ARIZONA STATE LEGISLATURE

JOINT LEGISLATIVE INCOME TAX CREDIT REVIEW COMMITTEE

Minutes of the Meeting
Thursday, December 7, 2006
1:00 p.m., House Hearing Room 4

Members Present:

Senator Ken Cheuvront
Senator Jorge Garcia
Representative Steve Huffman, Cochair
Representative Jack Brown
Representative Michele Reagan
Representative Steven Yarbrough

Members Absent:

Senator Dean Martin, Cochair
Senator Robert Burns
Senator Ron Gould
Representative Ann Kirkpatrick

Staff:

Kitty Decker, House Research Analyst
Sean Laux, Senate Research Analyst
Justin Weaver, Senate Assistant Research Analyst

Chairman Huffman called the meeting to order at 1:35 p.m. and attendance was noted.

<u>Review of Income Tax Credits</u>

Tim Everill, Joint Legislative Budget Committee (JLBC) Staff, distributed their staff memorandum packet (Attachment A) and explained the purpose for this Committee and the three items the Committee is to review:

- To determine the original purpose of each tax credit
- Establish standards for evaluating and measuring the success or failure of each credit
- Recommend any potential changes to the credit

Mr. Everill stated that the Legislature usually states the purpose for tax credits. He said the following standards are used to evaluate tax credits:

- Context
- Rationale for Implementation
- Complexity
- Revenue Impact
- Economic focus

The Committee has to deal with confidentiality issues, timeliness of data, and lack of performance measures. Many of the credits currently on the books do not have performance measures.

Hans Olofsson, **JLBC Staff,** explained the Family Income Tax Credit. He explained the reasons for, the impact of and some potential performance measures of this tax credit.

Jake Corey, JLBC Staff, explained the Private School Tuition Organization (STO) Tax Credit. He explained the reasons for, the impact of and some potential performance measures of this tax, specifying that only the individual credit was reviewed at this time.

Senator Cheuvront questioned Mr. Corey about tracking of students, whether they are leaving public school for private school. Mr. Corey stated that he did not have definitive numbers on that issue.

Senator Cheuvront stated that more data is needed so guesses will not be made and more information is provided on tracking children.

Senator Garcia questioned Mr. Corey about the requirements for scholarships from STOs. Mr. Corey stated that there are requirements for the STOs to be available to more than one school but they are not specifically required to look at financials.

Mr. Corey explained the Public School Extracurricular Activity Fee Credit. He explained the eligibility, contributions, impact and potential performance measures of this tax.

Leatta McLaughlin, JLBC Staff, explained the School Site Donation Credit. She explained the School Facilities Board's role, recent trends, and potential performance measures.

Brian Cary, JLBC Staff, explained the Solar Stub Out/Electric Recharge Outlet Credit. He explained the other solar energy tax credits that are available, that the credit is rarely claimed, and the recent trends. He explained that the technology this credit was intended for has been phased out and no longer in use.

Recommendations and Public Testimony

Representative Huffman stated that the Committee would discuss each credit as they are listed. He asked for any questions or comments on the family income tax credit.

> **Representative Yarbrough moved the individual family income tax credit be continued and placed on the Income Tax Credit Review Schedule for 2011 and be further amended to be adjusted for inflation each year.**

Senator Garcia asked Representative Yarbrough if he would amend his motion to include carry forward. Representative Huffman stated that he saw no reason to carry forward tax credits.

Senator Cheuvront stated that the other tax credits are carry forward. He stated that he is against refundable tax credits.

Representative Yarbrough said the motion stands as is.

Representative Huffman read the names of people registered to speak on the private school organization credit (Attachment B).

Therese Martin, representing herself, stated that her child is one that left public school to attend private school. She said that her son is autistic and because of her son's special needs she was forced to choose a private school which she would not be able to afford without the private school tuition organization credit.

Drake Housley, student, stated that he is getting a better education and able to be in a better atmosphere because he goes to a private Christian school and he is only able to do that because of the private school tuition organization credit.

Jose Magana, student, stated that the atmosphere and education he receives at private school is very important to him and his ability to grow and thrive. He said that is only possible with the assistance of the private school tuition organization credit.

Harry Miller, President, Arizona STO Association (ASTOA); Executive Director, Tuition Organization for Private Schools (TOPS), stated that ASTOA does three main things: inform, educate, and administrate. He said that ASTOA acts as a watchdog and works with Department of Revenue (DOR). He stated that the private school tuition organization credit is very necessary, but asked not to be further burdened with more paperwork and restrictions.

Representative Huffman stated the Committee would address the current motion by Representative Yarbrough.

The motion CARRIED by roll call vote of 5-1-4 (Attachment 1).

Representative Huffman stated that the Committee would move on to the school tuition organization credit and noted the individuals who registered their position on the issues (Attachment B).

Holly Buss, representing herself, stated that without the private school tuition organization credit she would not be able to send her three children to a school of her choice. She said that without the credit her children would be going to public school at taxpayer's expense.

Representative Yarbrough moved the individual private school tuition organization credit be continued and placed on the Income Tax Credit Review Schedule for 2011.

Senator Cheuvront questioned if the credit continues even if this committee votes it down.

Representative Huffman stated that this committee only puts forth recommendations.

Senator Cheuvront stated that the information he has seen from DOR does not indicate how the money is being spent or who it is being spent on. He asked for a little more transparency for this tax credit.

Senator Cheuvront moved an amendment to the motion that with the reauthorization of this tax credit that there is more transparency with the tax credits. The motion FAILED by voice vote.

The motion to continue and place on the Income Tax Credit Review Schedule for 2011 the individual private school tuition organization credit CARRIED with a roll call vote of 5-1-4 (Attachment 2).

Senator Cheuvront stated that it was shown with the alternative fuels legislation what happens without transparency and with these tax credits there is no way to know how the money is being spent. He said he has been working for several years trying to bring transparency and is working to bring it to the ballot in 2008.

Representative Huffman stated that the next item was individual public school extracurricular activity fee credit and asked for any comments or discussion.

Representative Yarbrough moved the individual public school extracurricular activity fee credit be continued and placed on the Income Tax Credit Review Schedule for 2011. The motion CARRIED by roll call vote of 5-1-4 (Attachment 3).

Representative Huffman stated that the next item was credits for donation of school sites and asked for any comments or discussion.

Representative Yarbrough moved the individual and corporate school site donation credits be continued and placed on the Income Tax Credit Review Schedule for 2011. The motion CARRIED by roll call vote of 6-0-4 (Attachment 4).

Representative Huffman stated that the last item on the agenda was the continuation of the credit for solar hot water stub outs and electric vehicle recharge outlets and asked for any comments or discussion.

Representative Yarbrough moved the individual and corporate solar hot water heater plumbing stub outs and electric vehicle recharge outlet credits be eliminated. The motion CARRIED by roll call vote of 6-0-4 (Attachment 5).

There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Shelley Ponce
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)