

CORRECTED

House Engrossed

~~fire districts; homeowner's policies; DIFI~~
(now: wildfire prevention authority; fund)

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2268

AN ACT

AMENDING TITLE 37, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 37-1311; AMENDING SECTIONS 20-224, 20-224.02, 20-225 AND 20-227, ARIZONA REVISED STATUTES; RELATING TO THE DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 37, chapter 9, article 1, Arizona Revised
3 Statutes, is amended by adding section 37-1311, to read:

4 37-1311. Wildfire prevention authority; membership; terms;
5 wildfire prevention authority fund; audit

6 A. THE WILDFIRE PREVENTION AUTHORITY IS ESTABLISHED IN THE
7 DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT CONSISTING OF THE FOLLOWING
8 MEMBERS:

9 1. THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR AND WHO ARE
10 EMPLOYED BY AN INSURANCE COMPANY THAT WRITES HOMEOWNER'S OR COMMERCIAL
11 PROPERTY INSURANCE POLICIES, WITH AT LEAST ONE OF WHOM SELLS HOMEOWNER'S
12 OR COMMERCIAL INSURANCE POLICIES IN WILDLAND URBAN INTERFACE AREAS.

13 2. THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCIAL
14 INSTITUTIONS OR THE DIRECTOR'S DESIGNEE.

15 3. THE DIRECTOR OF THE ARIZONA DEPARTMENT OF FORESTRY AND FIRE
16 MANAGEMENT OR THE DIRECTOR'S DESIGNEE.

17 4. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR AND WHO REPRESENTS A
18 COUNTY THAT HAS A POPULATION OF TWO HUNDRED THOUSAND PERSONS OR MORE AND
19 THAT EXPERIENCES HIGH FIRE RISKS.

20 5. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR AND WHO REPRESENTS A
21 COUNTY THAT HAS A POPULATION OF LESS THAN TWO HUNDRED THOUSAND PERSONS AND
22 THAT EXPERIENCES HIGH WILDFIRE RISKS.

23 6. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR AND WHO REPRESENTS A
24 CITY OR TOWN THAT HAS A POPULATION OF FIFTY THOUSAND PERSONS OR MORE AND
25 THAT EXPERIENCES HIGH WILDFIRE RISKS.

26 7. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR AND WHO REPRESENTS A
27 CITY OR TOWN THAT HAS A POPULATION OF LESS THAN FIFTY THOUSAND PERSONS AND
28 THAT EXPERIENCES HIGH WILDFIRE RISK.

29 8. ONE FIRE CHIEF WHO IS APPOINTED BY THE GOVERNOR AND WHO
30 REPRESENTS A FIRE DISTRICT THAT PRIMARILY SERVES RESIDENTS OF A COUNTY
31 THAT HAS A POPULATION OF TWO HUNDRED THOUSAND PERSONS OR MORE AND THAT
32 EXPERIENCES HIGH WILDFIRE RISKS.

33 9. ONE FIRE CHIEF WHO IS APPOINTED BY THE GOVERNOR AND WHO
34 REPRESENTS A FIRE DISTRICT THAT PRIMARILY SERVES RESIDENTS OF A COUNTY
35 THAT HAS A POPULATION OF LESS THAN TWO HUNDRED THOUSAND PERSONS AND THAT
36 EXPERIENCES HIGH WILDFIRE RISKS.

37 10. TWO MEMBERS OF THE GENERAL PUBLIC WHO ARE APPOINTED BY THE
38 GOVERNOR.

39 B. MEMBERS SHALL SERVE STAGGERED THREE-YEAR TERMS BEGINNING AND
40 ENDING ON THE THIRD MONDAY IN JANUARY. AT THE FIRST MEETING EACH YEAR, THE
41 MEMBERS SHALL SELECT A CHAIRPERSON FROM AMONG THE MEMBERS. THE AUTHORITY
42 SHALL MEET AT THE CALL OF THE CHAIRPERSON OR ON REQUEST OF SEVEN MEMBERS
43 OF THE AUTHORITY.

44 C. THE AUTHORITY MAY:

45 1. DEVELOP AND IMPLEMENT A PLAN OF OPERATION.

1 2. DEVELOP AND IMPLEMENT A FINANCIAL PLAN.
2 3. SOLICIT AND ACCEPT GIFTS, GRANTS AND DONATIONS.
3 D. THE AUTHORITY SHALL:
4 1. REVIEW FIRE RISK DATA AND TOOLS TO IDENTIFY THE AREAS IN THIS
5 STATE THAT ARE AT THE GREATEST RISK OF DAMAGE TO OR LOSS OF REAL AND
6 PERSONAL PROPERTY FROM WILDFIRES.
7 2. PRIORITIZE FUNDING TO COUNTIES, CITIES, TOWNS AND FIRE DISTRICTS
8 THAT HAVE ADOPTED BUILDING OR LAND USE CODES THAT ARE REASONABLY
9 DEMONSTRATED TO REDUCE THE RISK OF DAMAGE TO OR LOSS OF REAL AND PERSONAL
10 PROPERTY FROM WILDFIRES.
11 3. REVIEW PUBLICLY AVAILABLE INSURANCE DATA TO IDENTIFY AREAS OF
12 THIS STATE THAT MAY BE EXPERIENCING HIGH LEVELS OF INSURANCE POLICY
13 NONRENEWALS OR PREMIUM INCREASES DUE TO ENHANCED WILDFIRE RISK OR DAMAGE
14 TO OR LOSS OF REAL AND PERSONAL PROPERTY FROM WILDFIRES.
15 4. TO THE EXTENT THAT THE AUTHORITY HAS AVAILABLE FUNDING, MAKE
16 GRANTS TO CITIES, TOWNS, COUNTIES, FIRE DISTRICTS AND NONGOVERNMENTAL
17 ORGANIZATIONS THAT ARE LOCATED IN THE AREAS OF THIS STATE IDENTIFIED
18 PURSUANT TO PARAGRAPH 1 OR 3 OF THIS SUBSECTION OR THAT ARE IMPACTED BY
19 ELEVATED WILDFIRE RISKS FOR THE FOLLOWING PURPOSES:
20 (a) TO ASSIST WITH VEGETATION MANAGEMENT AND COMMUNITY HARDENING
21 PROJECTS, INCLUDING RETROFITTING EXISTING STRUCTURES.
22 (b) TO AID IN THE REMOVAL OF BRUSH AND OTHER FIRE FUEL FOR PROPERTY
23 OWNERS WHO ARE UNABLE TO CREATE DEFENSIBLE SPACES, INCLUDING LOW-INCOME
24 AND ELDERLY RESIDENTS. FOR THE PURPOSES OF THIS SUBDIVISION, "DEFENSIBLE
25 SPACES" MEANS THE AREA SURROUNDING A BUILDING OR STRUCTURE THAT HAS BEEN
26 CLEARED OF COMBUSTIBLE MATERIALS TO SLOW THE SPREAD OF FIRE.
27 (c) TO HELP MODIFY THE INFRASTRUCTURE TO IMPROVE THE RESPONSE
28 CAPACITY OF THE CITY, TOWN, COUNTY OR FIRE DISTRICT TO RESPOND TO
29 WILDFIRES, INCLUDING TO HELP DECREASE WILDFIRE RISK AND IMPROVE THE
30 AVAILABILITY OF PROPERTY INSURANCE TO RESIDENTS OF THE CITY, TOWN, COUNTY
31 OR FIRE DISTRICT.
32 (d) TO PROVIDE TECHNICAL ASSISTANCE TO DEVELOP ORDINANCES AND LOCAL
33 POLICIES TO IMPROVE WILDFIRE RESILIENCE.
34 (e) TO PROVIDE TECHNICAL ASSISTANCE TO RESIDENTS OF A CITY, TOWN,
35 COUNTY OR FIRE DISTRICT TO RENOVATE OR IMPROVE THEIR PROPERTY TO BECOME
36 MORE FIRE RESISTANT.
37 E. THE WILDFIRE PREVENTION AUTHORITY FUND IS ESTABLISHED CONSISTING
38 OF \$20,000,000 PER YEAR FROM PREMIUM TAX FROM FIRE INSURERS COLLECTED
39 PURSUANT TO SECTION 20-224, SUBSECTION E AND ANY PRIVATE AND PUBLIC MONIES
40 RECEIVED BY THE AUTHORITY. THE AUTHORITY SHALL ADMINISTER THE FUND.
41 MONIES IN THE FUND SHALL BE USED ONLY TO PAY THE ADMINISTRATIVE EXPENSES
42 OF THE AUTHORITY AND TO MAKE GRANT AWARDS TO CARRY OUT THE PURPOSES OF
43 THIS SECTION. MONIES IN THE FUND ARE SUBJECT TO LEGISLATIVE APPROPRIATION
44 AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSLING
45 OF APPROPRIATIONS. ON NOTICE FROM THE AUTHORITY, THE STATE TREASURER

1 SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313,
2 AND MONIES EARNED FROM THE INVESTMENT SHALL BE CREDITED TO THE FUND. ALL
3 MONIES APPROPRIATED TO THE DEPARTMENT FOR THE WILDFIRE PREVENTION
4 AUTHORITY SHALL BE USED BY THE DEPARTMENT EXCLUSIVELY FOR THE OPERATION OF
5 THE WILDFIRE PREVENTION AUTHORITY. MONIES APPROPRIATED FROM THE FUND THAT
6 ARE INCLUDED IN THE GENERAL APPROPRIATIONS ACT SHALL BE INCLUDED WITHIN
7 THE FOLLOWING SEPARATE LINE ITEMS:

8 1. THE WILDFIRE PREVENTION AUTHORITY OPERATING LUMP SUM
9 APPROPRIATION.

10 2. ANY LOCAL GRANTS.

11 F. THE AUTHORITY MAY ACCEPT NONMONETARY CONTRIBUTIONS, INCLUDING
12 THE SERVICES OF INDIVIDUALS, OFFICE AND SECRETARIAL ASSISTANCE, MAILINGS,
13 PRINTING, OFFICE EQUIPMENT, FACILITIES AND SUPPLIES THAT ARE NECESSARY TO
14 CARRY OUT THE AUTHORITY'S FUNCTIONS.

15 G. MONIES FROM THE WILDFIRE PREVENTION AUTHORITY FUND SHALL BE USED
16 TO SUPPLEMENT, NOT SUPPLANT, OTHER MONIES THAT ARE AVAILABLE FOR WILDFIRE
17 PREVENTION AND MITIGATION.

18 H. THE WILDFIRE PREVENTION AUTHORITY SHALL CAUSE AN AUDIT TO BE
19 MADE OF THE WILDFIRE PREVENTION AUTHORITY FUND. THE AUDIT SHALL BE
20 CONDUCTED BY A CERTIFIED PUBLIC ACCOUNTANT EVERY TWO YEARS. THE AUTHORITY
21 SHALL FILE A CERTIFIED COPY OF THE AUDIT WITH THE AUDITOR GENERAL WITHIN
22 FIVE DAYS AFTER COMPLETION OF THE AUDIT. THE AUDITOR GENERAL MAY MAKE
23 FURTHER AUDITS AND EXAMINATIONS AS THE AUDITOR GENERAL DEEMS NECESSARY AND
24 MAY TAKE APPROPRIATE ACTION RELATING TO THE AUDIT PURSUANT TO TITLE 41,
25 CHAPTER 7, ARTICLE 10.1.

26 Sec. 2. Section 20-224, Arizona Revised Statutes, is amended to
27 read:

28 20-224. Premium tax: reports

29 A. On or before March 1 of each year, each authorized domestic
30 insurer, each other insurer and each formerly authorized insurer referred
31 to in section 20-206, subsection B shall file with the director a report
32 in a form prescribed by the director showing total direct premium income
33 including policy membership and other fees and all other considerations
34 for insurance from all classes of business whether designated as a premium
35 or otherwise received by it during the preceding calendar year on account
36 of policies and contracts covering property, subjects or risks located,
37 resident or to be performed in this state, after deducting from such total
38 direct premium income applicable cancellations, returned premiums, the
39 amount of reduction in or refund of premiums allowed to industrial life
40 policyholders for payment of premiums direct to an office of the insurer
41 and all policy dividends, refunds, savings coupons and other similar
42 returns paid or credited to policyholders within this state and not
43 reapplied as premiums for new, additional or extended insurance. ~~NOT~~ A
44 deduction shall ~~NOT~~ be made of the cash surrender values of policies or
45 contracts. Considerations received on annuity contracts, as well as the

1 unabsorbed portion of any premium deposit, shall not be included in total
2 direct premium income, and neither shall be subject to tax. The report
3 shall separately indicate the total direct fire insurance premium income
4 received from property located in the incorporated cities and towns
5 certified by the office of the state fire marshal pursuant to section
6 9-951, subsection B, as procuring the services of a private fire company.

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

10 1. For fire insurance:

11 (a) On property located in a city or town certified by the office
12 of the state fire marshal pursuant to section 9-951, subsection B, as
13 procuring the services of a private fire company, .66 percent.

14 (b) On all other property, 2.2 percent.

15 2. For disability insurance, 2.0 percent.

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

18 4. For other insurance:

19 (a) For premiums received in calendar year 2016, 1.95 percent.

20 (b) For premiums received in calendar year 2017, 1.90 percent.

21 (c) For premiums received in calendar year 2018, 1.85 percent.

22 (d) For premiums received in calendar year 2019, 1.80 percent.

23 (e) For premiums received in calendar year 2020, 1.75 percent.

24 (f) For premiums received in calendar year 2021 and for each
25 subsequent calendar year, 1.70 percent.

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

37 D. Eighty-five percent of the tax paid under this section by an
38 insurer on account of premiums received for fire insurance shall be
39 separately specified in the report and shall be apportioned in the manner
40 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so
41 allocated to a fund of a municipality or fire district that has no
42 volunteer firefighters or pension obligations to volunteer firefighters
43 shall be appropriated to the account of the municipality or fire district
44 in the public safety personnel retirement system and all of the tax so
45 allocated to a fund of a municipality or fire district that has both

1 full-time paid firefighters and volunteer firefighters or pension
2 obligations to full-time paid firefighters or volunteer firefighters shall
3 be appropriated to the account of the municipality or fire district in the
4 public safety personnel retirement system where it shall be reallocated by
5 actuarial procedures proportionately to the municipality or fire district
6 for the account of the full-time paid firefighters and to the municipality
7 or fire district for the account of the volunteer firefighters. A
8 municipality or fire district shall provide to the public safety personnel
9 retirement system all information that the system deems necessary to
10 perform the reallocation prescribed by this section. A full accounting of
11 the reallocation shall be forwarded to the municipality or fire district
12 and its local boards.

13 E. BEGINNING IN FISCAL YEAR 2025-2026 AND EACH FISCAL YEAR
14 THEREAFTER, \$20,000,000 OF THE TAX PAID UNDER THIS SECTION BY AN INSURER
15 ON ACCOUNT OF PREMIUMS RECEIVED SHALL BE SEPARATELY SPECIFIED IN THE
16 REPORT AND SHALL BE DISTRIBUTED TO THE WILDFIRE PREVENTION AUTHORITY FUND
17 ESTABLISHED BY SECTION 37-1311.

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

20 G. Any insurer that paid or is required to pay a tax of \$50,000
21 or more on net premiums received during the preceding calendar year,
22 pursuant to subsection B of this section and sections 20-224.01, 20-837,
23 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day
24 of each month from March through August a report for that month, on a form
25 prescribed by the director, accompanied by a payment in an amount equal to
26 fifteen percent of the amount paid or required to be paid during the
27 preceding calendar year pursuant to subsection B of this section and
28 sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments
29 are due and payable on or before the fifteenth day of each month and shall
30 be made to the director for deposit, pursuant to sections 35-146 and
31 35-147.

32 H. Except for the tax paid on fire insurance premiums pursuant
33 to subsections B and D of this section, an insurer may claim a premium tax
34 credit if the insurer qualifies for a credit pursuant to section
35 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

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

41 J. On or before September 30 of each year, the director of the
42 department of insurance and financial institutions shall report to the
43 directors of the joint legislative budget committee and the governor's
44 office of strategic planning and budgeting on the amount of insurance
45 premium tax credits established by sections 20-224.03, 20-224.04,

1 20-224.05, 20-224.06 and 20-224.07 that were used during the previous
2 fiscal year.

3 **~~J.~~ K.** For the purposes of:

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

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

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

17 Sec. 3. Section 20-224.02, Arizona Revised Statutes, is amended to
18 read:

19 **20-224.02. Credit for overpayment of tax**

20 If an overpayment of the taxes imposed by sections 20-224,
21 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 results from payments
22 made pursuant to the method prescribed in section 20-224, subsection **~~F~~ G**,
23 the director shall within three months after the due date refund the
24 overpayment without interest.

25 Sec. 4. Section 20-225, Arizona Revised Statutes, is amended to
26 read:

27 **20-225. Failure to pay tax: penalty: exception**

28 A. Any insurer failing to pay the tax prescribed by sections
29 20-224, 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 is subject to a
30 civil penalty not to exceed the greater of **~~twenty-five dollars~~ \$25** or five
31 percent of the amount due plus interest at the rate of one percent per
32 month from the date the tax was due.

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

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

41 Sec. 5. Section 20-227, Arizona Revised Statutes, is amended to
42 read:

43 **20-227. Disposition of tax proceeds**

44 The purpose of the taxes provided by this title is to assist in
45 defraying the cost of state government and to lessen the tax burden **~~upon~~**

1 **ON** tangible property. All taxes collected under this title shall be
2 deposited, pursuant to sections 35-146 and 35-147, in the state general
3 fund and shall be used, together with the revenue from other sources, to
4 pay appropriations for the maintenance of state government, except as
5 provided in **subsection C of** section 20-224, ~~(firemen's relief and pension~~
6 ~~fund)~~ **SUBSECTIONS D AND E** and ~~in~~ section 20-224.01 ~~(highway patrol account~~
7 ~~of the public safety personnel retirement system)~~ and other applicable
8 statutes.