

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature -- Second Regular Session

MINUTES RECEIVED
CHIEF CLERK'S OFFICE

3-7-16

COMMITTEE ON WAYS AND MEANS

Report of Regular Meeting
Monday, March 7, 2016
House Hearing Room 3 -- 2:00 p.m.

Convened 2:34 p.m.

Recessed

Reconvened

Adjourned 3:12 p.m.

Members Present

Mr. Bolding
Mr. Cardenas
Mr. Mesnard
Mr. Olson
Ms. Ugenti-Rita
Mr. Weninger
Mr. Kern, Vice-Chairman
Mr. Mitchell, Chairman

Members Absent

Mr. Wheeler

Agenda

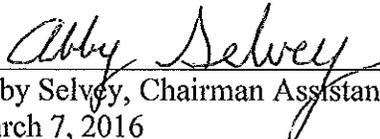
Original Agenda -- Attachment 1

Request to Speak

Report -- Attachment 2

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments (Summaries, Amendments, Roll Call, Attendance)</u>
SB1291	HELD		
SB1423	HELD		
SB1310	DP	7-0-1-1	3, 4
SB1095	DP	8-0-0-1	5, 6
SB1288	DP	8-0-0-1	7, 8
SB1289	DP	8-0-0-1	9, 10
SB1117	DP	6-2-0-1	11, 12
	Committee Attendance		13


Abby Selvey, Chairman Assistant
March 7, 2016

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

Conv: 2:34pm
Adj: 3:12pm

REVISED - 03/03/16

REVISED - 03/03/16

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON WAYS AND MEANS

DATE Monday, March 7, 2016

ROOM HHR 3

TIME 2:00 P.M.

Members:

Mr. Bolding
Mr. Cardenas
Mr. Mesnard

Mr. Olson
Ms. Ugenti-Rita
Mr. Weninger

Mr. Wheeler
Mr. Kern, Vice-Chairman
Mr. Mitchell, Chairman

Bills

Short Title

Strike Everything Title

SB1095 DP department of revenue; continuation
(Lesko)

8-0-0-1 WM, RULES

→ SB1217 charitable tax credit; contribution date

 (Yarbrough)

 WM, RULES

SB1423 Held gold and silver coins; taxation
(Farnsworth D, Allen J: Allen S, et al)

 WM, RULES

ADDENDUM #1 - 03/03/16

SB1117 DP school districts; adjacent ways; verification
(Dial: Biggs)

6-2-0-1 WM, RULES

SB1288 DP internal revenue code conformity
(Lesko)

8-0-0-1 WM, RULES

SB1289 DP 2016 tax correction act
(Lesko)

8-0-0-1 WM, RULES

Bills	Short Title	Strike Everything Title
SB1291	<u>Held</u> TPT; utilities; manufacturing; smelting (Lesko) WM, RULES	
SB1310	<u>DP</u> TPT exemption; billboard rentals (Griffin, Borrelli, Cardenas, et al) <u>7-0-11</u> WM, RULES	

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

ams
3/3/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Information Registered on the Request to Speak System

House Ways and Means (3/7/2016)

SB1095, department of revenue; continuation

Testified in support:

Sean Laux, AZ DEPT OF REVENUE

Support:

Kelly Norton, AZ MINING ASSN

SB1217, charitable tax credit; contribution date

Oppose:

Carol Maas, representing self

SB1423, gold and silver coins; taxation

Support:

Corey Spofford, representing self; Jose Borrajero, representing self; Boaz Witbeck, AMERICANS FOR PROSPERITY AZ; Brent Backus, TENTH AMENDMENT CENTER; Terrance Traylor, representing self; Patricia Anderson, representing self; David Richardson, representing self; Eileen Danko, representing self; Bryan Lee Briggs, representing self; James Collins, representing self; Joseph Pikosz, representing self; Michael Gibbs, representing self; John Baunoch, representing self; Christine Maceri Genge, representing self; Dennis Genge, representing self; Joel Alcott, representing self; Tom Jenney, AMERICANS FOR PROSPERITY AZ

All Comments:

Brent Backus, TENTH AMENDMENT CENTER: TAC supports this bill as written.; Michael Gibbs, Self: As made clear in both the U.S. Constitution and the coinage act of 1792, gold and silver coins are money. Just as we don't tax the exchange of other currencies, gold and silver coins should not be taxed.; Joel Alcott, Self: I am the State Director for the Tenth Amendment Center. I strongly support this bill.

SB1117, school districts; adjacent ways; verification

Testified in support:

Sean McCarthy, AZ TAX RESEARCH ASSN

Support:

Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Jeff Sandquist, AZ CHAPTER NATL ASSOCIATION OF INDUSTRIAL & OFFICE PROPERTIES; Timothy Lawless, representing self; Mike Huckins,

GREATER PHOENIX CHAMBER OF COMMERCE; Lyn Harry White, CLARK HILL PLC; Michael Hunter, BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH

Neutral:

Robert Celaya, AZ School Board Assn

SB1288, internal revenue code conformity

Testified in support:

Sean Laux, AZ DEPT OF REVENUE; Kevin DeMenna, Arizona Society Of CPA's

Support:

Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Eric Emmert, East Valley Chambers Of Commerce Alliance ; Ryan DeMenna, Arizona Society Of CPA's

SB1289, 2016 tax correction act

Testified in support:

Sean Laux, AZ DEPT OF REVENUE

Support:

Garrick Taylor, Arizona Chamber Of Commerce And Industry; Jason Baran, SR. Govt Relations Rep, SALT RIVER PROJECT (SRP); Kevin DeMenna, Arizona Society Of CPA's; Ryan DeMenna, Arizona Society Of CPA's

SB1291, TPT; utilities; manufacturing; smelting

Support:

Kevin McCarthy, Arizona Tax Research Association; Chad Guzman, AZ PUBLIC SERVICE COMPANY (APS); Garrick Taylor, Arizona Chamber Of Commerce And Industry; Jason Baran, SR. Govt Relations Rep, SALT RIVER PROJECT (SRP); Steve Trussell, AZ ROCK PRODUCTS ASSN; Rebecca Hudson, Analyst, Corporate Public Affairs, SOUTHWEST GAS CORP; Steven Eddy, TUCSON ELECTRIC POWER COMPANY; Russell Smoldon, 21St Century Vitamins, Vaagen's Bros. Lumber Company; Kelly Norton, AZ MINING ASSN; Lyn Harry White, CLARK HILL PLC; Jeff Gray, AZ CHAMBER OF COMMERCE, AZ Manufacturers Council; Jim Norton, Arizona Manufacturers Council, AZ CHAMBER OF COMMERCE

Neutral:

Sean Laux, AZ DEPT OF REVENUE

Oppose:

Carol Maas, representing self; Daniel Bogert, COUNTY SUPERVISORS ASSN OF AZ; Zaida Dedolph, PROTECTING ARIZONA'S FAMILY COALITION

All Comments:

Zaida Dedolph, PROTECTING ARIZONA'S FAMILY COALITION: This bill would reduce general fund revenues by nearly \$21 million, and would impact Prop 301 revenues as well. We feel that reducing these revenues at a time when our state is still recovering from the recession is premature.

SB1310, TPT exemption; billboard rentals**Testified in support:**

Kevin DeMenna, Jones Outdoor Advertising; Ryan DeMenna, Jones Outdoor Advertising

Testified as neutral:

Sean Laux, AZ DEPT OF REVENUE

Testified as opposed:

Daniel Bogert, COUNTY SUPERVISORS ASSN OF AZ

Oppose:

Carol Maas, representing self



HOUSE OF REPRESENTATIVES

SB 1310

TPT exemption; billboard rentals
Prime Sponsor: Senator Griffin, LD 14

X Committee on Ways and Means

Caucus and COW

House Engrossed

OVERVIEW

SB 1310 exempts the leasing or renting of billboards from transaction privilege tax (TPT).

PROVISIONS

1. Exempts the leasing or renting of billboards that are used to advertise or inform and are visible from any street, road or other highway from the personal property rental classification of TPT.

CURRENT LAW

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. TPT is broken down into 16 different classifications, one of them being personal property rental classification. The classification is comprised of the business of leasing or renting tangible personal property (A.R.S. § 42-5071).



HOUSE OF REPRESENTATIVES

SB 1095

department of revenue; continuation
Prime Sponsor: Senator Lesko, LD 21

X Committee on Ways and Means

Caucus and COW

House Engrossed

OVERVIEW

SB 1095 continues the Department of Revenue (DOR) until July 1, 2020.

PROVISIONS

1. Continues DOR for four years, until July 1, 2020.
2. Establishes a retroactive effective date of July 1, 2016.
3. Contains a purpose clause.

ADDITIONAL INFORMATION

DOR was established in 1974 to enforce polices, plans and programs for the tax administration and revenue collection in Arizona. DOR oversees and administers the collection of state taxes such as personal and corporate income, property, luxury, transaction privilege, use, estate, withholding, fiduciary, bingo and severance taxes.

In December 2015, the Senate Finance and House of Representatives Ways and Means Committee of Reference (COR) conducted the Sunset Review of DOR. COR recommended that DOR be continued for four years.

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

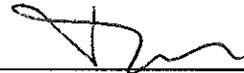
ROLL CALL VOTE

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1095

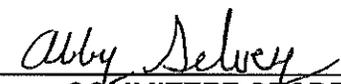
DATE March 7, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Bolding		✓			
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Ms. Ugenti-Rita		✓			
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 1288

internal revenue code conformity
Prime Sponsor: Senator Lesko, LD 21

X Committee on Ways and Means
Caucus and COW
House Engrossed

OVERVIEW

SB 1288 conforms Arizona tax statutes to the Internal Revenue Code (IRC) as of January 1, 2016.

PROVISIONS

1. Updates the definition of *Internal Revenue Code* to include all IRC provisions that were in effect as of January 1, 2016.
2. Conforms partnership auditing statutes to reflect changes by the Internal Revenue Service.
3. Makes technical and conforming changes.

ADDITIONAL INFORMATION

Each year, the Arizona State Legislature considers amending Arizona Revised Statutes § 43-105 to conform to changes made to the IRC in the prior year by updating the statutory definition of *Internal Revenue Code*. These changes are made to parallel the computation of Arizona income tax and other statutory references to the amended IRC provisions. This conformity is necessary because Arizona, like many states, requires taxpayers to use federally adjusted gross income as the starting point for state income tax assessment.

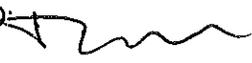
**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session**

ROLL CALL VOTE

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1288

DATE March 7, 2016 MOTION: DP

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

APPROVED: 


COMMITTEE SECRETARY

DARIN MITCHELL, Chairman
ANTHONY KERN, Vice-Chairman

ATTACHMENT 8



HOUSE OF REPRESENTATIVES

SB 1289

2016 tax correction act

Prime Sponsor: Senator Lesko, LD 21

X Committee on Ways and Means

Caucus and COW

House Engrossed

OVERVIEW

SB 1289 corrects errors and removes obsolete language, as suggested by the Arizona Department of Revenue (DOR) and Legislative Council.

PROVISIONS

1. Makes technical and conforming changes relating to the taxation of tobacco products and the regulation of tobacco stamps (*Sections 1, 3, 4, 5, 6, 7, 8 and 9*).
2. Authorizes designees of the Director of DOR to serve as the Chairman of the Economic Estimates Commission and the Property Tax Oversight Commission (*Sections 2 and 17*).
3. Outlines the liability of a vendor that accepts a transaction privilege tax (TPT) exemption certificate in good faith (*Section 10*).
4. Conforms statutes to comply with TPT changes made in Laws 2015, Chapter 4-E (*Sections 13 and 14*).
5. Conforms statute to comply with changes made in Laws 2014, Chapter 139, relating to filing use tax returns (*Section 15*).
6. Clarifies that TPT, use tax or any other similar tax imposed by a city is governed under the Model City Tax Code (*Section 16*).
7. Removes obsolete, outdated language (*Sections 11, 18 and 19*).
8. Makes technical and conforming changes (*Sections 12, 20, 21 and 22*).

ADDITIONAL INFORMATION

DOR and Legislative Council annually review statutes related to taxation and make recommendations to correct errors, remove obsolete language, and address clarity and conformity. SB 1289 makes statutory corrections based on the recommendations of DOR and Legislative Council.

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

ROLL CALL VOTE

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1289

DATE March 7, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Bolding		✓			
Mr. Cardenas		✓			
Mr. Mesnard		✓			
Mr. Olson		✓			
Ms. Ugenti-Rita		✓			
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 10



HOUSE OF REPRESENTATIVES

SB 1117

school districts; adjacent ways; verification
Prime Sponsor: Senator Dial, LD 18

X Committee on Ways and Means

Caucus and COW

House Engrossed

OVERVIEW

SB 1117 requires the School Facilities Board (SFB) to validate any proposed adjacent ways projects with a cost exceeding \$50,000.

PROVISIONS

1. Restricts a school district from making an adjacent ways expenditure with a cost exceeding \$50,000, unless the SFB validates both of the following:
 - a. The proposed project is in compliance with state law.
 - b. The proposal selected by the school district does not contain additional work that is not listed in the district's adjacent ways proposal.
2. Requires each adjacent ways project proposal, funded through a special assessment, to be filed with the SFB and to include the project cost estimate.
3. Stipulates that a school district annual financial report must include information on the school district budgeted and actual expenditures from the Adjacent Ways Fund.
4. Makes technical and conforming changes.

CURRENT LAW

A.R.S. § 15-995 authorizes school districts to contract for construction, maintenance or improvements to any public way adjacent to any school property using funding derived from a special assessment on the taxable property in the school district. The district may use the monies for construction of sidewalks, sewers, utility lines, roadways and other related improvements. However, the project must be necessary to ensure the safe entry to and exit from school property for buses and fire equipment. The special assessment for an adjacent ways project must be included in the itemized statement required to be filed with the county school superintendent that shows the amount of monies needed for district expenses in the ensuing year.

School districts are required to follow Truth in Taxation (TNT) notice and hearing requirements in order to levy a special assessment for an adjacent ways project. TNT laws require a school district to provide public notice of any proposed primary property tax levy increase in a specified manner. The district is then required to hold a public hearing in regards to the proposed tax increase, prior to the adoption of the district's budget for the following year (A.R.S. § 15-905.01).

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

ROLL CALL VOTE

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1117

DATE March 7, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Bolding			✓		
Mr. Cardenas			✓		
Mr. Mesnard		✓			
Mr. Olson		✓			
Ms. Ugenti-Rita		✓			
Mr. Weninger		✓			
Mr. Wheeler					✓
Mr. Kern, Vice-Chairman		✓			
Mr. Mitchell, Chairman		✓			
		6	2	0	1

APPROVED:



DARIN MITCHELL, Chairman
ANTHONY KERN, Vice-Chairman



COMMITTEE SECRETARY

ATTACHMENT 12

ARIZONA STATE LEGISLATURE
 Fifty-second Legislature - Second Regular Session
COMMITTEE ATTENDANCE RECORD

COMMITTEE ON WAYS AND MEANS

CHAIRMAN: Darin Mitchell VICE-CHAIRMAN: Anthony Kern

DATE	3/7 /16	/16	/16	/16	/16
CONVENED	2:34pm	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	3:12pm				
MEMBERS					
Mr. Bolding	✓				
Mr. Cardenas	✓				
Mr. Mesnard	✓				
Mr. Olson	✓				
Ms. Ugenti-Rita	✓				
Mr. Weninger	✓				
Mr. Wheeler	exc				
Mr. Kern, Vice-Chairman	✓				
Mr. Mitchell, Chairman	✓				

✓ Present --- Absent exc Excused