

3-15-16

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature – Second Regular Session  
**COMMITTEE ON WAYS AND MEANS**  
Report of Regular Meeting  
Monday, March 14, 2016  
House Hearing Room 3 -- 2:00 p.m.

**Convened** 3:20 p.m.

**Recessed**

**Reconvened**

**Adjourned** 6:40 p.m.

**Members Present**

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

**Members Absent**

None

**Agenda**

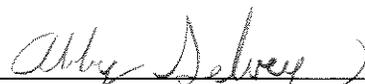
Original Agenda – Attachment 1

**Request to Speak**

Report – Attachment 2

**Committee Action**

<b><u>Bill</u></b>	<b><u>Action</u></b>	<b><u>Vote</u></b>	<b><u>Attachments (Summaries, Amendments, Roll Call, Attendance)</u></b>
SB1291	HELD		
SB1159	DPA S/E	5-4-0-0	3, 4, 5
SB1523	DP	6-3-0-0	6, 7
SB1216	DP	9-0-0-0	8, 9
SB1217	DP	8-0-0-1	10, 11
SB1350	DP	8-1-0-0	12, 13, 14, 15, 16, 17
SB1423	DPA S/E	6-2-0-1	18, 19, 20
SB1157	DP	8-0-0-1	21, 22
	Committee Attendance		23

  
Abby Selvey, Chairman Assistant  
March 15, 2016

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

Conv: 3:20 pm  
Adj: 6:40 pm

REVISED - 03/10/16

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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 14, 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
SB1216	<u>DP</u> charitable donations; tax credit amounts (Yarbrough, Allen S, Farley, et al)	
	<u>9-0-0-0</u> WM, RULES	
*SB1217	<u>DP</u> charitable tax credit; contribution date (Yarbrough)	
	<u>8-0-0-1</u> WM, RULES	
*SB1291	<u>Held</u> TPT; utilities; manufacturing; smelting (Lesko)	
	<u>        </u> WM held 0-0-0-0-0, RULES	
*SB1423	<u>DPAS/E</u> gold and silver coins; taxation (Farnsworth D, Allen J: Allen S, et al)	S/E: exchange of specie; tax exclusion
	<u>6-2-0-1</u> WM held 0-0-0-0-0, RULES	
SB1523	<u>DP</u> truth in taxation; levy increases (Smith, Finchem, Leach)	
	<u>6-3-0-0</u> WM, RULES	

**ADDENDUM #1 - 03/10/16**

SB1157	<u>DP</u> small property tax balance delinquency (Burges: Allen S, Donahue, et al)
	<u>8-0-0-1</u> WM, RULES

Bills	Short Title	Strike Everything Title
SB1159	<u>DPAS/E</u> juvenile commitment; dependent; incorrigible children (Smith) <u>5-4-0-0</u> WM, RULES	S/E: prosperity districts; formation; governance
SB1350	<u>DP</u> technical corrections; taxation(now: online lodging; administration; definitions) (Lesko) <u>8-1-0-0</u> WM, RULES	

\* On previous agenda

**ORDER OF BILLS TO BE SET BY THE CHAIRMAN**

ams  
3/10/16

**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

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*House Ways and Means (3/14/2016)*

## **SB1216, charitable donations; tax credit amounts**

### **Testified in support:**

Jeff Taylor, THE SALVATION ARMY; David Martinez III, ST. MARY'S FOOD BANK ALLIANCE; Penny Allee Taylor, Valley Of The Sun United Way; Ron Johnson, AZ CATHOLIC CONFERENCE; Emily Jenkins, Arizona Council Of Human Service Providers

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE

### **Support:**

Linda Scott, representing self; Cathi Herrod, CENTER FOR ARIZONA POLICY; Rodney Echols, representing self; Ceara Chirovsky, ST. MARY'S FOOD BANK ALLIANCE; Kathryn Nail, GREATER PHOENIX CHAMBER OF COMMERCE; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Jeff Sandquist, Boys & Girls Club Of America; Laurie Liles, ARIZONA GRANTMAKERS FORUM; Russell Smoldon, PHOENIX CHILDREN'S HOSPITAL; Annie Mooney, PHOENIX CHILDREN'S HOSPITAL; Dennis Beals, representing self

### **Oppose:**

Pam Gerstner, representing self; Joshua Huggins, representing self; Zaida Dedolph, PROTECTING ARIZONA'S FAMILY COALITION; Erica Sussman, representing self; Joanna Marroquin, representing self; Kirin Goff, representing self; Karen McLaughlin, Director of Budget & Research, CHILDREN'S ACTION ALLIANCE; Nancy Jamison, representing self; Karen McLaughlin, Director of Budget & Research, CHILDREN'S ACTION ALLIANCE

### **All Comments:**

Linda Scott, Self: I strongly support this increase in charitable giving. It incentivizes citizens to support much needed charitable organizations.; Dennis Beals, Self: Lets do all we can to encourage contributions to these needed activities; Karen McLaughlin, CHILDREN'S ACTION ALLIANCE: Children's Action Alliance opposes any legislation that reduces funding for essential state programs and services such as K-12 education.; Nancy Jamison, Self: Arizona cannot afford ANY new or increased tax credits!; Karen McLaughlin, CHILDREN'S ACTION ALLIANCE: Children's Action Alliance opposes any legislation that reduces funding for essential state programs and services such as K-12 education.

## **SB1217, charitable tax credit; contribution date**

### **Support:**

Cathi Herrod, CENTER FOR ARIZONA POLICY; Ceara Chirovsky, ST. MARY'S FOOD BANK ALLIANCE; Kathryn Nail, GREATER PHOENIX CHAMBER OF COMMERCE; Garrick Taylor, Arizona Chamber Of Commerce And Industry; David Martinez III, ST. MARY'S FOOD BANK ALLIANCE; Jeff Sandquist, Boys & Girls Club Of America; Penny Allee Taylor, Valley Of The Sun United Way; Laurie Liles, ARIZONA GRANTMAKERS FORUM; Russell Smoldon, PHOENIX

CHILDREN'S HOSPITAL; Annie Mooney, PHOENIX CHILDREN'S HOSPITAL; Dennis Beals, representing self; Ron Johnson, AZ CATHOLIC CONFERENCE

**Neutral:**

Sean Laux, AZ DEPT OF REVENUE

**Oppose:**

Pam Gerstner, representing self; Zaida Dedolph, PROTECTING ARIZONA'S FAMILY COALITION; Nancy Jamison, representing self

**All Comments:**

Dennis Beals, Self: We need to encourage these worthwhile contributions; Nancy Jamison, Self: There is no valid reason for this extension.

**SB1291, TPT; utilities; manufacturing; smelting**

**Support:**

Barry Aarons, AZ PROPANE GAS ASSOCIATION; Michael Gardner, INTEL CORPORATION; Steve Trussell, AZ ROCK PRODUCTS ASSN; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Kelly Norton, AZ MINING ASSN; Jennifer Stielow, Vice President, Arizona Tax Research Association; Jeff Gray, AZ CHAMBER OF COMMERCE, AZ Manufacturers Council; Russell Smoldon, 21St Century Vitamins, Vaagen's Bros. Lumber Company; Steven Eddy, TUCSON ELECTRIC POWER COMPANY; Germaine Marks, PRUDENTIAL FINANCIAL INC; Mark Gaspers, The Boeing Company

**Neutral:**

Sean Laux, AZ DEPT OF REVENUE

**Oppose:**

Pam Gerstner, representing self; Joshua Huggins, representing self; Erica Sussman, representing self; Zaida Dedolph, PROTECTING ARIZONA'S FAMILY COALITION; Kirin Goff, representing self; Dan Bogert, COUNTY SUPERVISORS ASSN OF AZ; Daniel Romm, COUNTY SUPERVISORS ASSN OF AZ; Karen McLaughlin, Director of Budget & Research, CHILDREN'S ACTION ALLIANCE

**All Comments:**

Kelly Norton, AZ MINING ASSN: The Arizona Mining Association Supports as amended; Karen McLaughlin, CHILDREN'S ACTION ALLIANCE: Children's Action Alliance opposes any legislation that reduces funding for essential state programs and services such as K-12 education.

**SB1423, gold and silver coins; taxation**

**Testified in support:**

Boaz Witbeck, AMERICANS FOR PROSPERITY AZ

### **Support:**

Terrance Traylor, representing self; Corey Spofford, representing self; Jose Borrajero, representing self; Tom Jenney, AMERICANS FOR PROSPERITY AZ; Annette Marie Solis, representing self; James Collins, representing self; Roy Miller, representing self; David Richardson, representing self; Denise Hayes, representing self; Aaron Ellsworth, representing self; Harry Preston, representing self; elisa dewsgroseilliers, representing self; Thomas Woodrow, representing self; Joseph Pikosz, representing self; Bryan Lee Briggs, representing self; martha hayes, representing self; Jennifer Wellsman, representing self; Santosh Cherian, representing self; Jaimie Kleshock, representing self; John Baunoch, representing self; Joyce Hill, representing self; Richard Hofelich, representing self; Tom Holding, representing self

### **All Comments:**

Roy Miller, Self: Please support; Denise Hayes, Self: I fully support SB1423.; Aaron Ellsworth, Self: this is a small step towards more sound currency; Santosh Cherian, Self: I agree.

## **SB1523, truth in taxation; levy increases**

### **Testified in support:**

Jennifer Stielow, Vice President, Arizona Tax Research Association

### **Testified as opposed:**

Patrice Kraus, LEAGUE OF ARIZONA CITIES & TOWNS

### **Support:**

Boaz Witbeck, AMERICANS FOR PROSPERITY AZ; Tom Jenney, AMERICANS FOR PROSPERITY AZ; James Collins, representing self; Annette Marie Solis, representing self; Terrance Traylor, representing self; Roy Miller, representing self; David Richardson, representing self; Denise Hayes, representing self; Aaron Ellsworth, representing self; Thomas Woodrow, representing self; Joseph Pikosz, representing self; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Shirley Lamonna, representing self; Bryan Lee Briggs, representing self; Santosh Cherian, representing self; John Baunoch, representing self; Jaimie Kleshock, representing self; Joyce Hill, representing self

### **Oppose:**

Rob Bohr, GOODYEAR, CITY OF; Todd Baughman, TUCSON, CITY OF; Thomas Adkins, City Of Peoria; Ryan Peters, CHANDLER, CITY OF; Amber Wakeman, City Of El Mirage; Dawn Marie Buckland, PARADISE VALLEY, TOWN OF; Jessica Rainbow, Arizona Community College Coordinating Council; Marge Zylla, TEMPE, CITY OF

### **All Comments:**

Annette Marie Solis, Self: I support this bill. Our local government & school districts receive more than enough funds to operate successfully. They just squander the funds and then ask for more each year. We need to go to a zero based budget & only pay for items we need.; Roy Miller, Self: Please support; Denise Hayes, Self: I support this bill as a way to protect taxpayers from tax increases.; Shirley Lamonna, Self: Taxpayers deserve transparency.; Dawn Marie Buckland, PARADISE VALLEY, TOWN OF: Bad precedent. Unanimous vote should never be required for any governing body; provides one person absolute power to hold a vote hostage.

## **SB1157, small property tax balance delinquency**

### **Testified in support:**

Megan Kintner, AZ ASSOCIATION OF COUNTIES; Megan Kintner, AZ ASSOCIATION OF COUNTIES

### **Support:**

Trey Williams, AZ ASSOCIATION OF COUNTIES; Michael Combrink, Maricopa County Assessor's Office

## **SB1159, juvenile commitment; dependent; incorrigible children**

### **Testified in support:**

Erick Brimen, representing self; Thomas Patterson, representing self; Nicholas Dranias, representing self

### **Testified as neutral:**

Sean Laux, AZ DEPT OF REVENUE; Scott Beaulier, representing self; Dan Bogert, COUNTY SUPERVISORS ASSN OF AZ

### **Testified as opposed:**

Patrice Kraus, LEAGUE OF ARIZONA CITIES & TOWNS; Megan Martin, SALT RIVER PROJECT (SRP)

### **Support:**

Boaz Witbeck, AMERICANS FOR PROSPERITY AZ; Tom Jenney, AMERICANS FOR PROSPERITY AZ; James Collins, representing self; Annette Marie Solis, representing self; Terrance Traylor, representing self; Roy Miller, representing self; David Richardson, representing self; Aaron Ellsworth, representing self; Thomas Woodrow, representing self; Scot Mussi, Arizona Free Enterprise Club; Joseph Pikosz, representing self; Bryan Lee Briggs, representing self; Jaimie Kleshock, representing self; Dave Kopp, Manager, NEWAY ADVISERS, LLC; Camila Alarcon, representing self

### **Oppose:**

Michael DiMaria, CENTURYLINK, INC; Thomas Adkins, City Of Peoria; Bobbi Sparrow, AZ AUTOMOBILE DEALERS ASSN; Mark Barnes, PINAL COUNTY

### **All Comments:**

Aaron Ellsworth, Self: in support of the 'strike all' amendment; Michael DiMaria, CENTURYLINK, INC: Opposed to the striker amendment; Thomas Adkins, City Of Peoria: Opposed to strike everything amendment; Bobbi Sparrow, AZ AUTOMOBILE DEALERS ASSN: Huge policy change with no discussion with businesses....shouldn't be a striker!; Dave Kopp, NEWAY ADVISERS, LLC: Respectfully request you vote in favor of the strike everything amendment.; Erick Brimen, Self: Creates a 21st century subdivision with a design proven to create tremendous wealth, of high-paying jobs, and that will position AZ as the best place in the world to do business. Econ. Impact Studies projects over \$300B of growth & over 2M new jobs; Camila Alarcon, Self: Representing NeWay Capital; Scott Beaulier, Self: Representing ASU and recent impact study related to concept.; Nicholas Dranias, Self: I support the striker amendment to this bill. It is fully constitutional and great public policy based on my previous economic liberty research at the Goldwater Institute and my interstate compact work at Compact for America Educational Foundation.; Mark Barnes, PINAL COUNTY: Concerns related to revenue aspects, notification of formation and expectation of services.; Megan Martin, SALT RIVER PROJECT (SRP): SRP is respectfully opposed to the strike-everything amendment.

## **SB1350, technical corrections; taxation (NOW: online lodging; administration; definitions)**

### **Testified in support:**

Jared Blanchard, representing self; Michael Hunter, BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH; Aimee Rigler, AZ FREE ENTERPRISE CLUB; Laura Spanjian, representing self; Jeff Gray, AIRBNB, INC; Glenn Odegard, representing self; Daisy Delaney, representing self; Bob Thorpe, Representative District 6, representing self

### **Testified as neutral:**

Tom Farley, Arizona Association Of Realtors; Courtney Gilstrap LeVinus, Arizona Multihousing Association; Andrew Miller, representing self

### **Testified as opposed:**

Dawn Marie Buckland, PARADISE VALLEY, TOWN OF; Robert Pickels, representing self; Patrice Kraus, LEAGUE OF ARIZONA CITIES & TOWNS; Marcus Dell'Artino, ARIZONA LODGING AND TOURISM ASSOCIATION; Warren Woodward, representing self

### **Support:**

Alexandria Kassman, representing self; Patricia Cady, representing self; Sean Baguley, representing self; Scot Mussi, Arizona Free Enterprise Club; Jeff Sandquist, EXPEDIA INC; Wendy Briggs, EXPEDIA INC; Boaz Witbeck, AMERICANS FOR PROSPERITY AZ; Julia Fournier, representing self; Justin Yentes, GILBERT SMALL BUSINESS ALLIANCE, Self, SMALL BUSINESS ALLIANCE AZ

### **Neutral:**

Michael Combrink, Maricopa County Assessor's Office; Sean Laux, AZ DEPT OF REVENUE; Nicole LaSlavic, AZ ASSOCIATION OF REALTORS

### **Oppose:**

Brad Lundahl, SCOTTSDALE, CITY OF; Todd Baughman, TUCSON, CITY OF; Daryl Seymore, representing self

### **All Comments:**

Dawn Marie Buckland, PARADISE VALLEY, TOWN OF: General language regarding the term "uses" creates inadvertent zoning issues; Jared Blanchard, Self: Attorney at the Goldwater Institute; Daryl Seymore, Self: Mayor Daryl Seymore of Show Low urges you to oppose the bill in its current form, especially the portions involving rental preemptions and tax policies. We encourage all sides to continue meeting and rework this bill.; Robert Pickels, Self: City of Sedona; Warren Woodward, Self: Butt out!; Bob Thorpe, Self: I have been contact by numerous constituents within my LD-6 district in support of SB1350, which will create uniform home rental policies across Arizona communities.



# HOUSE OF REPRESENTATIVES

SB 1159

juvenile commitment; dependent; incorrigible children

Prime Sponsor: Senator Smith, LD 11

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## STRIKE-EVERYTHING SUMMARY

The strike-everything amendment to SB 1159 establishes prosperity districts (District) and outlines requirements for District formation and governance.

## PROVISIONS

### *Formation of a District*

1. Stipulates that, in order to form a District, the original owner of a property must submit a written petition to each of the following:
  - a. The Governor, President of the Senate and the Speaker of the House of Representatives for each new prosperity district.
  - b. The governing board of a city or town, if any portion of the District is in the city or town.
  - c. The governing board of any District to be expanded.
2. Outlines requirements for a petition to form a District.
3. Requires a recipient of a petition to form a District, within 10 days of receipt, to:
  - a. determine whether the petition includes all required information; and
  - b. notify the original owner of whether or not the petition is in compliance.
4. Specifies that if the required recipient of a District formation petition does not notify the original owner that the petition is non-compliant within 10 days, the petition is deemed compliant.
5. Requires all compliant petitions to be recorded with the county recorder for each county in which the district is located.

### *Interstate Compact*

6. Directs the Governor, upon the formation of the first District in the state, to attempt to negotiate an interstate compact regarding Districts with one or more other states.
7. Requires the Governor to submit the compact to the Legislature for enactment if an agreement is reached with one or more other states.
8. Authorizes the Governor to seek federal consent of the compact and limitations on the application of federal law within a district after the compact is enacted.

### *Revenue Sharing Agreement*

9. Requires a District to negotiate a revenue sharing agreement with the state and any municipality the District is located in, if the state enters into a compact.

10. Specifies that the revenue sharing agreement must guarantee that the state and each municipality it is located in receives annual revenues equal to or greater than revenues received in the immediately preceding fiscal year.
11. Requires the revenue sharing agreement to be recorded with the county recorder in every county the District is located in.
12. Stipulates that the revenue sharing agreement applies to all real property in the District, as long as the District is in existence.
13. Stipulates that a District is deemed vacated if it does not enter into a revenue sharing agreement within three years of either of the following, whichever is later:
  - a. The District's formation.
  - b. The enactment date of the compact.

#### **District Regulation and Governance**

14. Specifies that, after a revenue sharing agreement is filed:
  - a. The District governing board has exclusive governing authority, as allowed by state and federal law.
  - b. Each ordinary law that taxes, regulates or can otherwise be based on any condition committed in a District is deemed to conflict with the authority of the District and has no effect.
  - c. Each agency or political subdivision of the state has no jurisdiction within the district and are prohibited from addressing any condition, entity, property, action or omission located or occurring within a District.
15. States that the common law of contracts, property and torts applies in a District unless modified by the District governing board.
16. Directs all legal disputes within a District to be brought to the state judicial system, unless the District governing body or the parties in the dispute otherwise agree.
17. Stipulates that all state laws existing on the date a revenue sharing agreement is filed that govern national security, immigration, violent crime, prostitution or the possession, sale or transfer of controlled substances are effective in a District.
18. Requires a District governing board to cooperate with the state to fulfill the conditions of any federal grant.
  - a. Any District that fails to cooperate with the state in collecting a federal grant is liable for the full amount of any federal monies that are denied to the state. The full amount lost must be provided within 30 days after submission of proof of the failure.
19. Stipulates that all existing interstate agreements, compacts and laws enforcing or protecting vested contractual or property rights continue to be in effect in the District.
20. Provides that the state retains the same jurisdiction within a District to remedy environmental harms, property damage and economic or personal injuries occurring outside of the District that were caused by conditions or activities within the District.
21. Directs a District governing board to manage its governmental and proprietary operations and adopt any necessary bylaws, policies or rules consistent with this Act.
22. Specifies that a District may only provide municipal services, utilities and infrastructure, without which:

**SB 1159**

- a. a District would be unable to perform its duties;
- b. development and improvement of the encompassed land would be impracticable; or
- c. the District would cease to exist as a viable governmental entity.

23. Restricts a District from:

- a. exercising any power of eminent domain; or
- b. levying a tax.

24. Requires a District to give preference to rules of governance that are adopted voluntarily by a contract.

25. Allows a District to be dissolved upon the submittal of a petition by property owners that make up at least two-thirds of the fair market value of all lands in the District.

*Miscellaneous*

26. Defines *eligible land, ordinary law, original owner, prosperity district, revenue sharing agreement.*

**CURRENT LAW**

Not currently addressed in statute.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1159

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. The Arizona Revised Statutes are amended by adding Title  
3 18, to read:

4 TITLE 18  
5 GENERAL GOVERNMENT  
6 CHAPTER 1  
7 PROSPERITY DISTRICTS  
8 ARTICLE 1. GENERAL PROVISIONS

9 18-101. Definitions

10 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

11 1. "ELIGIBLE LAND" MEANS REAL PROPERTY THAT CONSISTS OF AT LEAST ONE  
12 SQUARE MILE OF CONTIGUOUS LAND AND THAT IS HELD IN UNENCUMBERED FEE TITLE OR  
13 ENCUMBERED FEE TITLE IF ALL PERSONS THAT HOLD VALID AND ENFORCEABLE PROPERTY  
14 OR SECURITY INTERESTS IN THE REAL PROPERTY CONSENT TO THE CLASSIFICATION OF  
15 THE REAL PROPERTY AS ELIGIBLE LAND.

16 2. "ORDINARY LAW" MEANS ANY MEASURE, STATUTE, REGULATION, ORDINANCE OR  
17 EXECUTIVE ORDER THAT IS ENACTED OR ADOPTED BY THIS STATE, A POLITICAL  
18 SUBDIVISION OF THIS STATE OR AN AGENCY OR BOARD OF THIS STATE OR A POLITICAL  
19 SUBDIVISION OF THIS STATE AND THAT IS SUBJECT TO AMENDMENT OR REPEAL BY A  
20 LEGISLATIVE ACT THAT REQUIRES APPROVAL BY A MAJORITY OF THE MEMBERS OF EACH  
21 HOUSE OF THE LEGISLATURE FOR ENACTMENT.

22 3. "ORIGINAL OWNER" MEANS ANY PERSON THAT SEPARATELY OR COLLECTIVELY  
23 OWNS ELIGIBLE LAND.

24 4. "PROSPERITY DISTRICT" MEANS A POLITICAL SUBDIVISION OF THIS STATE  
25 THAT IS FORMED PURSUANT TO THIS ARTICLE.

26 5. "REVENUE SHARING AGREEMENT" MEANS AN AGREEMENT ENTERED INTO  
27 PURSUANT TO SECTION 18-104.

28 18-102. Prosperity district formation; expansion

29 A. TO FORM OR EXPAND A PROSPERITY DISTRICT, AN ORIGINAL OWNER SHALL  
30 SUBMIT A WRITTEN PETITION TO:

1           1. THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE  
2 HOUSE OF REPRESENTATIVES FOR EACH PROSPERITY DISTRICT.

3           2. THE GOVERNING BOARD OF A CITY OR TOWN IF ANY PORTION OF THE  
4 PROSPERITY DISTRICT IS IN THE CITY OR TOWN.

5           3. THE GOVERNING BOARD OF A PROSPERITY DISTRICT IF THE PROSPERITY  
6 DISTRICT IS TO BE EXPANDED BY THE INCLUSION OF THE ELIGIBLE LAND.

7           B. THE PETITION SHALL PROVIDE:

8           1. THE NAME, ADDRESS, TELEPHONE NUMBER AND E-MAIL ADDRESS OF THE  
9 ORIGINAL OWNER.

10          2. A LEGAL DESCRIPTION OF THE BOUNDARIES OF THE PROPOSED NEW OR  
11 EXPANDED PROSPERITY DISTRICT.

12          3. A MAP AND A GENERAL DESCRIPTION OF THE AREA TO BE INCLUDED IN THE  
13 PROPOSED NEW OR EXPANDED PROSPERITY DISTRICT THAT IS SUFFICIENTLY DETAILED TO  
14 PERMIT A PROPERTY OWNER TO DETERMINE IF A PARTICULAR PROPERTY IS LOCATED IN  
15 THE PROPOSED NEW OR EXPANDED PROSPERITY DISTRICT.

16          4. A SWORN STATEMENT REQUESTING THE FORMATION OR EXPANSION OF A  
17 PROSPERITY DISTRICT AND AVOWING THAT THE REAL PROPERTY IN THE NEW OR EXPANDED  
18 PROSPERITY DISTRICT IS ELIGIBLE LAND.

19          5. FOR A NEW PROSPERITY DISTRICT, A UNIQUE NAME TO BE ASSIGNED TO THE  
20 PROSPERITY DISTRICT AND THE NAMES, ADDRESSES AND OCCUPATIONS OF THE PROPOSED  
21 MEMBERS OF THE PROSPERITY DISTRICT'S INITIAL GOVERNING BOARD.

22          C. WITHIN TEN DAYS AFTER RECEIPT BY EACH PERSON DESCRIBED IN  
23 SUBSECTION A OF THIS SECTION, THE RECIPIENT OF THE PETITION SHALL DO BOTH OF  
24 THE FOLLOWING:

25          1. DETERMINE WHETHER THE PETITION MEETS THE REQUIREMENTS OF SUBSECTION  
26 B OF THIS SECTION.

27          2. NOTIFY THE ORIGINAL OWNER THAT THE PETITION IS IN COMPLIANCE OR  
28 THAT THE PETITION IS NOT IN COMPLIANCE BY STATING THE SPECIFIC NATURE OF ANY  
29 DEFICIENCY. IF THE RECIPIENT DOES NOT NOTIFY THE ORIGINAL OWNER THAT THE  
30 PETITION IS NOT IN COMPLIANCE WITHIN THE TEN-DAY PERIOD, THE PETITION IS  
31 DEEMED TO BE IN COMPLIANCE.

32          D. A PROSPERITY DISTRICT IS FORMED WHEN A PETITION THAT IS DETERMINED  
33 TO BE IN COMPLIANCE PURSUANT TO SUBSECTION C OF THIS SECTION IS RECORDED WITH  
34 THE COUNTY RECORDER FOR EACH COUNTY IN WHICH THE PROSPERITY DISTRICT IS  
35 LOCATED.

36          18-103. Interstate compact; federal consent

37          A. AFTER THE FORMATION OF THE FIRST PROSPERITY DISTRICT IN THIS STATE,  
38 THE GOVERNOR SHALL ATTEMPT TO NEGOTIATE AN INTERSTATE COMPACT ON PROSPERITY

1 DISTRICTS WITH ONE OR MORE OTHER STATES. IF THE GOVERNOR REACHES A  
2 PRELIMINARY AGREEMENT WITH ONE OR MORE OTHER STATES, THE GOVERNOR SHALL  
3 SUBMIT THE COMPACT TO THE LEGISLATURE FOR ENACTMENT.

4 B. IF AN INTERSTATE COMPACT IS ENACTED PURSUANT TO THIS SECTION, THE  
5 GOVERNOR MAY SEEK FEDERAL CONSENT OF THE INTERSTATE COMPACT AND LIMITATIONS  
6 ON THE APPLICATION OF FEDERAL LAW IN A PROSPERITY DISTRICT.

7 18-104. Revenue sharing agreement

8 A. IF THIS STATE ENTERS INTO AN INTERSTATE COMPACT PURSUANT TO SECTION  
9 18-103, A PROSPERITY DISTRICT SHALL NEGOTIATE A REVENUE SHARING AGREEMENT  
10 WITH THIS STATE AND ANY CITY OR TOWN IN WHICH THE PROSPERITY DISTRICT IS  
11 LOCATED.

12 B. THE REVENUE SHARING AGREEMENT SHALL:

13 1. DEFINE THE REVENUES TO WHICH IT APPLIES.

14 2. GUARANTEE THAT THIS STATE AND ANY CITY OR TOWN IN WHICH A  
15 PROSPERITY DISTRICT IS LOCATED RECEIVES ON AN ANNUAL BASIS REVENUES THAT ARE  
16 AT LEAST EQUAL TO THE REVENUES RECEIVED BY THIS STATE AND THE CITY OR TOWN IN  
17 THE FISCAL YEAR IMMEDIATELY BEFORE THE YEAR IN WHICH THE AGREEMENT BECOMES  
18 EFFECTIVE.

19 C. THE REVENUE SHARING AGREEMENT:

20 1. SHALL BE RECORDED WITH THE COUNTY RECORDER IN EVERY COUNTY IN WHICH  
21 THE PROSPERITY DISTRICT IS LOCATED.

22 2. APPLIES TO ALL REAL PROPERTY IN THE PROSPERITY DISTRICT AS LONG AS  
23 THE DISTRICT IS IN EXISTENCE.

24 D. IF A PROSPERITY DISTRICT DOES NOT ENTER INTO A REVENUE SHARING  
25 AGREEMENT WITH THIS STATE AND ANY CITY OR TOWN IN WHICH THE PROSPERITY  
26 DISTRICT IS LOCATED WITHIN THREE YEARS AFTER THE DATE THE PROSPERITY DISTRICT  
27 IS FORMED OR THE DATE OF THE ENACTMENT OF THE INTERSTATE COMPACT PURSUANT TO  
28 SECTION 18-103, WHICHEVER IS LATER, THE FORMATION OF THE PROSPERITY DISTRICT  
29 IS VACATED.

30 18-105. Effect of recording revenue sharing agreement

31 A. AFTER THE DATE THE REVENUE SHARING AGREEMENT IS FILED:

32 1. THE GOVERNING BOARD OF THE PROSPERITY DISTRICT HAS EXCLUSIVE  
33 GOVERNING AUTHORITY IN THE PROSPERITY DISTRICT AS PROVIDED IN THIS SECTION  
34 AND AS ALLOWED BY THE CONSTITUTION OF THIS STATE AND FEDERAL LAW.

35 2. EVERY ORDINARY LAW THAT APPLIES TO TAXES OR THAT REGULATES OR CAN  
36 OTHERWISE BE BASED ON ANY CONDITION, ENTITY, SERVICE, PROPERTY, ACTION OR  
37 OMISSION LOCATED OR COMMITTED IN A PROSPERITY DISTRICT IS DEEMED TO CONFLICT

1 WITH THE AUTHORITY OF THE PROSPERITY DISTRICT AND HAS NO EFFECT WITHIN THE  
2 PROSPERITY DISTRICT.

3 3. AN AGENCY OR POLITICAL SUBDIVISION OF THIS STATE DOES NOT HAVE  
4 JURISDICTION IN A PROSPERITY DISTRICT AND MAY NOT ADDRESS ANY CONDITION,  
5 ENTITY, PROPERTY, ACTION OR OMISSION THAT IS LOCATED OR OCCURS IN A  
6 PROSPERITY DISTRICT.

7 B. NOTWITHSTANDING SUBSECTION A OF THIS SECTION:

8 1. THE COMMON LAW OF CONTRACTS, PROPERTY AND TORTS APPLIES IN A  
9 PROSPERITY DISTRICT UNLESS IT IS MODIFIED BY THE GOVERNING BOARD OF THE  
10 PROSPERITY DISTRICT.

11 2. LEGAL DISPUTES AND CAUSES OF ACTIONS THAT ARISE FROM ACTIONS OR  
12 OMISSIONS WITHIN A PROSPERITY DISTRICT SHALL BE BROUGHT IN THE JUDICIAL  
13 SYSTEM OF THIS STATE, UNLESS THE GOVERNING BOARD OF THE PROSPERITY DISTRICT  
14 MODIFIES THIS REQUIREMENT OR THE PARTIES IN THE ACTION OTHERWISE AGREE.

15 3. ALL LAWS OF THIS STATE EXISTING ON THE DATE THE REVENUE SHARING  
16 AGREEMENT IS FILED THAT CONCERN NATIONAL SECURITY, IMMIGRATION, VIOLENT  
17 CRIME, PROSTITUTION OR THE POSSESSION, SALE, TRANSFER OR USE OF CONTROLLED  
18 SUBSTANCES ARE EFFECTIVE IN A PROSPERITY DISTRICT, INCLUDING THE JURISDICTION  
19 OF ALL AGENCIES ADMINISTERING THESE LAWS AND ALL RELATED ONGOING  
20 INVESTIGATIONS, PROSECUTIONS AND ADMINISTRATIVE PROCEEDINGS.

21 4. THE GOVERNING BOARD OF A PROSPERITY DISTRICT SHALL COOPERATE WITH  
22 THIS STATE IN FULFILLING THE CONDITIONS OF ANY FEDERAL GRANT. IF A  
23 PROSPERITY DISTRICT DOES NOT COOPERATE IN FULFILLING THESE CONDITIONS, THE  
24 PROSPERITY DISTRICT IS LIABLE FOR THE FULL AMOUNT OF ANY FEDERAL MONIES THAT  
25 ARE DENIED TO THIS STATE AS A RESULT OF THE FAILURE TO COOPERATE WITHIN  
26 THIRTY DAYS AFTER THE SUBMISSION OF A PROOF OF CLAIM BY THIS STATE TO THE  
27 PROSPERITY DISTRICT FOR THE REPLACEMENT FUNDING.

28 5. ALL INTERSTATE AGREEMENTS, COMPACTS AND LAWS THAT ENFORCE OR  
29 PROTECT VESTED CONTRACTUAL OR PROPERTY RIGHTS AND THAT EXIST ON THE DATE THE  
30 REVENUE SHARING AGREEMENT IS RECORDED, INCLUDING ANY INTERSTATE AGREEMENT OR  
31 COMPACT CONCERNING WATER RIGHTS AND GAMING, CONTINUE TO BE EFFECTIVE IN THE  
32 PROSPERITY DISTRICT.

33 6. THIS STATE RETAINS THE SAME JURISDICTION IN A PROSPERITY DISTRICT  
34 AS IT HAD UNDER LAW EXISTING BEFORE THE RECORDING OF THE REVENUE SHARING  
35 AGREEMENT TO REMEDY ENVIRONMENTAL HARMS, PROPERTY DAMAGE AND ECONOMIC OR  
36 PERSONAL INJURIES THAT OCCUR OUTSIDE OF THE PROSPERITY DISTRICT AND THAT ARE  
37 CAUSED BY CONDITIONS OR ACTIVITIES THAT OCCUR IN THE PROSPERITY DISTRICT.

1 18-106. Governance of prosperity districts

2 A. THE GOVERNING BOARD OF A PROSPERITY DISTRICT SHALL MANAGE THE  
3 DISTRICT'S GOVERNMENTAL AND PROPRIETARY OPERATIONS. THE GOVERNING BOARD  
4 SHALL ADOPT ANY NECESSARY BYLAWS, POLICIES OR RULES CONSISTENT WITH THIS  
5 ARTICLE.

6 B. A PROSPERITY DISTRICT MAY ONLY FURNISH MUNICIPAL SERVICES,  
7 UTILITIES AND INFRASTRUCTURE WITHOUT WHICH:

8 1. THE PROSPERITY DISTRICT WOULD BE UNABLE TO PERFORM ITS DUTIES UNDER  
9 THIS ARTICLE.

10 2. DEVELOPMENT AND IMPROVEMENT OF THE REAL PROPERTY IN THE PROSPERITY  
11 DISTRICT WOULD BE IMPRACTICABLE.

12 3. THE DISTRICT WOULD CEASE TO EXIST AS A VIABLE GOVERNMENTAL ENTITY.

13 C. A PROSPERITY DISTRICT:

14 1. MAY NOT EXERCISE THE POWER OF EMINENT DOMAIN OR LEVY ANY TAX.

15 2. SHALL GIVE PREFERENCE TO RULES OF GOVERNANCE THAT ARE ADOPTED  
16 VOLUNTARILY BY CONTRACT.

17 18-107. Dissolution of prosperity district; vacation of revenue  
18 sharing agreements

19 A PROSPERITY DISTRICT MAY BE DISSOLVED AND ALL REVENUE SHARING  
20 AGREEMENTS RELATING TO ITS FORMATION OR EXPANSION MAY BE VACATED PURSUANT TO  
21 THE BYLAWS OF ITS GOVERNING BOARD OR ON WRITTEN PETITION SUBMITTED TO THE  
22 GOVERNING BOARD OF THE PROSPERITY DISTRICT BY PROPERTY OWNERS OF LANDS WITHIN  
23 THE PROSPERITY DISTRICT REPRESENTING AT LEAST TWO-THIRDS OF THE FAIR MARKET  
24 VALUE OF ALL LANDS WITHIN THE PROSPERITY DISTRICT."

25 Amend title to conform

DARIN MITCHELL

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03/10/2016  
2:44 PM  
C: kcb

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1159

DATE March 14, 2016 MOTION: DPAS/E

	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		✓			
		5	4	0	0

APPROVED:

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

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

ATTACHMENT 5



# HOUSE OF REPRESENTATIVES

SB 1523

truth in taxation; levy increases

Prime Sponsor: Senator Smith, LD 11

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1523 directs a political subdivision governing body to approve any proposed tax levy increase of 15% or more, excluding increases due to new construction, by a roll call vote.

## PROVISIONS

1. Requires a proposed community college district, county or municipal tax levy that increased by 15% or more from the previous year, excluding increases due to new construction, to be approved by the jurisdiction's governing body by a unanimous roll call vote.
2. Makes technical changes.

## CURRENT LAW

Laws 1997, Chapter 150 established the Truth in Taxation (TNT) notice and hearing requirements. The TNT law requires public disclosure from political subdivisions proposing an increase in their primary property tax levy from the prior year. If a community college district, county, city or town's proposed primary property tax levy, excluding amounts attributable to new construction, is greater than the amount levied in the year prior, the taxing jurisdiction must publish a notice and hold a public hearing to educate the public. The hearing must be noticed in a specified manner, informing taxpayers of the intent to raise the primary property taxes over the prior year's level. The political subdivision governing body must consider a motion to levy the increased property tax by a roll call vote. While the political subdivision may increase property taxes, if it meets TNT requirements, it is still prohibited from exceeding its levy limit (A.R.S. §§ 15-1461.01 & 42-17107).

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1523

DATE March 14, 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	3	0	0

APPROVED:

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

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

ATTACHMENT 7



# HOUSE OF REPRESENTATIVES

SB 1216

charitable donations; tax credit amounts  
Prime Sponsor: Senator Yarbrough, LD 17

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1216 increases the amount a taxpayer may claim as a tax credit for contributions made to a charitable organization.

## PROVISIONS

1. Increases the amount of tax credit a taxpayer may claim for contributions to a qualifying charitable organization from \$200 to \$400 for individuals and \$400 to \$800 for married couples.
2. Increases the amount of tax credit a taxpayer may claim for contributions to a foster care charitable organization from \$400 to \$500 for individuals and from \$800 to \$1000 for married couples.
3. Contains a retroactive effective date of January 1, 2016.

## CURRENT LAW

A taxpayer may receive a tax credit for up to \$200 for individuals and \$400 for married couples for making voluntary cash contributions to a qualifying charitable organization. The cap rises to \$400 for individuals and \$800 for married couples if the organization is a qualifying foster care charitable organization. Taxpayers are required to report the name of the charitable organization and the amount of contribution to the Department of Revenue (DOR). Each qualifying charitable organization is required to provide DOR with a written certification that it meets all the criteria to be considered a qualifying charitable organization. *Qualifying charitable organization* is defined as a nonprofit organization that spends at least 50% of its budget on services to residents. *Qualifying foster care charitable organization* is defined as a qualifying charitable organization that provides services to at least 200 foster children and spends at least 50% of its budget on services to foster children (A.R.S. 43-1088).

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1216

DATE March 14, 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		✓			
		9	0	0	0

APPROVED:

  
 DARIN MITCHELL, Chairman  
 ANTHONY KERN, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 9



# HOUSE OF REPRESENTATIVES

SB 1217

charitable tax credit; contribution date  
Prime Sponsor: Senator Yarbrough, LD 17

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1217 allows a tax credit for contributions made to a charitable organization to be applied to the current or preceding taxable year, if made on or before April 15<sup>th</sup>.

## PROVISIONS

1. Allows a tax credit for contributions made to a charitable organization, on or before April 15<sup>th</sup>, to be applied to the current or preceding taxable year.
2. Contains a retroactive effective date of January 1, 2016.
3. Makes conforming changes.

## CURRENT LAW

A taxpayer may receive a tax credit for up to \$200 for individuals and \$400 for married couples for making voluntary cash contributions to a qualifying charitable organization. The cap rises to \$400 for individuals and \$800 for married couples if the organization is a qualifying foster care charitable organization. Taxpayers are required to report the name of the charitable organization and the amount of contribution to the Department of Revenue (DOR). Each qualifying charitable organization is required to provide DOR with a written certification that it meets all the criteria to be considered a qualifying charitable organization.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1217

DATE March 14, 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 11



# HOUSE OF REPRESENTATIVES

SB 1350

online lodging; administration; definitions

Prime Sponsor: Senator Lesko, LD 21

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1350 establishes regulations for online lodging and vacation rental operations.

## PROVISIONS

### *Vacation Rental Regulations*

1. Prohibits a city, town or county from restricting the use or regulation of vacation rentals and short-term rentals based upon their classification, use or occupancy.
2. Specifies that a city, town or county may regulate vacation rentals if the regulation is meant to protect public health and safety, including fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control.
3. States that a city, town or county may limit or prohibit the use of vacation rentals for each of the following purposes: housing sex offenders, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.

### *Online Lodging: Audits*

4. Specifies that an online lodging marketplace, its returns and its payments of taxes are subject to audit by the Department of Revenue (DOR).
5. Stipulates that the audit of an online lodging marketplace must be conducted solely on the marketplace's taxpayer identification number and not directly or indirectly on any individual online lodging operator or occupant to whom lodgings are furnished through an online lodging transaction.
6. Specifies that an online lodging operator is not required to disclose any personally identifiable information relating to an operator or occupant whose lodging was furnished in exchange for a charge for occupancy.
7. Prohibits DOR from disclosing information provided by an online lodging marketplace without the written consent of the marketplace.

### *Online Lodging: Taxation*

8. Allows an online lodging marketplace to register with DOR for the payment of taxes levied by the state or a political subdivision thereof for any online lodging transactions.
9. Requires an online lodging marketplace that is registered with DOR to remit all taxes for each online lodging transaction facilitated by the marketplace.
10. Specifies that an online lodging marketplace must remit the aggregate total amount for all respective taxing jurisdictions and report taxes monthly to DOR.

**SB 1350**

11. Stipulates that the taxes imposed for each online lodging transaction that involves a lease or rental for the right of use or occupancy of the property for thirty or more consecutive days are taxed under the commercial lease classification of transaction privilege tax (TPT) and must be remitted by the online lodging marketplace to DOR.
12. Specifies that the activities of any online lodging marketplace are not classified as transient lodging.
13. Provides that an online lodging marketplace is not required to list or identify any individual online lodging operator on any return.
14. Exempts the gross proceeds or gross income received by an online lodging operator from any taxes for online lodging transactions made by an online lodging marketplace, for which there is written notice that the marketplace is registered with DOR for the collection of taxes and documentation of tax collected.
15. Stipulates that a city, town or other taxing jurisdiction may levy TPT, use, franchise or other similar taxes or fees on an online lodging operator if the following requirements are met:
  - a. The adopted tax is uniform with the treatment of online lodging operators and transactions.
  - b. The adopted tax is administered, collected and enforced by DOR and remitted to the city, town or other taxing jurisdiction in a uniform manner.
  - c. The adopted tax is uniform upon online lodging operators and other taxpayers of the same class within the jurisdictional boundaries of the city, town or other jurisdiction.
  - d. Any adopted tax is subject to provisions relating to audits, confidential information, judicial enforcement, registration of online lodging marketplaces and tax returns.

*Miscellaneous*

16. Classifies real and personal property and improvements, used for leasing or renting to lodgers, as class four property, except for:
  - a. Property occupied by the owner as the primary residence, included in class three.
  - b. Property used for commercial purposes as classified in class one.
17. Defines terms.
18. Makes technical and conforming changes.
19. Sets an effective date of January 1, 2017

**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. The transient lodging classification is comprised of the business of operating for the occupancy of *transients*—any person who either at their own or another's expense obtains lodging space on a daily or weekly basis for less than 30 consecutive days. The classification includes hotels or motels, inns, tourist homes, dude ranches, resorts, campgrounds and other similar establishments. Transient lodging does not include convalescent homes or facilities, rental of a mobile home or house trailers at a fixed structure and renting four or fewer rooms at a bed and breakfast. The tax base for the transient lodging classification is the gross proceeds of sales or gross income derived from the business (A.R.S. §42-5070).

A.R.S. § 42-5005 stipulates that every person who receives income that is subject to TPT must apply to DOR for an annual TPT license in order to engage in or continue business. The license is valid only for the calendar year in which it was issued, but may be renewed each year.

***Hermanos Gillenwater, Limited Partnership***  
***6910 5<sup>th</sup> Avenue***  
***Scottsdale, Arizona 85251***  
***602-538-2800***  
***gil@gillenwater.biz***  
***Paleostone@aol.com***

March 14, 2015

Arizona House of Representatives  
1700 W. Washington Street  
Phoenix, AZ 85007

Re: Please Support SB 1350

Dear Members of the Arizona House of Representatives:

We are writing in support of Senate Bill 1350, which allows responsible homeowners to offer their homes as short-term vacation rentals and makes it easy for homeowners to pay their fair share of rental taxes. As the owners of a vacation rental in Jerome for over 30 years, we can attest to the need for this law.

In 1983, we bought a home in Jerome because we loved the town and its incredible views. Neither of us could live there full time so we have offered the home as a vacation rental. Our home was built in 1889 and we have invested considerable time and money into keeping our historic home in pristine condition. Our hard work has not gone unnoticed. Our home has been featured on the Jerome Historic Home and Building Tour.

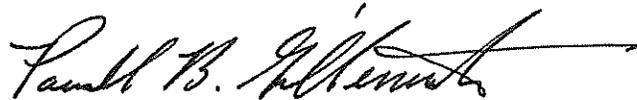
Unfortunately, Jerome recently declared vacations rentals are illegal. Despite the fact that we have been offering our home for rent for over 30 years, the town told us last year that we can no longer use our home as a vacation rental without ever passing a law banning the use. Jerome's decision to take this course of action is both shocking and disappointing.

Local governments are right to restrict nuisances, noise, and crime, but existing ordinances already do that. Those regulations are sensibly targeted, not blanket bans. Cities don't, for instance, forbid all backyard barbeques just because some might get noisy—they enforce reasonable restrictions on noise, while respecting people's rights to use their property.

This bill strikes the reasonable balance. It provides that local governments may limit vacation rentals where doing so is narrowly tailored to protect public health and safety, but may not impose a one-size-fits-all ban.

Banning short-term vacation rentals hurts property owners relying on rental income to pay the bills, families seeking affordable vacation lodging, and local businesses that thrive on visitors who flock to Jerome to experience its historic character. We have worked hard to care for our home and we have made every effort to follow the rules. Senate Bill 1350 vindicates our property rights and ensures we can continue to offer our home to families wanting to visit Jerome.

Sincerely,



Powell B. Gillenwater



Troy G. Gillenwater

*For the Hermanos Gillenwater, Limited Partnership*

March 14, 2015

Arizona House of Representatives  
1700 W. Washington Street  
Phoenix, AZ 85007

Re: Please Support SB 1350

Dear Members of the Arizona House of Representatives:

I am writing in support of Senate Bill 1350, which allows responsible homeowners to offer their homes as short-term vacation rentals and makes it easy for homeowners to pay their fair share of rental taxes. As the owner of a vacation rental in Jerome, I can attest to the need for this law.

In 2012, I bought a home in Jerome in order for my family to have a place to stay when we visit my daughter. Since there was nothing on Jerome's books banning short-term rentals, I knew I could rent my home when we weren't staying there. Built in 1902, the home needed extensive repairs and restoration when I purchased it. After spending over 20 months and working diligently with Jerome officials to ensure I followed the rules, the renovations were completed and I began offering the home as a short-term rental.

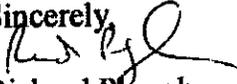
Unfortunately, Jerome declared vacations rentals are illegal last year. Despite giving me business permits to rent the home over the years, the town told me I can no longer use my home as a vacation rental despite never passing a law banning the use. Jerome's decision to take this course of action is both shocking and disappointing.

Local governments are right to restrict nuisances, noise, and crime, but existing ordinances already do that. Those regulations are sensibly targeted, not blanket bans. Cities don't, for instance, forbid all backyard barbeques just because some might get noisy—they enforce reasonable restrictions on noise, while respecting people's rights to use their property.

This bill strikes the reasonable balance. It provides that local governments may limit vacation rentals where doing so is narrowly tailored to protect public health and safety, but may not impose a one-size-fits-all ban.

Banning short-term vacation rentals hurts property owners relying on rental income to pay the bills, families seeking affordable vacation lodging, and local businesses that thrive on visitors who flock to Jerome to experience its historic character. I have worked hard to care for my home and I have made every effort to follow the rules. Senate Bill 1350 vindicates my property rights and ensures I can continue to offer my home to families wanting to visit Jerome.

Sincerely,



Richard Plough

March 14, 2015

Arizona House of Representatives  
1700 W. Washington Street  
Phoenix, AZ 85007

Re: Please Support SB 1350

Dear Members of the Arizona House of Representatives:

I am writing in support of Senate Bill 1350, which allows responsible homeowners to offer their homes as short-term vacation rentals and makes it easy for homeowners to pay their fair share of rental taxes. As the owner of a vacation rental in Jerome, I can attest to the need for this law.

In 2002, I bought a home in Jerome. Built in 1898, the home had fallen into disrepair by the time I purchased it. After spending years restoring it into pristine condition, I meticulously decorated my home with period furniture, draperies, and unique art. I'm proud to say my efforts in restoring and decorating my home earned it a spot in the Jerome Historic Home Tour.

In 2012, I decided to offer my home as a vacation rental. I checked with all of my neighbors and they supported my project. My efforts have been successful and I have been able to open my home to people from all over the country who want to experience all of the wonderful things Jerome has to offer.

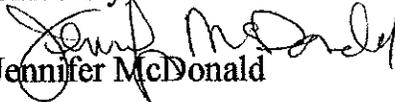
Unfortunately, Jerome declared vacations rentals illegal last year. Despite giving me business permits to rent the home over the years, the town told me I can no longer use my home as a vacation rental despite never passing a law banning the use. Jerome's decision to take this course of action is both shocking and disappointing.

Local governments are right to restrict nuisances, noise, and crime, but existing ordinances already do that. Those regulations are sensibly targeted, not blanket bans. Cities don't, for instance, forbid all backyard barbeques just because some might get noisy—they enforce reasonable restrictions on noise, while respecting people's rights to use their property.

This bill strikes the reasonable balance. It provides that local governments may limit vacation rentals where doing so is narrowly tailored to protect public health and safety, but may not impose a one-size-fits-all ban.

Banning short-term vacation rentals hurts property owners relying on rental income to pay the bills, families seeking affordable vacation lodging, and local businesses that thrive on visitors who flock to Jerome to experience its historic character. I have worked hard to care for my home and I have made every effort to follow the rules. Senate Bill 1350 vindicates my property rights and ensures I can continue to offer my home to families wanting to visit Jerome.

Sincerely,

  
Jennifer McDonald

March 14, 2015

Arizona House of Representatives  
1700 W. Washington Street  
Phoenix, AZ 85007

Re: Please Support SB 1350

Dear Members of the Arizona House of Representatives:

We are writing in support of Senate Bill 1350, which allows responsible homeowners to offer rooms in their homes to visitors as short-term vacation rentals, and which makes it easy for them to pay their fair share of rental taxes. As the owners of rentals across the state that care for and love the homes we rent, we can attest to the need for this law.

This law isn't just needed because of the growing popularity of rentals as way for families to visit Arizona's many landmarks. It's needed because a growing number of cities and towns are trying to ban short-term rentals altogether. These bans are unjust and costly. They harm the tourism industry, turn neighbor against neighbor, and unfairly reduce property values.

Take Glenn Odegard's experience with the town of Jerome, for example. In 2012, Glenn bought a home in Jerome that had been abandoned and left vacant for 60 years after a landslide filled it with rocks and mud. Intending to offer it as a rental, he lovingly restored the dilapidated home to its original historic condition.

Unfortunately, after he invested considerable time, money, and effort into revitalizing this neglected home, Jerome officials deemed him an outlaw. Despite giving him a business permit and previously embracing the project, the town decreed that he can no longer let people stay in the home.

For years, Jerome property owners like Glenn have opened their homes to visitors. Glenn bought his home for that express purpose. But now, officials are trying to change the rules in the middle of the game by suddenly announcing that vacation rentals are illegal. Adding insult to injury, homeowners who have invested significant time and money into revitalizing homes face not only fines but possibly jail time if they violate the town's new edict.

Many of us have faced similar problems. Short-term rental bans are becoming increasingly common nationwide and in Arizona. Honolulu is fining people \$10,000 per day for letting guests stay in their homes. Some California cities forbid adults under 30 years old from renting rooms. Sedona imposed criminal punishment on homeowners, under an ordinance so broadly worded it could have prohibited people from letting babysitters stay in their homes.

Local governments are right to restrict nuisances, noise, and crime. But existing ordinances already do that. Those regulations are sensibly targeted, not blanket bans. Cities don't, for instance, forbid all backyard barbeques just because some might get noisy—they enforce reasonable restrictions on noise, while respecting people's rights to use their property. That is all SB 1350 does. It allows localities to restrict nuisances, but doesn't let them impose unnecessary and burdensome across-the-board prohibitions. Let states that want to discourage entrepreneurship and tourism impose such bans – not Arizona.

SB 1350 strikes a reasonable balance, protecting quiet, clean, and safe neighborhoods without violating property rights and hurting the economy. We ask you to support it.

Sincerely,

Owners of Arizona rental homes:

Robert Armitage  
Larry Ault  
Sandra Armitage  
Ken Beller  
Nicole Bianchi  
Charles Bianchi  
David Branch  
Peggy Branch  
Lisa Brumbaugh  
Marcia Caldwell  
Simon Cooper-Keeble  
Ingrid Hardy  
Don Harms  
Paul A. Kanter

Stephane Chartier  
Gerald A. Combs  
Sean Donovan  
Irenka Elder  
Scott Elder  
Adam Elder  
Clyde W. Elder, III  
Tyler Elder  
Fred Estrada  
Verna Fischer  
Elizabeth Garcia  
Sheri Gilmore  
Kris Graham  
Katie Harvey  
Lori Juscius  
Susan M. Meyer  
Carolina Norquist  
Rob Perdrizet  
Lisa Perdrizet  
Brenda Phipps  
Kim Plotkin  
John Plotkin  
Janis Pope  
Victoria Smith  
Philip Smith  
Jeff Taylor  
Ron Tuckman  
Denise van den Bossche  
Patrick van den Bossche  
Mallory Wright

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1350

DATE March 14, 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	1	0	0

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

  
 COMMITTEE SECRETARY

ATTACHMENT 17



# HOUSE OF REPRESENTATIVES

SB 1423

gold and silver coins; taxation

Prime Sponsor: Senator Farnsworth D, LD 16

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## SUMMARY OF STRIKE-EVERYTHING

The proposed strike-everything amendment to SB 1423 permits a tax deduction on income derived from the exchange of specie.

## PROVISIONS

1. Allows a tax deduction on income derived from the exchange of one kind of specie for another.
2. Requires any capital loss derived from the exchange of specie to be added to a taxpayer's Arizona Gross Income.
3. Specifies that the specie must be exchanged at face value or an amount based on the fair market value of the metal content.
4. Defines *specie* as coins having precious metal content.
5. Contains a delayed effective date of January 1, 2017.
6. Makes technical changes.

## CURRENT LAW

A.R.S. § 43-1001 states that Arizona Gross Income is equal to a taxpayer's Federal Adjusted Gross Income for the taxable year and Adjusted Gross Income is an individual's Arizona Gross Income adjusted by any statutory additions or subtractions.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1423

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 43-1021, Arizona Revised Statutes, is amended to  
3 read:

4 43-1021. Additions to Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall  
6 be added to Arizona gross income:

7 1. A beneficiary's share of the fiduciary adjustment to the extent  
8 that the amount determined by section 43-1333 increases the beneficiary's  
9 Arizona gross income.

10 2. An amount equal to the ordinary income portion of a lump sum  
11 distribution that was excluded from federal adjusted gross income pursuant to  
12 the special rule for individuals who attained fifty years of age before  
13 January 1, 1986 under Public Law 99-514, section 1122(h)(3).

14 3. The amount of interest income received on obligations of any state,  
15 territory or possession of the United States, or any political subdivision  
16 thereof, located outside the state of Arizona, reduced, for tax years  
17 beginning from and after December 31, 1996, by the amount of any interest on  
18 indebtedness and other related expenses that were incurred or continued to  
19 purchase or carry those obligations and that are not otherwise deducted or  
20 subtracted in arriving at Arizona gross income.

21 4. The excess of a partner's share of partnership taxable income  
22 required to be included under chapter 14, article 2 of this title over the

1 income required to be reported under section 702(a)(8) of the internal  
2 revenue code.

3 5. The excess of a partner's share of partnership losses determined  
4 pursuant to section 702(a)(8) of the internal revenue code over the losses  
5 allowable under chapter 14, article 2 of this title.

6 6. The amount by which the adjusted basis of property described in  
7 this paragraph and computed pursuant to the internal revenue code exceeds the  
8 adjusted basis of such property computed pursuant to this title and the  
9 income tax act of 1954, as amended. This paragraph shall apply to all  
10 property that is held for the production of income and that is sold or  
11 otherwise disposed of during the taxable year, except depreciable property  
12 used in a trade or business.

13 7. Any amount of agricultural water conservation expenses that were  
14 deducted pursuant to the internal revenue code for which a credit is claimed  
15 under section 43-1084.

16 8. The amount by which the depreciation or amortization computed under  
17 the internal revenue code with respect to property for which a credit was  
18 taken under section 43-1080 exceeds the amount of depreciation or  
19 amortization computed pursuant to the internal revenue code on the Arizona  
20 adjusted basis of the property.

21 9. The amount by which the adjusted basis computed under the internal  
22 revenue code with respect to property for which a credit was claimed under  
23 section 43-1080 and that is sold or otherwise disposed of during the taxable  
24 year exceeds the adjusted basis of the property computed under section  
25 43-1080.

26 10. The amount by which the depreciation or amortization computed under  
27 the internal revenue code with respect to property for which a credit was  
28 taken under either section 43-1081 or 43-1081.01 exceeds the amount of  
29 depreciation or amortization computed pursuant to the internal revenue code  
30 on the Arizona adjusted basis of the property.

31 11. The amount by which the adjusted basis computed under the internal  
32 revenue code with respect to property for which a credit was claimed under

1 section 43-1074.02, 43-1081 or 43-1081.01 and that is sold or otherwise  
2 disposed of during the taxable year exceeds the adjusted basis of the  
3 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as  
4 applicable.

5 12. The deduction referred to in section 1341(a)(4) of the internal  
6 revenue code for restoration of a substantial amount held under a claim of  
7 right.

8 13. The amount by which a net operating loss carryover or capital loss  
9 carryover allowable pursuant to section 1341(b)(5) of the internal revenue  
10 code exceeds the net operating loss carryover or capital loss carryover  
11 allowable pursuant to section 43-1029, subsection F.

12 14. Any amount deducted in computing Arizona gross income as expenses  
13 for installing solar stub outs or electric vehicle recharge outlets in this  
14 state with respect to which a credit is claimed pursuant to section 43-1090.

15 15. Any wage expenses deducted pursuant to the internal revenue code  
16 for which a credit is claimed under section 43-1087 and representing net  
17 increases in qualified employment positions for employment of temporary  
18 assistance for needy families recipients.

19 16. The amount of any depreciation allowance allowed pursuant to  
20 section 167(a) of the internal revenue code to the extent not previously  
21 added.

22 17. With respect to property for which an expense deduction was taken  
23 pursuant to section 179 of the internal revenue code in a taxable year  
24 beginning before January 1, 2013, the amount in excess of twenty-five  
25 thousand dollars.

26 18. The amount of a nonqualified withdrawal, as defined in section  
27 15-1871, from a college savings plan established pursuant to section 529 of  
28 the internal revenue code that is made to a distributee to the extent the  
29 amount is not included in computing federal adjusted gross income, except  
30 that the amount added under this paragraph shall not exceed the difference  
31 between the amount subtracted under section 43-1022 in prior taxable years  
32 and the amount added under this section in any prior taxable years.

1           19. The amount of discharge of indebtedness income that is deferred and  
2 excluded from the computation of federal adjusted gross income in the current  
3 taxable year pursuant to section 108(i) of the internal revenue code as added  
4 by section 1231 of the American recovery and reinvestment act of 2009  
5 (P.L. 111-5).

6           20. The amount of any previously deferred original issue discount that  
7 was deducted in computing federal adjusted gross income in the current year  
8 pursuant to section 108(i) of the internal revenue code as added by section  
9 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to  
10 the extent that the amount was previously subtracted from Arizona gross  
11 income pursuant to section 43-1022, paragraph 24.

12           ~~21. For taxable years beginning from and after December 31, 2011~~  
13 ~~through December 31, 2014, the amount of any deduction that is claimed in~~  
14 ~~computing federal adjusted gross income for health insurance premiums or~~  
15 ~~contributions to a health savings account for which a credit is claimed under~~  
16 ~~section 43-1087.01.~~

17           21. THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN FEDERAL ADJUSTED  
18 GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE  
19 KIND OF SPECIE FOR ANOTHER KIND OF SPECIE. FOR THE PURPOSES OF THIS  
20 PARAGRAPH:

21           (a) THE SPECIE MUST BE EXCHANGED EITHER AT FACE VALUE OR AT AN AMOUNT  
22 BASED ON THE FAIR MARKET VALUE OF THE METAL CONTENT.

23           (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

24           22. Amounts that are considered to be income under section 43-1032,  
25 subsection D because the amount is withdrawn from a long-term health care  
26 savings account and not used to pay the taxpayer's long-term health care  
27 expenses.

28           Sec. 2. Section 43-1022, Arizona Revised Statutes, is amended to read:  
29           43-1022. Subtractions from Arizona gross income

30           In computing Arizona adjusted gross income, the following amounts shall  
31 be subtracted from Arizona gross income:

32           1. The amount of exemptions allowed by section 43-1023.

1           2. Benefits, annuities and pensions in an amount totaling not more  
2 than two thousand five hundred dollars received from one or more of the  
3 following:

4           (a) The United States government service retirement and disability  
5 fund, retired or retainer pay of the uniformed services of the United States,  
6 the United States foreign service retirement and disability system and any  
7 other retirement system or plan established by federal law.

8           (b) The Arizona state retirement system, the corrections officer  
9 retirement plan, the public safety personnel retirement system, the elected  
10 officials' retirement plan, an optional retirement program established by the  
11 Arizona board of regents under section 15-1628, an optional retirement  
12 program established by a community college district board under section  
13 15-1451 or a retirement plan established for employees of a county, city or  
14 town in this state.

15           3. A beneficiary's share of the fiduciary adjustment to the extent  
16 that the amount determined by section 43-1333 decreases the beneficiary's  
17 Arizona gross income.

18           4. Interest income received on obligations of the United States, less  
19 any interest on indebtedness, or other related expenses, and deducted in  
20 arriving at Arizona gross income, which were incurred or continued to  
21 purchase or carry such obligations.

22           5. The excess of a partner's share of income required to be included  
23 under section 702(a)(8) of the internal revenue code over the income required  
24 to be included under chapter 14, article 2 of this title.

25           6. The excess of a partner's share of partnership losses determined  
26 pursuant to chapter 14, article 2 of this title over the losses allowable  
27 under section 702(a)(8) of the internal revenue code.

28           7. The amount by which the adjusted basis of property described in  
29 this paragraph and computed pursuant to this title and the income tax act of  
30 1954, as amended, exceeds the adjusted basis of such property computed  
31 pursuant to the internal revenue code. This paragraph shall apply to all  
32 property that is held for the production of income and that is sold or

1 otherwise disposed of during the taxable year other than depreciable property  
2 used in a trade or business.

3 8. The amount allowed by section 43-1025 for contributions during the  
4 taxable year of agricultural crops to charitable organizations.

5 9. The portion of any wages or salaries paid or incurred by the  
6 taxpayer for the taxable year that is equal to the amount of the federal work  
7 opportunity credit, the empowerment zone employment credit, the credit for  
8 employer paid social security taxes on employee cash tips and the Indian  
9 employment credit that the taxpayer received under sections 45A, 45B, 51(a)  
10 and 1396 of the internal revenue code.

11 10. The amount of prizes or winnings less than five thousand dollars in  
12 a single taxable year from any of the state lotteries established and  
13 operated pursuant to title 5, chapter 5.1, article 1.

14 11. The amount of exploration expenses that is determined pursuant to  
15 section 617 of the internal revenue code, that has been deferred in a taxable  
16 year ending before January 1, 1990 and for which a subtraction has not  
17 previously been made. The subtraction shall be made on a ratable basis as  
18 the units of produced ores or minerals discovered or explored as a result of  
19 this exploration are sold.

20 12. The amount included in federal adjusted gross income pursuant to  
21 section 86 of the internal revenue code, relating to taxation of social  
22 security and railroad retirement benefits.

23 13. To the extent not already excluded from Arizona gross income under  
24 the internal revenue code, compensation received for active service as a  
25 member of the reserves, the national guard or the armed forces of the United  
26 States, including compensation for service in a combat zone as determined  
27 under section 112 of the internal revenue code.

28 14. The amount of unreimbursed medical and hospital costs, adoption  
29 counseling, legal and agency fees and other nonrecurring costs of adoption  
30 not to exceed three thousand dollars. In the case of a husband and wife who  
31 file separate returns, the subtraction may be taken by either taxpayer or may  
32 be divided between them, but the total subtractions allowed both husband and

1 wife shall not exceed three thousand dollars. The subtraction under this  
2 paragraph may be taken for the costs that are described in this paragraph and  
3 that are incurred in prior years, but the subtraction may be taken only in  
4 the year during which the final adoption order is granted.

5 15. The amount authorized by section 43-1027 for the taxable year  
6 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

7 16. The amount by which a net operating loss carryover or capital loss  
8 carryover allowable pursuant to section 43-1029, subsection F exceeds the net  
9 operating loss carryover or capital loss carryover allowable pursuant to  
10 section 1341(b)(5) of the internal revenue code.

11 17. Any amount of qualified educational expenses that is distributed  
12 from a qualified state tuition program determined pursuant to section 529 of  
13 the internal revenue code and that is included in income in computing federal  
14 adjusted gross income.

15 18. Any item of income resulting from an installment sale that has been  
16 properly subjected to income tax in another state in a previous taxable year  
17 and that is included in Arizona gross income in the current taxable year.

18 19. The amount authorized by section 43-1030 relating to holocaust  
19 survivors.

20 20. For property placed in service:

21 (a) In taxable years beginning before December 31, 2012, an amount  
22 equal to the depreciation allowable pursuant to section 167(a) of the  
23 internal revenue code for the taxable year computed as if the election  
24 described in section 168(k)(2)(D)(iii) of the internal revenue code had been  
25 made for each applicable class of property in the year the property was  
26 placed in service.

27 (b) In taxable years beginning from and after December 31, 2012  
28 through December 31, 2013, an amount determined in the year the asset was  
29 placed in service based on the calculation in subdivision (a) of this  
30 paragraph. In the first taxable year beginning from and after December 31,  
31 2013, the taxpayer may elect to subtract the amount necessary to make the  
32 depreciation claimed to date for the purposes of this title the same as it

1 would have been if subdivision (c) of this paragraph had applied for the  
2 entire time the asset was in service. Subdivision (c) of this paragraph  
3 applies for the remainder of the asset's life. If the taxpayer does not make  
4 the election under this subdivision, subdivision (a) of this paragraph  
5 applies for the remainder of the asset's life.

6 (c) In taxable years beginning from and after December 31, 2013, an  
7 amount equal to the depreciation allowable pursuant to section 167(a) of the  
8 internal revenue code for the taxable year as computed as if the additional  
9 allowance for depreciation had been ten ~~per cent~~ PERCENT of the amount  
10 allowed pursuant to section 168(k) of the internal revenue code.

11 21. With respect to property that is sold or otherwise disposed of  
12 during the taxable year by a taxpayer that complied with section 43-1021,  
13 paragraph 16 with respect to that property, the amount of depreciation that  
14 has been allowed pursuant to section 167(a) of the internal revenue code to  
15 the extent that the amount has not already reduced Arizona taxable income in  
16 the current or prior taxable years.

17 22. With respect to property for which an adjustment was made under  
18 section 43-1021, paragraph 17, an amount equal to one-fifth of the amount of  
19 the adjustment pursuant to section 43-1021, paragraph 17 in the year in which  
20 the amount was adjusted under section 43-1021, paragraph 17 and in each of  
21 the following four years.

22 23. The amount contributed during the taxable year to college savings  
23 plans established pursuant to section 529 of the internal revenue code to the  
24 extent that the contributions were not deducted in computing federal adjusted  
25 gross income. The amount subtracted shall not exceed:

26 (a) Two thousand dollars for a single individual or a head of  
27 household.

28 (b) Four thousand dollars for a married couple filing a joint return.  
29 In the case of a husband and wife who file separate returns, the subtraction  
30 may be taken by either taxpayer or may be divided between them, but the total  
31 subtractions allowed both husband and wife shall not exceed four thousand  
32 dollars.

1           24. The amount of any original issue discount that was deferred and not  
2 allowed to be deducted in computing federal adjusted gross income in the  
3 current taxable year pursuant to section 108(i) of the internal revenue code  
4 as added by section 1231 of the American recovery and reinvestment act of  
5 2009 (P.L. 111-5).

6           25. The amount of previously deferred discharge of indebtedness income  
7 that is included in the computation of federal adjusted gross income in the  
8 current taxable year pursuant to section 108(i) of the internal revenue code  
9 as added by section 1231 of the American recovery and reinvestment act of  
10 2009 (P.L. 111-5), to the extent that the amount was previously added to  
11 Arizona gross income pursuant to section 43-1021, paragraph 19.

12           26. The portion of the net operating loss carryforward that would have  
13 been allowed as a deduction in the current year pursuant to section 172 of  
14 the internal revenue code if the election described in section 172(b)(1)(H)  
15 of the internal revenue code had not been made in the year of the loss that  
16 exceeds the actual net operating loss carryforward that was deducted in  
17 arriving at federal adjusted gross income. This subtraction only applies to  
18 taxpayers who made an election under section 172(b)(1)(H) of the internal  
19 revenue code as amended by section 1211 of the American recovery and  
20 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the  
21 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

22           27. For taxable years beginning from and after December 31, 2013, the  
23 amount of any net capital gain included in federal adjusted gross income for  
24 the taxable year derived from investment in a qualified small business as  
25 determined by the Arizona commerce authority pursuant to section 41-1518.

26           28. An amount of any net long-term capital gain included in federal  
27 adjusted gross income for the taxable year that is derived from an investment  
28 in an asset acquired after December 31, 2011, as follows:

29           (a) For taxable years beginning from and after December 31, 2012  
30 through December 31, 2013, ~~ten per-cent~~ PERCENT of the net long-term capital  
31 gain included in federal adjusted gross income.

1 (b) For taxable years beginning from and after December 31, 2013  
2 through December 31, 2014, twenty ~~per-cent~~ PERCENT of the net long-term  
3 capital gain included in federal adjusted gross income.

4 (c) For taxable years beginning from and after December 31, 2014,  
5 twenty-five ~~per-cent~~ PERCENT of the net long-term capital gain included in  
6 federal adjusted gross income.

7 For the purposes of this paragraph, a transferee that receives an asset by  
8 gift or at the death of a transferor is considered to have acquired the asset  
9 when the asset was acquired by the transferor. If the date an asset is  
10 acquired cannot be verified, a subtraction under this paragraph is not  
11 allowed.

12 29. If an individual is not claiming itemized deductions pursuant to  
13 section 43-1042, the amount of premium costs for long-term care insurance, as  
14 defined in section 20-1691.

15 30. With respect to a long-term health care savings account established  
16 pursuant to section 43-1032, the amount deposited by the taxpayer in the  
17 account during the taxable year to the extent that the taxpayer's  
18 contributions are included in the taxpayer's federal adjusted gross income.

19 31. THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED  
20 GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE  
21 KIND OF SPECIE FOR ANOTHER KIND OF SPECIE. FOR THE PURPOSES OF THIS  
22 PARAGRAPH:

23 (a) THE SPECIE MUST BE EXCHANGED EITHER AT FACE VALUE OR AT AN AMOUNT  
24 BASED ON THE FAIR MARKET VALUE OF THE METAL CONTENT.

25 (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

26 Sec. 3. Section 43-1121, Arizona Revised Statutes, is amended to read:  
27 43-1121. Additions to Arizona gross income; corporations

28 In computing Arizona taxable income for a corporation, the following  
29 amounts shall be added to Arizona gross income:

30 1. The amount of interest income received on obligations of any state,  
31 territory or possession of the United States, or any political subdivision  
32 thereof, located outside this state, reduced, for tax years beginning from

1 and after December 31, 1996, by the amount of any interest on indebtedness  
2 and other related expenses that were incurred or continued to purchase or  
3 carry those obligations and that are not otherwise deducted or subtracted in  
4 arriving at Arizona gross income.

5 2. The excess of a partner's share of partnership taxable income  
6 required to be included under chapter 14, article 2 of this title over the  
7 income required to be reported under section 702(a)(8) of the internal  
8 revenue code.

9 3. The excess of a partner's share of partnership losses determined  
10 pursuant to section 702(a)(8) of the internal revenue code over the losses  
11 allowable under chapter 14, article 2 of this title.

12 4. The amount by which the adjusted basis of property described in  
13 this paragraph and computed pursuant to the internal revenue code exceeds the  
14 adjusted basis of such property computed pursuant to this title and the  
15 income tax act of 1954, as amended. This paragraph applies to all property  
16 that is held for the production of income and that is sold or otherwise  
17 disposed of during the taxable year, except depreciable property used in a  
18 trade or business.

19 5. The amount of any depreciation allowance allowed pursuant to  
20 section 167(a) of the internal revenue code to the extent not previously  
21 added.

22 6. With respect to property for which an expense deduction was taken  
23 pursuant to section 179 of the internal revenue code in a taxable year  
24 beginning before January 1, 2013, the amount in excess of twenty-five  
25 thousand dollars.

26 7. The amount of discharge of indebtedness income that is deferred and  
27 excluded from the computation of federal taxable income in the current  
28 taxable year pursuant to section 108(i) of the internal revenue code as added  
29 by section 1231 of the American recovery and reinvestment act of 2009  
30 (P.L. 111-5).

31 8. The amount of any previously deferred original issue discount that  
32 was deducted in computing federal taxable income in the current year pursuant

1 to section 108(i) of the internal revenue code as added by section 1231 of  
2 the American recovery and reinvestment act of 2009 (P.L. 111-5), to the  
3 extent that the amount was previously subtracted from Arizona gross income  
4 pursuant to section 43-1122, paragraph 8.

5 ~~9. For taxable years beginning from and after December 31, 2011~~  
6 ~~through December 31, 2014, the amount of any deduction that is claimed in~~  
7 ~~computing federal taxable income for health insurance premiums or~~  
8 ~~contributions to a health savings account for which a credit is claimed under~~  
9 ~~section 43-1185.~~

10 9. THE AMOUNT OF ANY NET CAPITAL LOSS INCLUDED IN FEDERAL ADJUSTED  
11 GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE  
12 KIND OF SPECIE FOR ANOTHER KIND OF SPECIE. FOR THE PURPOSES OF THIS  
13 PARAGRAPH:

14 (a) THE SPECIE MUST BE EXCHANGED EITHER AT FACE VALUE OR AT AN AMOUNT  
15 BASED ON THE FAIR MARKET VALUE OF THE METAL CONTENT.

16 (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

17 10. The amount of dividend income received from corporations and  
18 allowed as a deduction pursuant to sections 243, 244 and 245 of the internal  
19 revenue code.

20 11. Taxes ~~which~~ THAT are based on income paid to states, local  
21 governments or foreign governments and ~~which~~ THAT were deducted in computing  
22 federal taxable income.

23 12. Expenses and interest relating to tax-exempt income on indebtedness  
24 incurred or continued to purchase or carry obligations the interest on which  
25 is wholly exempt from the tax imposed by this title. Financial institutions,  
26 as defined in section 6-101, shall be governed by section 43-961,  
27 paragraph 2.

28 13. Commissions, rentals and other amounts paid or accrued to a  
29 domestic international sales corporation controlled by the payor corporation  
30 if the domestic international sales corporation is not required to report its  
31 taxable income to this state because its income is not derived from or  
32 attributable to sources within this state. If the domestic international

1 sales corporation is subject to article 4 of this chapter, the department  
2 shall prescribe by rule the method of determining the portion of the  
3 commissions, rentals and other amounts ~~which~~ THAT are paid or accrued to the  
4 controlled domestic international sales corporation and ~~which~~ THAT shall be  
5 deducted by the payor. For the purposes of this paragraph, "control" means  
6 direct or indirect ownership or control of fifty ~~per cent~~ PERCENT or more of  
7 the voting stock of the domestic international sales corporation by the payor  
8 corporation.

9 14. The amount of net operating loss taken pursuant to section 172 of  
10 the internal revenue code.

11 15. The amount of exploration expenses determined pursuant to section  
12 617 of the internal revenue code to the extent that they exceed seventy-five  
13 thousand dollars and to the extent that the election is made to defer those  
14 expenses not in excess of seventy-five thousand dollars.

15 16. Amortization of costs incurred to install pollution control devices  
16 and deducted pursuant to the internal revenue code or the amount of deduction  
17 for depreciation taken pursuant to the internal revenue code on pollution  
18 control devices for which an election is made pursuant to section 43-1129.

19 17. The amount of depreciation or amortization of costs of child care  
20 facilities deducted pursuant to section 167 or 188 of the internal revenue  
21 code for which an election is made to amortize pursuant to section 43-1130.

22 18. The loss of an insurance company that is exempt under section  
23 43-1201 to the extent that it is included in computing Arizona gross income  
24 on a consolidated return pursuant to section 43-947.

25 19. The amount by which the depreciation or amortization computed under  
26 the internal revenue code with respect to property for which a credit was  
27 taken under section 43-1169 exceeds the amount of depreciation or  
28 amortization computed pursuant to the internal revenue code on the Arizona  
29 adjusted basis of the property.

30 20. The amount by which the adjusted basis computed under the internal  
31 revenue code with respect to property for which a credit was claimed under  
32 section 43-1169 and ~~which~~ THAT is sold or otherwise disposed of during the

1 taxable year exceeds the adjusted basis of the property computed under  
2 section 43-1169.

3 21. The amount by which the depreciation or amortization computed under  
4 the internal revenue code with respect to property for which a credit was  
5 taken under either section 43-1170 or 43-1170.01 exceeds the amount of  
6 depreciation or amortization computed pursuant to the internal revenue code  
7 on the Arizona adjusted basis of the property.

8 22. The amount by which the adjusted basis computed under the internal  
9 revenue code with respect to property for which a credit was claimed under  
10 either section 43-1170 or 43-1170.01 and which THAT is sold or otherwise  
11 disposed of during the taxable year exceeds the adjusted basis of the  
12 property computed under section 43-1170 or 43-1170.01, as applicable.

13 23. The deduction referred to in section 1341(a)(4) of the internal  
14 revenue code for restoration of a substantial amount held under a claim of  
15 right.

16 24. The amount by which a capital loss carryover allowable pursuant to  
17 section 1341(b)(5) of the internal revenue code exceeds the capital loss  
18 carryover allowable pursuant to section 43-1130.01, subsection F.

19 25. Any amount deducted in computing Arizona taxable income as expenses  
20 for installing solar stub outs or electric vehicle recharge outlets in this  
21 state with respect to which a credit is claimed pursuant to section 43-1176.

22 26. Any wage expenses deducted pursuant to the internal revenue code  
23 for which a credit is claimed under section 43-1175 and representing net  
24 increases in qualified employment positions for employment of temporary  
25 assistance for needy families recipients.

26 27. Any amount of expenses that were deducted pursuant to the internal  
27 revenue code and for which a credit is claimed under section 43-1178.

28 28. The amount of any deduction that is claimed in computing Arizona  
29 gross income and that represents a donation of a school site for which a  
30 credit is claimed under section 43-1181.

1           29. Any amount deducted pursuant to section 170 of the internal revenue  
2 code representing contributions to a school tuition organization for which a  
3 credit is claimed under section 43-1183 or 43-1184.

4           Sec. 4. Section 43-1122, Arizona Revised Statutes, is amended to read:  
5           43-1122. Subtractions from Arizona gross income: corporations

6           In computing Arizona taxable income for a corporation, the following  
7 amounts shall be subtracted from Arizona gross income:

8           1. The excess of a partner's share of income required to be included  
9 under section 702(a)(8) of the internal revenue code over the income required  
10 to be included under chapter 14, article 2 of this title.

11           2. The excess of a partner's share of partnership losses determined  
12 pursuant to chapter 14, article 2 of this title over the losses allowable  
13 under section 702(a)(8) of the internal revenue code.

14           3. The amount by which the adjusted basis of property described in  
15 this paragraph and computed pursuant to this title and the income tax act of  
16 1954, as amended, exceeds the adjusted basis of such property computed  
17 pursuant to the internal revenue code. This paragraph applies to all  
18 property that is held for the production of income and that is sold or  
19 otherwise disposed of during the taxable year other than depreciable property  
20 used in a trade or business.

21           4. The amount allowed by section 43-1025 for contributions during the  
22 taxable year of agricultural crops to charitable organizations.

23           5. The portion of any wages or salaries paid or incurred by the  
24 taxpayer for the taxable year that is equal to the amount of the federal work  
25 opportunity credit, the empowerment zone employment credit, the credit for  
26 employer paid social security taxes on employee cash tips and the Indian  
27 employment credit that the taxpayer received under sections 45A, 45B, 51(a)  
28 and 1396 of the internal revenue code.

29           6. With respect to property that is sold or otherwise disposed of  
30 during the taxable year by a taxpayer that complied with section 43-1121,  
31 paragraph 5 with respect to that property, the amount of depreciation that  
32 has been allowed pursuant to section 167(a) of the internal revenue code to

1 the extent that the amount has not already reduced Arizona taxable income in  
2 the current TAXABLE YEAR or prior taxable years.

3 7. With respect to property for which an adjustment was made under  
4 section 43-1121, paragraph 6, an amount equal to one-fifth of the amount of  
5 the adjustment pursuant to section 43-1121, paragraph 6 in the year in which  
6 the amount was adjusted under section 43-1121, paragraph 6 and in each of the  
7 following four years.

8 8. The amount of any original issue discount that was deferred and not  
9 allowed to be deducted in computing federal taxable income in the current  
10 taxable year pursuant to section 108(i) of the internal revenue code as added  
11 by section 1231 of the American recovery and reinvestment act of 2009  
12 (P.L. 111-5).

13 9. The amount of previously deferred discharge of indebtedness income  
14 that is included in the computation of federal taxable income in the current  
15 taxable year pursuant to section 108(i) of the internal revenue code as added  
16 by section 1231 of the American recovery and reinvestment act of 2009  
17 (P.L. 111-5), to the extent that the amount was previously added to Arizona  
18 gross income pursuant to section 43-1121, paragraph 7.

19 10. With respect to a financial institution as defined in section  
20 6-101, expenses and interest relating to tax-exempt income disallowed  
21 pursuant to section 265 of the internal revenue code.

22 11. Dividends received from another corporation owned or controlled  
23 directly or indirectly by a recipient corporation. For the purposes of this  
24 paragraph, "control" means direct or indirect ownership or control of fifty  
25 ~~per-cent~~ PERCENT or more of the voting stock of the payor corporation by the  
26 recipient corporation. Dividends shall have the meaning provided in section  
27 316 of the internal revenue code. This subtraction shall apply without  
28 regard to section 43-961, paragraph 2 and article 4 of this chapter.

29 12. Interest income received on obligations of the United States.

30 13. The amount of dividend income from foreign corporations.

31 14. The amount of net operating loss allowed by section 43-1123.

1           15. The amount of any state income tax refunds received ~~which~~ THAT were  
2 included as income in computing federal taxable income.

3           16. The amount of expense recapture included in income pursuant to  
4 section 617 of the internal revenue code for mine exploration expenses.

5           17. The amount of deferred exploration expenses allowed by section  
6 43-1127.

7           18. The amount of exploration expenses related to the exploration of  
8 oil, gas or geothermal resources, computed in the same manner and on the same  
9 basis as a deduction for mine exploration pursuant to section 617 of the  
10 internal revenue code. This computation is subject to the adjustments  
11 contained in section 43-1121, paragraph 15 and paragraphs 16 and 17 of this  
12 section relating to exploration expenses.

13           19. The amortization of pollution control devices allowed by section  
14 43-1129.

15           20. The amount of amortization of the cost of child care facilities  
16 pursuant to section 43-1130.

17           21. The amount of income from a domestic international sales  
18 corporation required to be included in the income of its shareholders  
19 pursuant to section 995 of the internal revenue code.

20           22. The income of an insurance company that is exempt under section  
21 43-1201 to the extent that it is included in computing Arizona gross income  
22 on a consolidated return pursuant to section 43-947.

23           23. The amount by which a capital loss carryover allowable pursuant to  
24 section 43-1130.01, subsection F exceeds the capital loss carryover allowable  
25 pursuant to section 1341(b)(5) of the internal revenue code.

26           24. An amount equal to the depreciation allowable pursuant to section  
27 167(a) of the internal revenue code for the taxable year computed as if the  
28 election described in section 168(k)(2)(D)(iii) of the internal revenue code  
29 had been made for each applicable class of property in the year the property  
30 was placed in service.

31           25. THE AMOUNT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL ADJUSTED  
32 GROSS INCOME FOR THE TAXABLE YEAR THAT IS DERIVED FROM THE EXCHANGE OF ONE

1 KIND OF SPECIE FOR ANOTHER KIND OF SPECIE. FOR THE PURPOSES OF THIS  
2 PARAGRAPH:

3 (a) THE SPECIE MUST BE EXCHANGED EITHER AT FACE VALUE OR AT AN AMOUNT  
4 BASED ON THE FAIR MARKET VALUE OF THE METAL CONTENT.

5 (b) "SPECIE" MEANS COINS HAVING PRECIOUS METAL CONTENT.

6 Sec. 5. Effective date

7 This act is effective and applies to taxable years beginning from and  
8 after December 31, 2016."

9 Amend title to conform

ANTHONY KERN

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03/10/2016  
02:37 PM  
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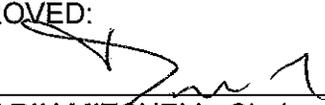
**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1423

DATE March 14, 2016 MOTION: DPAS/E

	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 20



# HOUSE OF REPRESENTATIVES

SB 1157

small property tax balance delinquency  
Prime Sponsor: Senator Burges, LD 22

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X Committee on Ways and Means

Caucus and COW

House Engrossed

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## OVERVIEW

SB 1157 delays the date of delinquency for property taxes equaling \$100 or less from November 1 to December 31.

## PROVISIONS

1. Extends the date of delinquency for property taxes equaling \$100 or less from November 1 to December 31.
2. Makes technical changes.

## CURRENT LAW

A.R.S. § 42-18052 specifies the dates in which property tax payments are due and when they are delinquent. If a taxpayer owes \$100 or less in property taxes, the entire amount is due on October 1 of each year and is considered delinquent if not paid by November 1 at 5:00 P.M.

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

**ROLL CALL VOTE**

COMMITTEE ON WAYS AND MEANS BILL NO. SB 1157

DATE March 14, 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 22

**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	3/14 /16	/16	/16	/16
CONVENED	2:34pm	3:20pm	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	3:12pm	6:40pm			
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