

Week of January 11 - 25, 2016



Legislative Update

General Issues

January 15, 2016 is the 5th day of the 52nd Legislature, Second Regular Session. To date, 656 bills have been introduced.

Governor Releases Budget

Governor Doug Ducey released his budget on Friday, January 15, 2016. The proposed budget continues most state services and provides additional funding for specific programs such as K12 education, prisons, and child foster care services. A quick analysis of the budget showed that there are no significant impacts to local governments. A summary of the budget can be found here: [budget](#)

New Legislation

[SB 1118 – Office of Tourism Continuation](#) – SB 1118 will extend the statutory life of the Arizona Office of Tourism for eight years, ending on to July 1, 2024. The Office is currently set to sunset on July 1, 2016.

Status: *SB 1118 was introduced by Senator Kimberly Lee (Phoenix) and is assigned to the Senate Commerce and Workforce Development Committee.*

Recommendation: *SUPPORT*

[HB 2026 – Municipal Tax Exemption; Residential Lease](#) – HB 2026 will prohibit municipalities with a population of more than 100,000 persons located in Maricopa and Pima counties from levying a transaction privilege tax on the business of renting or leasing real property for residential purposes. The bill provides a schedule to phase out existing residential rental tax levies by 25% each year over a four year period. The bill is retroactive to January 1, 2016. **This legislation is estimated to have a negative \$90 million impact to local governments statewide including a \$6.2 million negative impact to Scottsdale.**

Status: *HB 2026 was introduced by Representative Darin Mitchell (Litchfield Park) and is assigned to the House Ways and Means Committee.*

Recommendation: *OPPOSE*

Legislative Update

HB 2028 – Taxes; Payment; Condemned Property – HB 2028 states that if a municipality acquires real or personal property by condemnation, that entity is not required to pay unpaid taxes, penalties and interest in an amount that exceeds the fair market value of the property interest acquired.

Status: *HB 2026 was introduced by Representative Darin Mitchell (Litchfield Park) and is assigned to the House Ways and Means Committee.*

Recommendation: *SUPPORT (this is a City of Scottsdale bill)*

HB 2267 – Prime Contracting Classification; Repeal – HB 2267 is an attempt to remedy the ambiguity of current law for a specific segment of contractors that is the result of previous changes to the TPT statutes (Tax Simplification). This bill would eliminate the current prime contracting transaction privilege tax classification and would be replaced with the manufactured building dealer classification for the business of selling manufactured buildings. Many of the deductions from the tax base for this tax classification are eliminated. The sale of construction material to a contractor is considered to be a sale or purchase at retail and is subject to taxation under the retail classification of transaction privilege taxes unless the personal property purchased will be used for a purpose that is otherwise exempt.

Municipalities are prohibited from assessing a transaction privilege or other excise tax on the business of contracting or on the gross proceeds of sales or gross income derived from the sale of construction materials to a licensed contractor for use in any project for which a building permit is required.

A tax is levied on the gross proceeds of sales or gross income derived from the sale of construction materials to a licensed contractor for use in any project for which a building permit is required at a rate of two percent of the tax base.

The Department of Revenue is required to collect this tax on behalf of and distribute the tax revenues to municipalities based on their proportionate share of the total value of building permits issued by all municipalities during the prior fiscal year.

Status: *HB 2267 was introduced by Representative Regina Cobb (Kingman) and is yet to be assigned to a standing committee. At this time, due to the complexity of bill and the system it would create, there appears to be substantial opposition from both the contracting industry and municipal interests.*

Recommendation: *OPPOSE*

HB 2391 – Municipalities; Water Rates; Requirements – HB 2391 proposes several changes to municipal water and wastewater rate structuring and requirements to ensure that water service fee revenues are used only for direct water and wastewater functions. However, the bill also

Legislative Update

contains language that would prohibit a municipality from using water service fees to acquire a private water business or company.

Status: *HB 2391 was introduced by Representative Rusty Bowers (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *OPPOSE unless the prohibition on water company acquisition language is removed.*

HB 2483 – Municipal Population Estimates; Use – HB 2483 is a city-sponsored bill that would give cities and towns the option to use either the results of a special census (performed by the U.S. Census Bureau and paid by the requesting city or town) or use “population estimates” from the U.S. Census Bureau to determine their annual population. This consensus legislation is an attempt to provide current population data to cities and towns without the expense and aggravation that can be incurred from the current special census process.

Status: *HB 2483 was introduced by Representative Justin Olson (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *SUPPORT. This is consensus legislation and is also supported by a League of Arizona Cities and Towns Resolution.*

HB 2486 – Telecommunications; Utilities; Relocation Reimbursement – HB 2486 would require municipalities to reimburse telecommunications utility companies for the costs of relocating the utilities’ infrastructure if a municipality is to initiate a construction project that was the result of a voter-approved bond election. The legislation provides the methodology and additional requirements for the reimbursement.

Status: *HB 2486 was introduced by Representative Justin Olson (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *Pending. Scottsdale staff is currently reviewing the provisions of this bill.*