

# **Finance Committee**

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# FINANCE COMMITTEE

## LEGISLATION ENACTED

### ASRS; optional retirement benefits; overpayment (S.B. 1052) – Chapter 104

Allows the Arizona State Retirement System (ASRS) to withhold an overpayment amount plus any required income tax withholding from a partial lump sum payment.

### ASRS; board powers (S.B. 1053) – Chapter 105

Current law allows the Arizona State Retirement System (ASRS) to delegate a committee of the ASRS Board to act on its behalf for the purposes of determining rights, benefits or obligations of any person and afford any person dissatisfied with the determination with a hearing. S.B. 1053 allows the ASRS Board to determine rights and benefits of long term disability and transfer members, in addition to retirement benefits.

### property tax oversight commission; continuation (S.B. 1062) – Chapter 65

Continues the Property Tax Oversight Commission for eight years until July 1, 2025, retroactive to July 1, 2017.

### ~~technical correction; payment method~~ (NOW: PSPRS; risk pool) (S.B. 1063) – Chapter 235 E

An emergency measure, May 1, 2017, that establishes the Public Safety Employer Risk Pool (Pool) for employees hired on or after July 1, 2017 (Tier 3), consisting of any Public Safety Personnel Retirement System (PSPRS) employer of an eligible group that has 250 or fewer active members who were hired before July 1, 2017. It precludes participation in the Pool for any employer that has more than 250 active members in any eligible group who were hired before July 1, 2017.

Allows an Indian tribe that has elected to participate in PSPRS to opt out of the Pool before January 1, 2018, and allows a tribe that is newly participating in PSPRS 90 days after date of participation to elect to opt out of the Pool. The bill requires participation by other eligible groups.

If any individual employer in the Pool experiences a deviation in reported active member payroll of greater than 20 percent of the average of all participating employers in the pool in a 24-month period, the bill requires a PSPRS actuary to prepare a financial impact report to determine whether the deviation creates an increased or decreased unfunded liability within the Pool. The responsible employer shall pay into PSPRS, within 60 days, 100 percent of the cost of the increase in unfunded liability. The bill includes Tier 3 contribution requirements for employers and members within and outside the Pool.

Establishes the Retiree Pool Account for the purpose of sharing the actuarial liability attributable to uncontrollable costs for the employers of Tier 3 members, and requires transfer of an amount equal to the actuarial present value of future benefit payments from the employer's

account to the Retiree Pool Account. The bill requires that the Retiree Pool Account remain 100 percent funded, and requires transfer of amounts necessary from investment savings to or from the account to maintain the account at 100 percent.

mutual holding company reorganization (S.B. 1081) – Chapter 9

Allows domestic and foreign mutual insurers to reorganize into a mutual holding company structure by creating a parent mutual holding company and converting the mutual insurer into a converted stock insurer subsidiary of the mutual holding company. Requires a plan of reorganization (plan) to receive approval from the Director of the Arizona Department of Insurance (Director) and at least a two-thirds vote from eligible members. Outlines plan content requirements. Specifies what documents must be filed with the Director by the converting mutual insurer. Requires the reorganization to be carried out on the effective date that is proposed in the plan.

PSPRS; retirement benefit calculation (S.B. 1115) – Chapter 266

Allows a Public Safety Personnel Retirement System (PSPRS) member, who was hired after January 1, 2012, and before July 1, 2017, to retire after 15 years of credited service, with a reduced graded multiplier.

~~retail TPT; bad debt deduction~~ (NOW: tax authorization; consolidated election dates) (S.B. 1152) – Chapter 332

Beginning January 1, 2018, requires county or municipal elections to authorize the assessment of a transaction privilege tax to be held only on the first Tuesday after the first Monday in November of an even-numbered year.

~~insurance; definition; fire protection services~~ (NOW: insurance; forms; fire protection services) (S.B. 1215) – Chapter 70

Allows any portion of a property insurance policy that contains wildfire protection services conducted by a private entity to be issued without approval from the Director of the Arizona Department of Insurance (Director). A property insurance policy that contains wildfire protection services conducted by a private entity is required to contain a conspicuously stamped or written notice that states the policy is not subject to review by the Director.

securities; registration exemptions (S.B. 1287) – Chapter 118

Decreases the duration after a securities sale for exemption from resale limitations under the Arizona Securities Act. Allows all cash that is paid for securities sold pursuant the crowdfunding exemption to be deposited into a single escrow account that is maintained by an escrow agent licensed by the Arizona Department of Financial Institutions. Limits the crowdfunding exemption to issuers of securities that are Arizona residents.

internal revenue code conformity (S.B. 1290) – Chapter 2

Updates the statutory definition of *Internal Revenue Code* to include all federal provisions in effect as of January 1, 2017.

tax correction act of 2017 (S.B. 1291) – Chapter 178

Corrects errors and obsolete language, addresses blending problems and provides clarifying changes to state tax statutes as follows:

***Tobacco Products*** – Clarifies that members and owners of tobacco distributor licenses are subject to licensure requirements. Clarifies that a tobacco distributor licensee must notify the Arizona Department of Revenue (DOR) of any change in membership, legal entity status or ownership of more than 50 percent of the total ownership interest in a single transaction within 30 days after the change occurs. Clarifies that a tobacco distributor license is subject to revocation by DOR if conditions of licensure are not maintained. Clarifies that the use of a single business location by multiple tobacco distributor licensees is prohibited. Allows for voluntary reporting and payment of tax on tobacco products that are considered contraband. Clarifies that a vehicle may not be used as a place of business for the sale, transfer or distribution of tobacco products.

***Tax Deductions*** – Conforms the language under the use tax deduction statutes for the purchase of livestock and poultry feed, salts, vitamins and other additives to the language under the retail transaction privilege tax deduction statutes. Adds a conforming use tax deduction for the purchase of machinery, equipment, materials and other tangible personal property used to construct a qualified environmental technology manufacturing, producing or processing facility. Codifies current DOR rules pertaining to optional standard deductions, credit for income taxes paid to other states and credit for income taxes paid by nonresidents. Clarifies the definition of *net income tax* under sections of statute pertaining to credit for income taxes paid to other states and credit for income taxes paid by nonresidents.

***Model City Tax Code*** – Allows DOR to submit language to the Municipal Tax Code Commission for the purpose of describing, defining, deleting, adding or otherwise modifying taxable activities, exemptions, administrative procedures or regulations relating to the Model City Tax Code.

***Miscellaneous*** – Makes technical changes to sections of statute pertaining to determining limited property value in cases of omissions and changes and valuing property of manufacturers, assemblers or fabricators. Specifies that withholding of lottery prize winnings applies to individuals. Clarifies DOR notice requirements for certified school tuition organizations that fail to meet or violate applicable statutory requirements. Removes obsolete language pertaining to payment of estimated tax, additions to Arizona gross income and subtractions from Arizona gross income.

telecommunications; broadband; accelerated depreciation (S.B. 1326) – Chapter 220

Beginning January 1, 2018, requires the Arizona Department of Revenue (DOR) to apply additional depreciation to personal property defined as qualifying broadband infrastructure. Requires additional depreciation values to be computed as 25 percent above scheduled depreciation in the first tax year of assessment, increasing cumulatively by 16 percent annually through the fifth tax year of assessment. Requires scheduled depreciation to resume for the sixth tax year of assessment onward. Prohibits personal property from being depreciated past 2.5 percent of the original cost of the property. Defines *qualifying broadband infrastructure* as cables, telecommunications equipment or other tangible personal property capable of being used for or in connection with the transmission of data at a rate that is at least equal to four megabits per second in at least one direction, including multiplexers, routers, servers, fiber optics, coaxial cables and equipment supporting the transmission function first placed in service on or after January 1, 2017.

fire districts; pension fund; transfer (S.B. 1330) – Chapter 272

Allows certain fire districts to transfer excess premium tax monies to the Public Safety Personnel Retirement System (PSPRS) for the purpose of paying any past, present or future service costs of the district. The bill allows excess monies to be transferred in a lump sum, in installments or in any other manner allowed by PSPRS. It also allows a fire district to apply the excess monies to an alternate pension and benefit plan.

foster children; motor vehicle insurance (S.B. 1341) – Chapter 263

Allows a minor who is at least 16 years of age (minor) and a foster child or a participant in an independent living program to contract for motor vehicle insurance, provided that the minor: 1) completes a driver education program; and 2) is deemed competent to exercise all the rights and powers afforded to persons of legal age under any motor vehicle insurance.

misused transportation excise tax; repayment (S.B. 1379) – Chapter 274

Requires a jurisdiction that misuses transportation excise tax revenues for purposes other than streets, highways and transportation projects to repay the full amount of the misused monies as a lump sum or through consecutive annual payments of at least 10 percent of the full amount each fiscal year.

~~revitalization districts; county participation~~ (NOW: quality jobs incentives; tax credits) (S.B. 1416) – Chapter 340

**Prime Contracting** – Beginning January 1, 2018, requires a county or municipality to commit 100 percent of its share of prime contracting Transaction Privilege Tax (TPT) to the construction of public infrastructure improvements that benefit a manufacturing facility. Prime contracting TPT revenues used for public infrastructure improvements must be distributed once 10 percent of the qualifying capital investment has been invested in the project. Requires a manufacturing facility to enter into a written agreement with the county or municipality, and file a sworn certification with the Arizona Commerce Authority (ACA).

**Quality Jobs Tax Credit** – Extends the Quality Jobs Tax Credit from July 1, 2017, through July 1, 2025. Allows a business to qualify for the credit with a smaller minimum capital investment provided that the business pays employees a higher predetermined percentage of the county median wage.

**Class 6 Property** – Allows Class 6 real and personal property located within a foreign trade zone or a military reuse zone to be assessed with additional depreciation values. The property must have been acquired during or after Taxable Year (TY) 2017 and initially classified during or after TY 2018.

**Research and Development Tax Credit** – Extends the current rate of Research and Development tax credits through TY 2022, after which the credits will be reduced to the original rates.

**Qualified Facilities Tax Credit** – Clarifies that a taxpayer may claim all five annual installments of the Qualified Facilities Tax Credit after the credit sunsets on January 1, 2023, provided the ACA preapproved the credit before the termination date.

**Fractional Aircraft** – Exempts the sale of aircraft from TPT and use tax provided that the aircraft will be entered into a fractional ownership agreement meeting Federal Aviation Administration standards.

~~insurers; health providers; claims mediation~~ (NOW: insurers; health providers; claims arbitration) (S.B. 1441) – Chapter 190

Beginning January 1, 2019, creates a process by which an enrollee of a health insurance plan who receives a *surprise out-of-network bill* (bill) may seek dispute resolution. The dispute resolution process consists of an informal settlement teleconference (teleconference) between the enrollee, the healthcare insurer (insurer) and the healthcare provider (provider), followed by an independent arbitration if no settlement to the disputed bill is reached. An enrollee may seek dispute resolution if: 1) the enrollee has received the bill; 2) the enrollee has resolved any existing healthcare appeal against the insurer following the insurer's initial adjudication of the claim; and 3) the amount for which the enrollee is responsible, after deduction of their cost sharing requirements and the insurer's allowable reimbursement, is at least \$1,000.

The Arizona Department of Insurance (DOI) must develop a simple, fair, efficient and cost-effective arbitration procedure for resolving bill disputes. DOI may contract with one or more entities in order to provide qualified arbitrators for this purpose. To qualify as an arbitrator, a person must possess at least three years of experience in health care services claims and comply with any other qualifications established by DOI. In an effort to settle the bill prior to arbitration, DOI must arrange the teleconference within 30 days of receiving the enrollee's request for arbitration and notify the insurer and provider regarding the request. The participating parties must notify DOI of the teleconference results.

Upon receiving notice that the bill dispute has not been settled or that a party has failed to participate in the teleconference, DOI must appoint an arbitrator and notify the parties of the

arbitration and the appointed arbitrator. The following must occur prior to arbitration: 1) the enrollee has paid or has made arrangements in writing to pay the provider the total amount of the enrollee's cost sharing due for the billed services; 2) the enrollee has paid any amount received from the enrollee's insurer as payment for the out-of-network services that were rendered by the provider; and 3) if the insurer pays for out-of-network services directly to a provider, then the insurer has remitted its payment for such services to the provider.

The arbitration must be conducted within 120 days after DOI's notice of arbitration. The arbitrator must issue a final decision within 10 days following the arbitration hearing and provide a copy of the decision to the participating parties. Requires the insurer to remit its portion of the payment resulting from either the teleconference or the amount awarded by the arbitrator within 30 days of dispute resolution. Limits enrollee payment responsibility to only the amount of the enrollee's cost sharing requirements and any amount received by the enrollee from its insurer as payment for out-of-network services rendered by the provider. A provider is prohibited from issuing any additional balance bill to the enrollee for services that were subject to the teleconference or arbitration.

~~corrections officer retirement plan; modifications~~ (NOW: modifications; corrections officer retirement plan) (S.B. 1442) – Chapter 163

Requires participation in the Public Safety Personnel Defined Contribution (DC) Retirement Plan for an employee of a Corrections Officer Retirement Plan employer who is hired on or after July 1, 2018 (described as Tier 3 employees). The bill requires a seven percent employee contribution rate, but the employee may elect as low as five percent or as high as the IRS limit. That rate is an irrevocable election.

The employer contribution rate is five percent and employer contributions are vested at 25 percent in year 1, 50 percent in year 2 and 100 percent in year 3.

Tier 3 employees would receive an equivalent disability and death benefit as those choosing the defined benefit (DB) option. Employers would pay a small normal cost amount into a separate plan to fund this benefit.

Tier 3 probation and surveillance officers are given the option of staying with the DB plan or moving to a DC plan. The probation and surveillance officers default to the DB plan if no choice is made. For these Tier 3 employees there is a multiplier that starts with 1.25 percent for 10 years of service that increases by steps to 2.25 percent for 25+ years of service. The cost of living allowance (COLA) replicates that passed by the voters for the Public Safety Personnel Retirement System (PSPRS) in 2016, based on the regional Consumer Price Index (CPI) with a cap of 2 percent. That decreases depending on funded status of the plan, and there is no COLA issued in a year when the funded ratio falls below 70 percent. This COLA begins the first calendar year after the retiree reaches the seventh anniversary of retirement or at age 60.

The Tier 3 normal cost split is 33 percent by the employer and 67 percent by the employee and the Tier 3 unfunded liability split is 50 percent by the employer and 50 percent by the

employee. The employee's pensionable pay cap is \$70,000, and normal retirement age increases to 55, with an actuarially reduced benefit at 52.5 years of age.

Changes to current employees and retirees would involve a constitutional amendment to change the permanent benefit increase to a compounded COLA, replicating 2016's PSPRS provisions. S.C.R. 1023 was transmitted to the Secretary of State on April 27, 2017, regarding the referral of this election.

state treasurer; public monies; procedures (S.B. 1448) – Chapter 277

SEE THE GOVERNMENT COMMITTEE.

road improvement districts; financing (S.B. 1453) – Chapter 341

Caps the duration for payment of road improvement bonds at 10 years. Allows a county board of supervisors to order a county to pay part of the preliminary costs of a road improvement district.

county improvement districts; assessment; contribution (S.B. 1454) – Chapter 342

Allows the board of directors of a county improvement district (District) to assess and levy taxes related to the preliminary incidental costs of a District through a per parcel assessment. If a per parcel basis is used for the tax assessment, the taxes must be levied equally among each affected parcel. A property owner liable for payment of the tax may elect to pay the tax in a lump sum, or over a period of not more than 10 years. Extends the authority to levy taxes on a per parcel basis to both new and existing Districts. Specifies additional District funding avenues.

revisions; community facilities districts (S.B. 1480) – Chapter 208

Requires the governing body of a municipality or county to hold a public hearing within 60 days from the receipt of a petition signed by the owners of at least 25 percent of the land owners to consider the application for the formation of a community facilities district (District). After the public hearing the governing body of the municipality or county must identify changes required for application approval. Counties may consider proximity to existing infrastructure, cities or towns, planning and growth areas and current levels of service during their review processes. A District board must be comprised of the municipal governing body plus two nonvoting members nominated by the largest landholder in the proposed District and appointed by the governing body. District formation application fees are capped at \$15,000. Requires formed Districts to maintain a website and searchable database and to provide disclosure statements regarding the benefits and obligations to the potential buyers within the District. Stipulates requirements for the acceptance of a discrete section of public infrastructure and prohibits the governing body from requiring the petitioner of the District to increase the infrastructure elements, debt limit, tax rate or duration of the District beyond limits set forth in the petition submitted for District formation.



revenues; budget reconciliation; 2017-2018 (S.B. 1531/H.B. 2546) – Chapter 312

SEE THE APPROPRIATIONS COMMITTEE.

bonds; levy; net of cash (H.B. 2011) – Chapter 212

Caps a bond levy at the net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in a combined interest and redemption fund or separate interest and redemption funds. Allows the governing body or board of a political subdivision that has cash reserves in excess of 10 percent in its interest and redemption fund in FY 2018 to reduce the excess reserves in equal amounts in FYs 2018 and 2019. Allows a city with a population of 500,000 or more persons to reduce its excess reserves in FYs 2018 through 2023.

legal tender exchange; tax effect (H.B. 2014) – Chapter 316

Beginning in Taxable Year 2018, requires any net capital loss derived from the exchange of one kind of legal tender for another to be added to individual and corporate Arizona gross income (gross income). Any net capital gain received from the exchange of one kind of legal tender for another may be subtracted from individual and corporate gross income.

limited line crop insurance (H.B. 2052) – Chapter 88

Allows a resident insurance producer that meets all statutory requirements to qualify for a license in a crop line of authority. Requires an applicant for a producer license with authority in limited line crop insurance to pass an exam.

internal revenue code; full conformity (NOW: municipal jet fuel; excise tax) (H.B. 2064) – Chapter 50

Caps municipal taxation of purchased jet fuel at 10 million gallons annually per purchaser and requires affirmative exemption in tax levies and measures. Beginning December 1, 2017, revenues generated by each public airport are required to be segregated in separate accounts. The accounts must be designated for the expenditure of capital or operating costs of the airport, airport system or other local airport facilities that are: 1) owned or operated by the municipality; and 2) directly and substantially related to air transportation of passengers or property.

insurance taxes; installments; electronic filing (H.B. 2069) – Chapter 153

Beginning January 1, 2018, increases the amount of tax liability an insurer must accrue, from \$2,000 to \$50,000, before being required to pay monthly installments. Caps the penalty for an insurer's failure to pay taxes at the greater of \$25 or five percent of the amount due plus interest. Any late payment of a tax or interest caused by a third-party shall not result in the accrual of a penalty. Allows the Director of the Arizona Department of Insurance (Director) to require the following to be submitted electronically: 1) reports and payments related to premium taxes; and 2) tax reports related to Arizona Health Care Cost Containment System contractors. If electronic

submissions are required, the Director must include a list of acceptable third-party services on the Arizona Department of Insurance's website that can submit reports on payments.

life settlement contracts; broker licenses (H.B. 2070) – Chapter 150

Eliminates the four-year licensure renewal requirement for a life settlement contract broker (broker) and implements a license expiration date coinciding with the expiration date of a producer's life line of authority. Allows the Director of the Arizona Department of Insurance (Director) to require applicants for a provider certificate of authority to fully disclose the identity of partners, officers and employees. Expands the requirements for what an applicant must submit to the Director in the case of new or revised information.

government deposits; investment; financial institutions (H.B. 2073) – Chapter 26

Expands the number of government entities allowed to invest funds in an eligible depository. Allows trust companies' liquid capital to include deposits to a single depository where excess deposit insurance is provided through a reciprocal bank deposit arrangement.

~~tax lien foreclosures; subdivisions; exemption~~ (NOW: tax settlement; Native American veterans) (H.B. 2158) – Chapter 215

SEE THE COMMERCE & PUBLIC SAFETY COMMITTEE.

annuity transactions; training requirements (H.B. 2160) – Chapter 226

Beginning January 1, 2018, requires an insurance producer with a life insurance line of authority (producer) to complete a onetime four credit hour training course before selling, soliciting or negotiating an annuity. The course must meet continuing education requirements outlined in statute. Outlines topics that the annuity training course must include, as well as certain other requirements and prohibitions. Insurers must verify that a producer has completed the training course before allowing the producer to sell annuities.

ASRS; return to work (H.B. 2166) – Chapter 227

Requires an employer to pay the alternate contribution rate on behalf of a retired member who returns to work with an Arizona State Retirement System employer in any capacity in a position ordinarily filled by an employee of the employer or in a position that is similar in duties and responsibilities to that of a position ordinarily filled by an employee of the employer.

ASRS; contributions; adjustments (H.B. 2167) – Chapter 291

Provides Internal Revenue Code conformity with Arizona State Retirement System (ASRS) statutes by: 1) allowing an employer to collect back contributions from ASRS when it has paid more than the required amount; and 2) allowing an employee to correct an error when an employer either failed to remit contributions or did not remit enough in contributions to ASRS.

Stipulates that a member who previously received a return of contributions may only receive an adjustment of employer contributions that occurred after the member's most recent membership.

ASRS; reinstatement; contribution amount (H.B. 2168) – Chapter 292

Allows an Arizona State Retirement System (ASRS) member, upon reinstatement to state service, to redeposit contributions that ASRS paid, rather than those the member received, at the time of the member's separation from service.

disability insurance; service coverage (H.B. 2189) – Chapter 31

Excludes disability income from the requirement for a disability, group or blanket disability insurance policy to cover lawful services provided by a healthcare provider to an insured regardless of their familial relationship.

~~child support; administrative order; enforcement~~ (NOW: angel investor; tax credit cap) (H.B. 2191) – Chapter 319

Allows the Arizona Commerce Authority to authorize an additional \$10 million in tax credits for qualified investments made in qualified small businesses. Credits may be authorized at a maximum of \$2.5 million each fiscal year from June 30, 2017, through June 30, 2021.

GPLET reform; K-12 taxes (H.B. 2213) – Chapter 120

Subjects a lease on government property that was entered into within 10 years of an authorizing development agreement, ordinance or resolution approved by the governing body of a government lessor before June 1, 2010, to the original *government property lease excise tax* (GPLET) rates, provided that the lease was deemed compliant by the Arizona Department of Revenue (DOR).

Requires a government lessor to either maintain a public database by a county, city and town, as applicable, or post its lease agreements on a county, city or town website where the government property improvement is located. Requires the government lessor to submit a current link to the public database to DOR and notify DOR when the database no longer contains any active leases. Requires DOR to place links to all government lessor databases with active leases on its website.

Requires the government lessor to calculate the excise tax for each prime lessee. Imposes a 16 percent delinquency interest rate on untimely GPLET payments.

Restricts the lease period for a government property for which the GPLET is abated to eight years, regardless of whether the lease is transferred or conveyed to subsequent prime lessees during that period. Exempts leases or development agreements for the lease of government property from the lease period restriction if either of the following occurred before January 1, 2017: 1) a corresponding resolution, ordinance or submitted request for proposal for the lease or

intent to lease such property was approved by the governing body of the government lessor; or 2) a proposal was submitted to the government lessor in response to a request for proposals.

Requires the government lessor to convey the title to the government property and the underlying land to the current prime lessee within 12 months of the expiration of the lease, unless the parcel is controlled by an airport subject to federal regulation or by the local federal transit authority. Prohibits classification of the conveyed government property as Class Six property or any other discounted assessment, regardless of its location or condition.

income tax subtraction; ADA retrofits (H.B. 2214) – Chapter 278

Allows individuals and corporations to subtract eligible Americans with Disabilities Act (ADA) business access expenditures from Arizona gross income for the taxable year in which the expenses are incurred. Eligible business access expenditures include all expenditures recognized under the Internal Revenue Code. In order to qualify for the tax subtraction, an investment must retrofit a developed real property that began service at least 10 years before the current taxable year. Stipulates that an investment made by a taxpayer to rectify a cited violation for ADA noncompliance is ineligible for the tax subtraction.

commercial cancellation; notice; unearned premium (H.B. 2232) – Chapter 195

Allows, rather than requires, a refund of any unearned premium to accompany an insurance policy cancellation notice. If a notice and a refund are mailed separately, both must still be mailed within 45 days before the effective date of cancellation, or 10 days before in cases of nonpayment. Specifies that the return of any unearned premium on a cancelled policy that has been financed is subject to statutory requirements.

~~registration exemptions; securities~~ (NOW: operations; employees; home-based business) (H.B. 2233) – Chapter 228

SEE THE COMMERCE AND PUBLIC SAFETY COMMITTEE.

captive insurance; fund (H.B. 2267) – Chapter 281

Increases the amount of unencumbered monies that remain in the Captive Insurance Regulatory and Supervision Fund from \$100,000 to \$200,000.

insurance; fees; insurance producers (H.B. 2279) – Chapter 251

Clarifies that statutory regulations relating to permissible fee assessments for services not customarily provided in the transaction of insurance apply only to insurance producers, and not insurers. Stipulates that an insurance producer may only charge disclosed fees agreed to in writing by the insured that do not duplicate or increase any fee already included in an insurer's rate filing, but may charge and collect fees included in an insurer's rate filing. Modifies the civil penalty for noncompliance when charging such fees. Removes the requirement that the Director of the Arizona Department of Insurance (DOI) determine which fees are customarily provided in

insurance transactions and the associated filing requirements. Insurance producers are prohibited from charging or receiving fees connected to life, annuity or long-term care insurance, and fee restrictions do not apply to brokers transacting surplus lines insurance. Requires DOI to compile a comparison of fees and premiums charged at policy inception, and transmit the information to the Department of Transportation.

department of revenue; electronic filing (H.B. 2280) – Chapter 60

Requires all taxes, except individual income tax, to be paid electronically pursuant to a specified schedule. Requires transaction privilege tax (TPT) returns to be filed using an electronic filing program established by the Arizona Department of Revenue (DOR) pursuant to the same schedule. Allows a taxpayer to apply to DOR for a waiver from payment of their tax liability through electronic means and allows DOR to grant the waiver and to renew it if certain criteria are met.

Requires an individual income tax preparer who prepares more than 10 timely filed original income tax returns during any taxable year beginning January 1, 2018, to file all individual tax returns prepared electronically for that taxable year and each subsequent taxable year. Prohibits the individual tax preparer from charging a separate fee to the taxpayer for filing a return using the DOR electronic filing program.

Expands the existing tax credit for accounting and reporting expenses by allowing a tax credit of 1.2 percent of the amount of tax due, not to exceed \$12,000, for a taxpayer who files using an electronic filing program established by DOR. Prohibits claiming the increased credit amount if the taxpayer fails to file electronically for any taxable period during the calendar year and requires DOR to recapture any disallowed credit amounts claimed.

Assesses a penalty of 4.5 percent of the tax required to be shown on the return, or \$25, whichever is greater, on a taxpayer that fails to make and file a return for a TPT or local excise tax on or before the due date of the return or the due date as extended by DOR. Increases the DOR bad check fee.

truth in taxation; increase; notice (H.B. 2286) – Chapter 198

Requires a notice of a tax increase for a Truth in Taxation (TNT) hearing to state the tax effect on a \$100,000 home before and after the tax, rather than state the amount of the tax increase. Requires the governing body of a political subdivision to mail TNT notices to the Property Tax Oversight Commission (Commission). The notice, serving as a statement of publication, must include the roll call vote of the motion to levy a tax increase. Requires the Commission to review secondary property tax levies for certain taxing districts in order to identify violations. Provides these taxing districts with the same abilities as others relating to violation appeals. Requires a county assessor to transmit the total assessed values of these taxing districts to the Commission.

fire districts; creation; merger; consolidation (H.B. 2326) – Chapter 46

Adds requirements and specifications to notices of fire district (district) merger and consolidation election hearings. Prohibits a county board of supervisors (BOS) from calling a merger or consolidation of the same districts more than once every two years and specifies that all districts involved in an election are liable for the reimbursement of election expenses. Requires consent of any single taxpayer, owning 30 or more percent of assessed valuation affected by an election, prior to the election. Upon consent of all affected taxpayers, a merger or consolidation may be reached through unanimous consent of each district board of directors (BOD). Provides alternate routes of pursuing a merger or consolidation if taxpayer or BOD consent is not obtained. Adds specifications to BOS district impact statement submissions. Requires the review of a proposed district creation or boundary change by the BOS with the most affected assessed valuation. Specifies that a proposed annexation that surrounds an unincorporated territory is permissible only if the territory is a noncontiguous fire island. Permits the organizing board of a new district to consist of five individuals instead of three.

agricultural land; fallowing; property tax (H.B. 2366) – Chapter 232

Allows an irrigation district to verify, through an official certification to the county assessor, confirmation of a temporary reduction or transfer of water used for agricultural use in the farm unit. Limits certification to land located within an irrigation district in a county with a population of less than 900,000 persons.

insurance; advertising; filing requirements (H.B. 2386) – Chapter 152

Exempts certain content from classification as advertising matter and sales material that is subject to filing requirements with the Arizona Department of Insurance (DOI), including: 1) materials designed to increase public awareness regarding an insurer without reference to specific insurer products or benefits offered; 2) educational materials designed to increase consumer health insurance literacy; and 3) other materials and advertisements specified by DOI, either in rule or by exemption order. Allows the Director of DOI to exempt advertisements from filing requirements.

corporate status change; nontaxable event (NOW: corporations; nontaxable event; status change) (H.B. 2438) – Chapter 127

Allows a C corporation, an S corporation, a limited liability company, a partnership or any other similar corporate entity to transition organizational structures without tax assessment, provided there is no change in the organization's owners, ownership interests or assets.

bonding; amortized premium; segregated fund (H.B. 2452) – Chapter 99

Requires any net premium for a general obligation bond (bond) to be amortized for all debt limitation purposes on a pro rata basis each year by multiplying the net premium used by a percentage equal to the percentage of the total principal amount of the bond issue that matures in that year. Specifies that all bonds are secured by a lien on tax revenues, arising automatically without any action or authorization by a political subdivision, its governing body or board.

Specifies that the lien is valid and binding from the time of bond issuance with all revenues received pursuant to a tax levy being immediately subject to the lien.

Requires any amounts levied for debt service on bonds payable from a secondary tax to: 1) be considered special revenues of the governing body or board; 2) be kept in a special, segregated fund; and 3) not be used for any other purposes.

EORP; PSPRS; CORP; modifications (H.B. 2485) – Chapter 269 E

An emergency measure, effective May 3, 2017, that contains changes to all three systems within the Public Safety Personnel Retirement System (PSPRS). Many of these changes are in compliance with the Internal Revenue Code where amendments are often required to retain PSPRS's qualified status. Substantive changes include:

- Allowing a PSPRS employer to make a one-time election to request that the Board use a closed period of not more than 30 years if certain requirements are met.
- Covering catastrophic disabilities and line-of-duty deaths in the first 90 days.
- Requiring deferred retirement option plan (DROP) members to move any rollover monies into the new defined contribution (DC) plan.
- Specifying that PSPRS need not stop pension payments to a retired member during a period of reemployment if the retired member accepts a job assignment as an accommodation pursuant to the American Disabilities Act (ADA).
- Allowing for retirees who purchase health insurance through a welfare benefit trust to continue to be eligible for the available subsidy.
- Requiring that participant advice and counseling for a PSPRS DC plan participant be administered by a federally registered investment advisor, and allows the DC plan to include not less than 5 and not more than 25 predetermined investment portfolio options.
- Specifying that if a participant dies before completing 10 years of service, the employer contributions are immediately fully vested.
- Establishing that a death benefit for an EORP and PSPRS DC surviving spouse or eligible child is equal to a PSPRS member benefit, reduced by an amount equal to the monthly annuitized value of the annuity account.

prepaid legal insurance; capital requirements (H.B. 2498) – Chapter 326

Lowers, from \$600,000 to \$50,000, the amount of capital that must be maintained by a compliant prepaid legal insurance applicant providing firearm legal services exclusively.

spay and neuter; tax checkoff. (H.B. 2523) – Chapter 172

SEE THE TRANSPORTATION & TECHNOLOGY COMMITTEE.

index exemptions; unused tax credits (H.B. 2528) – Chapter 299

Beginning January 1, 2018, requires the Arizona Department of Revenue (DOR) to terminate any tax credit that is unclaimed or not allowed to a taxpayer in any consecutive four-year period. Upon termination of a tax credit, DOR must issue a public announcement of the

termination, notify the Legislature and prepare technical tax correction legislation to be enacted in the next regular session. If the Legislature fails to pass the recommended legislation, DOR must rescind the termination of the credit. In cases involving a tax credit that is subject to preapproval by the Arizona Commerce Authority (ACA), the credit may only be terminated if DOR has not received a preapproval notice of any credit from the ACA, and the credit has remained unclaimed or not allowed to a taxpayer in any consecutive four-year period.

Repeals tax credits for the following: 1) domestic stock life and disability insurer premiums; 2) military reuse zones; 3) renewable energy industries; 4) renewable energy investment and production for self-consumption; 5) solar liquid fuel; and 6) solar water heater plumbing stub outs and electric vehicle recharge outlets. Stipulates any remaining carryforward for these tax credits is not affected by the repeal. Directs Legislative Council to prepare conforming legislation relating to the repeal of these credits for consideration in the Fifty-third Legislature, Second Regular Session.

Requires DOR to increase personal income tax exemptions in Taxable Year (TY) 2017 and TY 2018 by: 1) \$50 for single individuals; 2) \$100 for a head of household or married couple; and 3) \$150 for a married couple who claim at least one dependent. Requires DOR to index personal income tax exemptions according to inflation for TY 2019 onward.

### **LEGISLATION VETOED**

state retirement; waiting period; repeal (H.B. 2169) – VETOED

Repeals statute that prohibits a state employee from becoming a member of any state retirement system before the 27th week of employment.

The Governor indicates in his veto message that he is concerned about the fiscal impact this legislation would have on the state General Fund.

TPT; aircraft; fractional ownership (H.B. 2533) – VETOED

Exempts aircraft entered into a fractional ownership program meeting Federal Aviation Administration regulations from Transaction Privilege Tax and use tax.

The Governor indicates in his veto message that as a new tax exemption, the bill would likely have fiscal implications for the state budget and should have been discussed within the context of other revenue and spending priorities.