

Finance Committee

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FINANCE COMMITTEE

LEGISLATION ENACTED

department of revenue; electronic signatures (S.B. 1021) – Chapter 60

Requires the Arizona Department of Revenue (ADOR) to accept or require an electronic signature to serve as a written-signature equivalent on a document submitted to ADOR and outlines requirements for electronic signatures. An electronic signature has the same force and effect as a written signature. ADOR must prescribe the type of electronic signature required for electronically-signed documents and the manner and format in which the electronic signature must be affixed to the electronic record. Specifies that ADOR's authority to prescribe alternative methods by rule for signing a return, claim for refund, statement or other document does not apply if the alternative method of signing is an electronic signature. ADOR is exempt from rulemaking requirements until August 25, 2021, to implement electronic signature requirements.

insurance policies; transfers; affiliated insurers (S.B. 1038) – Chapter 9

Allows a property or casualty insurer (insurer) to transfer any policy to an affiliated insurer. A transfer does not allow the insurer to apply a new unrestricted 60-day period of cancellation or nonrenewal. An insurer may not transfer a policyholder because of the policyholder's location of residence, age, race, color, religion, sex, national origin or ancestry. Specifies that nonrenewal of an insurance policy does not include the issuance of a new policy within the same insurer or an insurer under the same ownership or management as the original insurer.

insurers; notices; methods of delivery (S.B. 1040) – Chapter 61

Replaces the requirement that an insurance notice or correspondence (correspondence) be mailed with the requirement that a notice be *sent*, which includes delivery by either: 1) U.S. mail, personal delivery or fax; or 2) electronic means consistent with statutory requirements. Correspondence sent by mail must be sent to the person's last known mailing address and correspondence sent by electronic means must be sent to the person's last known email address. Any method of proof retained by an insurer for sending certain notices by a method other than by mail is sufficient proof of notice.

Requires an insurer who sends a notice of cancellation of commercial insurance by mail to obtain proof of mailing by U.S. certified mail or first-class mail using an approved tracking method. Removes the requirement that uninsured or underinsured motorist coverage limits be offered to a named insured or applicant at the time of application. Requires a health care insurer to provide a member access to a copy of the member's policy information packet on its website, rather than within five business days after the initiation date of a health care appeal.

travel insurance (S.B. 1041) – Chapter 62

Travel Insurance Administration – Establishes the Travel Insurance Model Act (Act), which applies to travel insurance offered in Arizona that covers Arizona residents and to policies and certificates delivered in Arizona. A person may not act as a travel administrator for travel insurance unless the person: 1) is a licensed property and casualty insurance producer; or 2) holds a valid managing general agent license. A travel administrator and its employees are exempt from adjuster licensing requirements for administered travel insurance.

Travel Protection Plans and Sales – A travel protection plan may be offered for one price, if certain conditions regarding information and disclosure are met. Outlines travel protection plan sale requirements, policy and certificate cancellation timelines and responsibilities for insurers who underwrite travel insurance. A travel insurer must pay premium tax on travel insurance premiums paid by specified policyholders and certificate holders, and must comply with related documentation and reporting requirements. Subjects a person offering travel insurance to Arizona residents to unfair trade practice and fraud statutes.

Travel Insurance Classification – Allows eligibility and underwriting standards for travel insurance to be developed and provided based on travel protection plans designed for individual or identified marketing or distribution channels. Classifies and files travel insurance, for purposes of rates and forms, under an inland marine line of insurance, except that travel insurance that provides coverage for sickness, accident, disability or death occurring during travel may be filed under an accident and health line of insurance.

Miscellaneous – Arizona insurance laws continue to apply to travel insurance, except that the Act supersedes any conflicting state law applicable to travel insurance. Declares that the purpose of the Act is to promote the public welfare by creating a comprehensive legal framework within which travel insurance may be sold in Arizona.

insurance transactions; discrimination; exceptions (S.B. 1062) – Chapter 65

Includes, in practices that are not prohibited as discrimination or rebates in life and disability insurance, the payment of implementation credits made by a life insurer to offset expenses incurred by a group policyholder when the life insurer initiates, changes or administers new or existing group coverage. A life insurer may either: 1) include implementation credits in a charged premium and then reimburse the policyholder; or 2) pay for the implementation credits and provide appropriate disclosure in the group policy. Specifies that providing or offering products or services that are ancillary to life or disability insurance and enhance the financial wellness of an insured is not a prohibited inducement or unfair discrimination.

state board of investment; continuation (S.B. 1072) – Chapter 33

Continues the State Board of Investment for eight years, until July 1, 2028, retroactive to July 1, 2020.

insurance adjusters; claims certificate (S.B. 1090) – Chapter 67

Waives the examination requirement for insurance adjuster license applicants who hold a claims certificate issued by a national or state-based claims association with a certification program that meets outlined criteria. Excludes an employee of a third-party administrator or self-insured employer who adjusts, investigates or negotiates settlement of only workers' compensation claims from the definition of *adjuster*.

insurance producer licensing; surrender; application (S.B. 1091) – Chapter 68

Removes the one-year prohibition on a person reapplying for an insurance producer license or the authority to transact lines of insurance after voluntarily surrendering the license or authority. A person who voluntarily surrenders an insurance producer license or authority to transact must meet the original licensing requirements to obtain the same license or authority.

tax deed land sales; proceeds (S.B. 1099) – Chapter 70

Requires a county treasurer to pay a dispossessed property owner any balance remaining from a tax-deeded real property sale after payment of taxes, interest, penalties, fees and costs.

STO report; DOR; posting deadline (S.B. 1100) – Chapter 10

Requires the Arizona Department of Revenue (ADOR) to post on its website a report on school tuition organizations (STOs) for individual contributions and a report on STOs for corporate and insurer contributions with information submitted by each STO relating to administration, received contributions and awarded educational scholarships and tuition grants. ADOR must post the reports by March 31 following the year the information is received.

mortgaged property; tax statements; information (S.B. 1113) – Chapter 11

Requires the tax statement mailed by a county treasurer to the mortgagor of a property to separately list, for the current and previous tax years, the amount of: 1) primary and secondary taxes due to each taxing jurisdiction; and 2) any applicable additional state aid to school districts provided to class 3 property. The tax statement must be mailed before November 1.

model city tax code; procedures (S.B. 1121) – Chapter 71

Removes the requirement that the Municipal Tax Code Commission (Commission) meet every other month and requires the Commission to meet in response to a proposed amendment to the Arizona Model City Tax Code (MCTC). A city, town, taxpayer or the Arizona Department of Revenue (ADOR) must submit a proposed amendment to the Commission for review and consideration at least 60 days before the Commission adopts the proposed amendment. Outlines ADOR notice posting requirements. At the request of a city, town, taxpayer or ADOR, the

Commission must hold an informational public hearing at least 30 days after receiving the proposed amendment. ADOR must: 1) provide a legal analysis of the proposed amendment to the Commission at the informational public hearing; and 2) post the proposed amendment with changes on ADOR's website within five days after the informational public hearing. At least 60 days after receiving the proposed amendment, the Commission must hold a public hearing to consider any information and testimony presented at the requested informational public hearing, and to consider adoption of the proposed amendment. A city or town may not adopt an amendment to the MCTC unless adopted by the Commission. If the Commission adopts a proposed amendment, ADOR must update the official copy of the MCTC within 10 days. Any changes not reflected in the official copy posted on ADOR's website, rather than on file with ADOR, are void and have no effect.

financial literacy; state treasurer; fund (S.B. 1292) – Chapter 76

[SEE THE EDUCATION COMMITTEE.](#)

DOI; DFI; omnibus (S.B. 1293) – Chapter 37

Department of Insurance and Financial Institutions (DIFI) Administration and Fees – Retroactive to July 1, 2020, transfers the powers and duties of the Superintendent of DIFI to the Deputy Director of DIFI and the powers and duties of the Deputy Superintendent of DIFI to the Assistant Director of DIFI. Outlines requirements and responsibilities for DIFI Staff positions.

Requires the Director of DIFI (Director) to determine agency fees within established statutory ranges. Removes the requirement that the Director, if total revenue collected from agency fees is outside of the statutory range of the appropriated budget for the current fiscal year, revise the fees for the revenues to fall within the statutory range of the appropriated budget for the current fiscal year. Removes the requirement that the Director annually revise the amount assessed on each insurer authorized to transact business in Arizona to within 95 percent to 110 percent of the budget of the Fraud Unit within DIFI. Monies appropriated to the Fraud Unit and monies appropriated from the Automobile Theft Authority Fund must be included as separate line items in the General Appropriations Act.

Examinations of Insurance Matters – DIFI must prepare detailed billing statements that provide reasonable specificity of the time and expenses billed for an examination and that cite the statute or rule authorizing the fees being charged. Beginning January 1, 2022, a person being examined for alleged violations of insurance laws is responsible for only the direct costs that are supported by a detailed billing statement. DIFI must adopt rules to establish fees for direct and indirect examination costs and is exempt from rulemaking requirements until August 25, 2021, to establish the fees.

Insurance Administrators – Allows an insurance administrator to collect charges in accordance with a written agreement between an administrator and an insurer. The agreement must prescribe applicable standards for the permissible collection of charges by the administrator. An authorized insurance administrator who collects charges in accordance with a written agreement

is exempt from collection agency statutes. An insurance administrator may not collect unpaid charges on an account that has been inactive for more than 12 months, unless the administrator is a licensed collection agency.

Disclosure – Requires the Director to provide an insurer or a captive insurer with a copy of any document that the Director believes supports a violation of insurance law or that justifies any regulatory or other action against the insurer or captive insurer. Subject to statutory restrictions for multi-state data sharing, the Director must provide an insurer with any received document relating to an insurer claim that the Director believes supports a violation of insurance law or that justifies any regulatory or other action against the insurer. Disclosure of insurance compliance audit or insurer claim documents is not a waiver of any applicable privilege of claim or confidentiality in the disclosed document.

Miscellaneous – A regulated person being inspected or audited by a state agency inspector, auditor or regulator is responsible for only the direct and reasonable costs of an inspection or audit and is entitled to receive a detailed billing statement. Raises the review period for a long-term insurance policy from 30 days to 60 days. Repeals the Insurance Advisory Board, the Uniform Employee Health Status Questionnaire Committee and the Continuing Education Review Committee.

insurance and financial institutions; continuation (S.B. 1294) – Chapter 38

Continues the Department of Insurance and Financial Institutions (DIFI) for five years, until July 1, 2025, retroactive to July 1, 2020. If the voters approve a constitutional amendment, DIFI terminates on July 1, 2025.

department of revenue; continuation (S.B. 1295) – Chapter 39

Continues the Arizona Department of Revenue for eight years, until July 1, 2028, retroactive to July 1, 2020.

internal revenue code; conformity. (S.B. 1296) – Chapter 40

Updates the statutory definition of *Internal Revenue Code* to include all federal provisions in effect on January 1, 2020.

self-insured employers; deviation continuation (S.B. 1331) – Chapter 42

Continues the 10 percent deviation rate for calculating any tax or assessment paid by an employer that is self-insured for workers' compensation, including an authorized workers' compensation pool, through calendar year 2022.

tax corrections act of 2020 (S.B. 1348) – Chapter 43

Corrects errors and obsolete language, addresses blending problems and makes clarifying changes to state tax statutes.

Tax Credits – Retroactive to taxable years (TYs) beginning January 1, 2020, repeals the following income tax credits: 1) the individual Credit for Construction Costs of Qualified Environmental Technology Facility; 2) the corporate Credit for Employment by a Healthy Forest Enterprise; 3) the corporate Credit for Donation of School Site; and 4) the corporate Credit for Agricultural Pollution Control Equipment. Amounts of the credits carried forward from previous TYs are valid for application against subsequent tax liabilities.

Tax Provisions – Retroactive to TYs beginning January 1, 2020, a full-year or part-year resident individual must file a tax return with the Arizona Department of Revenue (ADOR) if the individual's gross income was greater than the standard deduction adjusted for inflation. A nonresident individual must file a tax return with ADOR if the individual's gross income was greater than the standard deduction, multiplied by the quotient of the individual's gross income and federal adjusted gross income. Removes expired additions and subtractions relating to the American Recovery and Reinvestment Act of 2009 from the computation of Arizona individual adjusted gross income and corporate taxable income. A tax exemption for the caretaking of a person aged 65 years or older or for a stillbirth is claimed in lieu of the dependent tax credit. Extends applicability of the amount of dividend income from foreign corporations that may be subtracted from Arizona income tax to TY 2017.

If a taxpayer has an annual tax liability above a statutory threshold, the taxpayer must make an estimated tax payment in the same manner as the taxpayer's regular payments. An estimated payment that is required to be made electronically is delinquent if not received by the last business day in June. Applies the prohibition on a taxpayer from claiming itemized deductions and a credit for the same charitable contributions to any contribution for which a credit is allowed, even if the contribution is treated as a payment of state income tax.

Miscellaneous – Eliminates, from leasing that is excluded from the commercial lease classification, leasing or renting real property that is used for agricultural purposes under either of the following circumstances: 1) the lease or rental is between family members, trusts, estates, corporations, partnerships, joint venturers or similar entities, if the individuals or at least 80 percent of the beneficiaries, shareholders, partners or joint venturers share a family relationship; or 2) the lessor leases or rents under no more than three agreements. Requires a county assessor to establish the limited property value of property subdivided from January 1 through September 30 of the valuation year at a level or percentage of full cash value comparable to other properties of similar use or classification.

public retirement systems; prefunding plan (S.B. 1354) – Chapter 79

State Treasurer Pension Prefunding Plan (PP Plan) Investment Accounts – Allows the governing body of a participating employer to authorize the State Treasurer to invest PP plan monies in a PP plan investment account to prefund an employer's required defined benefit pension

payments. A *participating employer* is an employer who participates in a defined benefit retirement plan (DB plan) in the Arizona State Retirement System, Public Safety Personnel Retirement System (PSPRS), Corrections Officer Retirement Plan (CORP), Elected Officials' Retirement Plan (EORP) or any governing body of a political subdivision that offers a DB plan for its employees. Authorizes the State Treasurer to invest and reinvest PP plan investment account monies in equity securities and outlines financial management guidelines for PP plan investment accounts. The State Board of Investment must serve as trustee of PP plan investment accounts and may adopt rules, policies and procedures to ensure PP plan income is not subject to federal tax. PP plan investment accounts and the money within are separate and apart from the Arizona Employers' PP Plan (AEPP Plan).

AEPP Plan – Establishes the AEPP Plan as a special trust fund administered by the PSPRS Board of Trustees (PSPRS Board) which allows participating employers to prefund the employer's required pension contributions. A *participating employer* is an employer who participates in the DB plan in PSPRS, EORP or CORP. Outlines AEPP Plan investment requirements and management. The AEPP Plan and assets are separate and apart from the PSPRS Fund and any other fund, program or plan administered by the PSPRS Board.

AEPP Plan Participating Employers – Allows the PSPRS Board to authorize an employer to participate in the AEPP Plan subject to the PSPRS Board's terms and conditions. An authorized employer may elect to participate in the AEPP Plan if the: 1) governing body adopts a resolution requesting to participate in the AEPP Plan; 2) employer submits a written request for participation with the adopted resolution; and 3) governing body enters into a contract with the PSPRS Board.

PSPRS Board Responsibilities and Procedures – The PSPRS Board has full discretionary fiduciary authority over administering and investing the AEPP Plan and may employ services and do all acts that it deems necessary or appropriate for defending, protecting or advancing the AEPP Plan. The PSPRS Board may authorize a qualifying transfer of assets from the AEPP Plan that is made solely to PSPRS to discharge the participating employer's required pension contributions to the applicable DB plan. AEPP Plan assets and any transfer of assets out of the AEPP Plan are not subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws or other process of law and are not assignable. Outlines annual financial statement requirements and allows the PSPRS Board to adopt rules, policies and procedures for the AEPP Plan.

Allows the PSPRS Board to appear before and maintain an action in political subdivisions, courts and other forums, through a representative or appointed counsel, to defend, protect, advance or otherwise assert the interests of the AEPP Plan, the PSPRS Board and participating employers. A PSPRS Board trustee or member is not liable for any action taken or any failure to take any action if the duties were performed in compliance with PSPRS Board fiduciary obligations.

AEPP Plan Termination and Tax-Exempt Status – The PSPRS Board may terminate a participating employer's participation in the AEPP Plan in outlined circumstances. If the PSPRS Board terminates an employer's AEPP Plan participation, any assets attributable to the employer after payment of obligations must be transferred to PSPRS to pay the employer's required pension contributions. Any excess contributions must be transferred to the participating employer if the transfer meets certain conditions. Exempts assets transferred into or out of or held in the AEPP Plan and investment income on assets in the AEPP Plan from state, county and municipal taxes.

Allows the PSPRS Board to adopt additional rules, policies and procedures to ensure the AEPP Plan's income is not subject to federal income tax. If the PSPRS Board receives notification from the Internal Revenue Service that statutes governing the AEPP Plan will jeopardize the tax-exempt status of the AEPP Plan's income, the statutes causing the disqualification do not apply.

insurance; preexisting condition exclusions; prohibition ([S.B. 1397](#)) – Chapter 80

Conditionally upon a court ruling that deems the Patient Protection and Affordable Care Act unconstitutional and the judgement of the ruling becoming final by June 30, 2023, requires a health care insurer that offers individual health plans in Arizona to provide guaranteed availability of coverage to eligible individuals. A health care insurer may not: 1) decline to offer coverage to, or deny enrollment of, eligible individuals; or 2) impose preexisting condition coverage exclusions relating to the issuance, renewal or scope of benefits. Allows a health care insurer to restrict enrollment in individual health plans to open enrollment and special enrollment periods and requires the Director of the Department of Insurance and Financial Institutions to adopt rules for enrollment period criteria. Guaranteed coverage availability requirements do not apply to grandfathered health plan coverage or limited benefit coverage. Directs the Attorney General to notify the Director of Legislative Council by August 1, 2023, of the date the condition for enactment was met or if the condition was not met.

mental health omnibus ([S.B. 1523/H.B. 2764](#)) – Chapter 4

[SEE THE HEALTH & HUMAN SERVICES COMMITTEE.](#)

family college savings program; treasurer ([S.B. 1528](#)) – Chapter 88

[SEE THE GOVERNMENT COMMITTEE.](#)

annuity transactions; requirements ([S.B. 1557](#)) – Chapter 90

Annuity Transactions – Beginning January 1, 2021, requires an insurance producer to act in the best interest of a consumer when making a recommendation of an annuity. The insurance producer has acted in the consumer's best interest if the producer has satisfied the prescribed obligations. Prohibits an insurer from issuing an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives. Outlines insurance producer obligations relating to best interest, care, disclosure, conflict of interest and documentation.

An insurer must establish a supervision system that is designed to achieve statutory compliance for annuity recommendations and set standards and procedures for recommendations to consumers that result in an annuity transaction. Outlines participation in the supervision system and insurer requirements for system implementation.

Department of Insurance and Financial Institutions (DIFI) – The authority to enforce compliance with statutes governing annuities is vested with the Director of DIFI (Director). If a violation occurs because of action or inaction of an insurer or its insurance producer, the Director may order appropriate penalties and sanctions. Allows the Director to reduce or eliminate penalties if the violation was not part of a pattern or practice.

Miscellaneous – Requires insurers, agents, business entities and insurance producers to maintain records for five years after an insurance transaction is completed, rather than the later of five years or until the next regular examination by the insurance regulatory authority. Requires continuing education training required for an insurance producer with a life insurance line of authority to include information on appropriate standards of conduct. Requires insurers, managing general agents, business entities and insurance producers to maintain disclosures made to the consumer, including summaries of oral disclosures.

revenue; budget reconciliation; 2020-2021. ([S.B. 1684/H.B. 2901](#)) – Chapter 52

[SEE THE APPROPRIATIONS COMMITTEE.](#)

state treasurer; financial services ([H.B. 2406](#)) – Chapter 19

Requires the State Treasurer to contract for all other financial, rather than banking, services required by a state agency in addition to services required of the state's servicing bank. Defines *financial services* as banking and merchant services including: 1) establishing bank accounts and depository services; 2) electronic payment services and providing merchant card equipment; and 3) payment processing and gateway services. A merchant servicer or payment service provider may provide payment processing and gateway services.

internal revenue code; conformity ([H.B. 2494](#)) – Chapter 24

Updates the statutory definition of *Internal Revenue Code* to include all federal provisions in effect on January 1, 2020.

tax credits; qualified facilities; extension ([H.B. 2771/S.B. 1245](#)) – Chapter 7

Credit for Qualified Facilities – Extends the individual and corporate Credit for Qualified Facilities until January 1, 2031 and prohibits the Arizona Commerce Authority (ACA) from preapproving an applicant for the credit after December 31, 2031. A taxpayer may claim the five annual installments of a credit preapproved before January 1, 2031. Only capital investments made within 36 months of an application to the ACA may be included in the computation of the credit, rather than capital investments made on or after July 1, 2012. New full-time employment positions must be associated with, rather than at, a qualified facility to satisfy credit requirements. The Credit for Qualified Facilities is repealed on January 1, 2032.

Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers – Extends the date by which an international operations center (IOC) must complete a minimum \$100 million investment to within a three-year period beginning on the earlier of December 31, 2028, rather than December 31, 2018, or the date the application is received. An IOC initially certified after December 31, 2018, may not claim the credit.

Research and Development Credit – Delays modification of the current rates used to compute the Research and Development Credit from January 1, 2022 to January 1, 2031. Beginning January 1, 2022, an amount of the credit claimed and not used to offset taxes may be carried forward to the next 10, rather than 15, consecutive taxable years. Qualified research expenses converted into a credit carryforward beginning January 1, 2022, may not be carried forward more than 10 years from the year expenses were incurred.