AN ACT

AMENDING SECTIONS 20-224, 20-224.02, 20-225 AND 20-227, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 53, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-5405; RELATING TO THE OFFICE OF ECONOMIC OPPORTUNITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-224, Arizona Revised Statutes, is amended to read:

20-224. Premium tax; reports

A. On or before March 1 of each year, each authorized domestic insurer, each other insurer and each formerly authorized insurer referred to in section 20-206, subsection B shall file with the director a report in a form prescribed by the director showing total direct premium income, including policy membership and other fees, and all other considerations for insurance from all classes of business whether designated as a premium or otherwise received by it during the preceding calendar year on account of policies and contracts covering property, subjects or risks located, resident or to be performed in this state, after deducting from such total direct premium income applicable cancellations, returned premiums, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer and all policy dividends, refunds, savings coupons and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance. No deduction shall be made of the cash surrender values of policies or contracts. Considerations received on annuity contracts, as well as the unabsorbed portion of any premium deposit, shall not be included in total direct premium income, and neither shall be subject to tax. The report shall separately indicate the total direct fire insurance premium income received from property located in the incorporated cities and towns certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company.

B. Coincident with the filing of the tax report, each insurer shall pay to the director for deposit, pursuant to sections 35-146 and 35-147, a tax on such net premiums at the following rates:

1. For fire insurance:
   (a) On property located in a city or town certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company, .66 percent.
   (b) On all other property, 2.2 percent.

2. For disability insurance, 2.0 percent.

3. For health care service plans, the rates prescribed under sections 20-837, 20-1010 and 20-1060.

4. For other insurance:
   (a) For premiums received in calendar year 2016, 1.95 percent.
   (b) For premiums received in calendar year 2017, 1.90 percent.
   (c) For premiums received in calendar year 2018, 1.85 percent.
   (d) For premiums received in calendar year 2019, 1.80 percent.
(e) For premiums received in calendar year 2020, 1.75 percent.
(f) For premiums received in calendar year 2021 and for each subsequent calendar year, 1.70 percent.

C. Any payments of tax pursuant to subsection $G$ of this section shall be deducted from the tax payable pursuant to subsection B of this section. Each insurer shall reflect the cost savings attributable to the lower tax in fire insurance premiums charged on property located in an incorporated city or town certified by the office of the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company. No AN insurer shall be IS NOT liable to the state or to any other person, or shall be AND IS NOT subject to regulatory action relating to the calculation or submittal of fire insurance premium taxes based in good faith on the office of the state fire marshal's certification.

D. Eighty-five percent of the tax paid under this section by an insurer on account of premiums received for fire insurance shall be separately specified in the report and shall be apportioned in the manner provided by sections 9-951, 9-952 and 9-972, except that all of the tax so allocated to a fund of a municipality or fire district that has no volunteer firefighters or pension obligations to volunteer firefighters shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system and all of the tax so allocated to a fund of a municipality or fire district that has both full-time paid firefighters and volunteer firefighters or pension obligations to full-time paid firefighters or volunteer firefighters shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system where it shall be reallocated by actuarial procedures proportionately to the municipality or fire district for the account of the full-time paid firefighters and to the municipality or fire district for the account of the volunteer firefighters. A municipality or fire district shall provide to the public safety personnel retirement system all information that the system deems necessary to perform the reallocation prescribed by this section. A full accounting of the reallocation shall be forwarded to the municipality or fire district and its local boards.

E. BEGINNING IN FISCAL YEAR 2027-2028, TEN PERCENT OF THE TAX PAID UNDER THIS SECTION BY AN INSURER ON ACCOUNT OF PREMIUMS RECEIVED FOR ACCIDENT AND HEALTH INSURANCE AND ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM CONTRACTED COVERAGE SHALL BE SEPARATELY SPECIFIED IN THE REPORT AND SHALL BE DISTRIBUTED TO THE ARIZONA HEALTH CARE WORKFORCE INVESTMENT FUND ESTABLISHED BY SECTION 41-5405.

F. This section does not apply to title insurance. Title insurers shall be taxed as provided in section 20-1566.

G. Any insurer that paid or is required to pay a tax of $50,000 or more on net premiums received during the preceding calendar year,
pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of each month from March through August a report for that month, on a form prescribed by the director, accompanied by a payment in an amount equal to fifteen percent of the amount paid or required to be paid during the preceding calendar year pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and payable on or before the fifteenth day of each month and shall be made to the director for deposit pursuant to sections 35-146 and 35-147.

H. Except for the tax paid on fire insurance premiums pursuant to subsections B and D of this section, an insurer may claim a premium tax credit if the insurer qualifies for a credit pursuant to section 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

I. On receipt of a properly documented claim, a refund shall be provided to an insurer from available funds for the excess amount of any fire insurance premium improperly paid by the insurer. The insurer shall reflect the refund in the fire insurance premiums charged on the property that was charged the excessive amount.

J. On or before September 30 of each year, the director of the department of insurance and financial institutions shall report to the directors of the joint legislative budget committee and the governor's office of strategic planning and budgeting on the amount of insurance premium tax credits established by sections 20-224.03, 20-224.04, 20-224.05, 20-224.06 and 20-224.07 that were used during the previous fiscal year.

K. For the purposes of:

1. Subsection B of this section, fire insurance is one hundred percent of fire lines, forty percent of commercial multiple peril nonliability lines, thirty-five percent of homeowners' multiple peril lines, twenty-five percent of farm owners' multiple peril lines and twenty percent of allied lines.

2. Section 20-416, fire insurance is eighty-five percent of fire and allied lines.

L. From and after December 31, 2017, The director may require that reports and payments under this section be submitted electronically. If the director requires electronic submission, the director shall include on the department's official website a list of one or more acceptable third-party services through which an insurer must submit reports and payments.

Sec. 2. Section 20-224.02, Arizona Revised Statutes, is amended to read:

20-224.02. Credit for overpayment of tax

If an overpayment of the taxes imposed by sections 20-224, 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 results from payments
made pursuant to the method prescribed in section 20-224, subsection G, the director shall within three months after the due date refund the overpayment without interest.

Sec. 3. Section 20-225, Arizona Revised Statutes, is amended to read:

20-225. Failure to pay tax; penalty; exception

A. Any insurer failing to pay the tax prescribed by sections 20-224, 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 is subject to a civil penalty not to exceed the greater of twenty-five dollars $25 or five percent of the amount due plus interest at the rate of one percent per month from the date the tax was due.

B. The director may refuse to renew the certificate of authority of any insurer failing to pay the tax on or before the date it is due. The director shall revoke the certificate of authority of any insurer failing to pay the tax for more than thirty days after it was due.

C. If the director requires the tax to be paid electronically through a designated third-party service pursuant to section 20-224, subsection L, no penalty accrues with respect to any payment of tax or interest that is late due to delays caused by the third-party service.

Sec. 4. Section 20-227, Arizona Revised Statutes, is amended to read:

20-227. Disposition of tax proceeds

The purpose of the taxes provided by this title is to assist in defraying the cost of state government and to lessen the tax burden upon tangible property. All taxes collected under this title shall be deposited, pursuant to sections 35-146 and 35-147, in the state general fund and shall be used, together with the revenue from other sources, to pay appropriations for the maintenance of state government, except as provided in subsection C of section 20-224. (firemen's relief and pension fund) SUBSECTIONS D AND E and in section 20-224.01 (highway patrol account of the public safety personnel retirement system) and other applicable statutes.

Sec. 5. Title 41, chapter 53, article 3, Arizona Revised Statutes, is amended by adding section 41-5405, to read:

41-5405. Arizona health care workforce advisory council; Arizona health care workforce investment fund; recommendations; annual report; exemption

A. THE ARIZONA HEALTH CARE WORKFORCE ADVISORY COUNCIL IS ESTABLISHED IN THE OFFICE TO ADDRESS HEALTH CARE WORKFORCE SHORTAGES IN THIS STATE. THE ARIZONA HEALTH CARE WORKFORCE ADVISORY COUNCIL CONSISTS OF THE FOLLOWING MEMBERS:

1. FIVE REPRESENTATIVES FROM HEALTH INSURERS WITH KNOWLEDGE OF NETWORK ADEQUACY CHALLENGES. TWO MEMBERS SHALL BE APPOINTED BY THE PRESIDENT OF THE SENATE, TWO MEMBERS SHALL BE APPOINTED BY THE SPEAKER OF
THE HOUSE OF REPRESENTATIVES AND ONE MEMBER SHALL BE APPOINTED BY THE GOVERNOR.

2. ONE REPRESENTATIVE FROM A DENTAL INSURER WHO IS APPOINTED BY THE GOVERNOR.

3. THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES OR THE DIRECTOR’S DESIGNEE WHO HAS KNOWLEDGE OF THE HEALTH CARE WORKFORCE OF THIS STATE.

4. THE DIRECTOR OF THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION OR THE DIRECTOR’S DESIGNEE WHO HAS KNOWLEDGE OF NETWORK ADEQUACY.

5. ONE REPRESENTATIVE FROM AN ORGANIZATION IN THIS STATE THAT REPRESENTS PHYSICIANS WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

6. ONE REPRESENTATIVE FROM AN ORGANIZATION IN THIS STATE THAT REPRESENTS NURSES WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE.

7. ONE REPRESENTATIVE FROM AN ORGANIZATION IN THIS STATE THAT REPRESENTS BEHAVIORAL HEALTH CARE WHO IS APPOINTED BY THE GOVERNOR.

8. ONE REPRESENTATIVE FROM AN ORGANIZATION IN THIS STATE THAT REPRESENTS DENTISTS WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

9. TWO REPRESENTATIVES FROM ORGANIZATIONS IN THIS STATE THAT REPRESENT HOSPITALS WHO ARE APPOINTED BY THE GOVERNOR.

10. THE PRESIDENT OF EACH OF THE UNIVERSITIES THAT ARE UNDER THE JURISDICTION OF THE ARIZONA BOARD OF REGENTS OR THE PRESIDENT’S DESIGNEE.

11. ONE REPRESENTATIVE FROM AN ORGANIZATION IN THIS STATE THAT REPRESENTS COMMUNITY COLLEGES IN THIS STATE WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE.

12. ONE REPRESENTATIVE FROM EACH PRIVATE COLLEGE IN THIS STATE THAT HAS A PHYSICAL CAMPUS AND ON-SITE INSTRUCTION, THAT TRAINS HEALTH CARE WORKERS TO AT LEAST A BACHELOR’S DEGREE LEVEL AND THAT HAS AT LEAST FIVE HUNDRED STUDENTS ENROLLED IN HEALTH CARE DEGREE PROGRAMS WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

B. THE ARIZONA HEALTH CARE WORKFORCE INVESTMENT FUND IS ESTABLISHED CONSISTING OF GRANTS, DONATIONS AND MONIES DISTRIBUTED PURSUANT TO SECTION 20-224, SUBSECTION E. DONATIONS MADE BY INSURANCE COMPANIES THAT OWN AN ENTITY THAT IS A CONTRACTOR AS DEFINED IN SECTION 36-2901 COUNT TOWARD THAT COMPANY’S COMMUNITY REINVESTMENT REQUIREMENT. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSE OF APPROPRIATIONS. THE DIRECTOR SHALL ADMINISTER THE FUND.

C. BEGINNING JULY 1, 2027 AND EACH JULY 1 THEREAFTER, THE COUNCIL SHALL MEET AND MAKE RECOMMENDATIONS TO THE DIRECTOR ON HOW TO ALLOCATE THE MONIES IN THE FUND. THE COUNCIL SHALL PREPARE AND SUBMIT AN ANNUAL REPORT WITH THE RECOMMENDATIONS TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL PROVIDE A COPY TO
THE SECRETARY OF STATE.

D. MONIES IN THE FUND MAY BE USED FOR ANY OF THE FOLLOWING:
   1. EXPANDING CLASS SIZES AT COLLEGES AND UNIVERSITIES IN THIS
      STATE.
   2. PURCHASING NEW EQUIPMENT AND LABORATORY SPACE.
   3. HIRING NEW FACULTY MEMBERS.
   4. POST-GRADUATE CLINICAL TRAINING PROGRAMS.
   5. SCHOLARSHIPS WITH FOUR-YEAR WORKING REQUIREMENTS IN THIS STATE.

E. AT LEAST TEN PERCENT OF THE MONIES IN THE FUND SHALL BE USED FOR
RURAL HEALTH CARE GRANTS TO HELP ATTRACT HEALTH CARE PROVIDERS TO RURAL
AREAS AND SHALL INCLUDE FUNDING FOR ANY OF THE FOLLOWING:
   1. FACILITY INVESTMENT.
   2. PURCHASING MEDICAL EQUIPMENT NECESSARY TO OPEN A NEW OFFICE IN
      LOCATIONS THAT DO NOT HAVE HEALTH CARE PROVIDERS.
   3. SIGNING BONUSES TO BRING IN HEALTH CARE PROVIDERS.
   4. MEDICAL LOAN REPAYMENT.

F. THE DIRECTOR SHALL PRESCRIBE A SIMPLIFIED FORM AND PROCEDURE TO
   APPLY FOR AND APPROVE GRANTS AND ESTABLISH REQUIREMENTS AND CRITERIA BY
   WHICH GRANTS WILL BE AWARDED.

G. IF MONIES IN THE FUND ARE ELIGIBLE FOR FEDERAL MATCHING MONIES,
   THE DIRECTOR MAY ENTER INTO AGREEMENTS WITH OTHER STATE AGENCIES IN ORDER
   TO BE ELIGIBLE AND APPLY FOR THE FEDERAL MATCHING MONIES.