or agent.
2. Includes Level Two inspections in the list of requirements for issuance of a restored salvage certificate of title for a recovered vehicle with damage to the vehicle's structure or air bag system.
3. Requires the Department to perform a Level Three inspection if a request has been made by the insurance company or agent per application for a certification of title, as long as the vehicle is not wrecked or stripped of equipment and an affidavit has been submitted by the insurance company or agent.



## GOVERNMENT AND INDUSTRY AFFAIRS ARIZONA

### SB 1181 VEHICLE INSPECTIONS; ADOT

#### Our Position

Farmers supports SB 1181 which would allow the ADOT Director, by rule, to charge an additional fee for recovered stolen vehicle inspections performed at a location other than an ADOT facility. (These are known as level two and level three inspections.) This measure provides needed claims cost savings to insurers by allowing a fee in lieu of two towing charges and administrative expenses to tow the vehicle to an ADOT facility.

#### Issue Definition

Recovered stolen vehicles currently require a level three ADOT inspection for insurers to obtain a certificate of title. Only ADOT enforcement officers, who have the required training, are able to perform a level three inspection. Due to current budget constraints, ADOT historically performed level three inspections at their facilities. This necessitates an insurer towing the vehicle from the salvage yard to the ADOT facility, leaving the vehicle at the facility, and then having the vehicle towed back once inspected. This process is expensive and inefficient. SB 1181 would allow the inspections to take place at different locations and negate the unnecessary expenses.

#### Talking Points

- **The current procedure to obtain a level three inspection is costly for insurers:** Insurers can spend upwards of \$140.00 to \$150.00 for the two additional tow charges.
- **The ADOT Director needs to have rulemaking flexibility to provide the needed service for insurers:** For better efficiency and cost savings, it would be preferable for the ADOT enforcement officers to inspect recovered stolen vehicles at the insurer's salvage facilities.
- **The ADOT Director should have flexibility in determining whether or not a level two or a level three vehicle inspection is needed to take a vehicle from a "stolen" title to a regular certificate of title:** A level three inspection consists of a level two inspection plus (at the discretion of the inspector) the verification of vehicle identification numbers on some or all of the component parts to determine the identity of the vehicle and whether the vehicle is properly equipped for highway use. Current statute, ARS 28-2095.B, allows the ADOT Director to have flexibility in determining whether or not a level two or a level three is warranted in taking a "salvage" title back to a "restored salvage" title. This additional flexibility would mirror existing statute.

#### Background

Arizona created a stolen vehicle certificate of title in 2002 to give consumers a more accurate description of a used car and its vehicle history report (such as Car Fax) after insurers have settled stolen vehicle claims. The salvage title obtained by the insurer under ARS 28-2091 reads "stolen vehicle certificate of title" until such time as the vehicle is recovered. When a stolen vehicle is recovered, if the vehicle is not seriously damaged; stripped of essential parts; or has is no evidence that the air bag or component part necessary to the function of the air bag system was deployed or removed from the vehicle, then an insurer may apply for a regular certificate of title after the vehicle has successfully completed a level three inspection.

1/29/2015

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

**ROLL CALL VOTE**

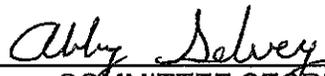
COMMITTEE ON WAYS AND MEANS BILL NO. SB 1181

DATE March 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	1	0	0

APPROVED:

  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 17