



LEGISLATIVE BULLETIN

Issue 8 – March 1, 2019

Legislative Overview

Today is the 47th day of the legislative session. The total number of bills introduced is 1,289 and 96 memorials and resolutions have been introduced. Seven bills have passed the legislature, of which six have been signed by the governor and one has been vetoed.

Cross-over week concluded after both chambers spent several hours each day with floor debates and votes to submit bills to the opposite chamber. There are still several measures in the House that are either waiting for a Rules Committee hearing or for a final vote, and this process will likely continue in the coming weeks. However, tensions between lawmakers in the House erupted openly, leading to some bills failing their final votes or being stalled by lengthy debates and legislative maneuvering. At one point, a sudden House rule change prompted heated debate on the floor for quite some time, delaying action on several House measures waiting for a vote. It is rather unusual to see this level of stress so early in the session and it may lead to further delay in approving other key session items, including the state budget.

Peer-to-peer Car Bills

Two competing measures have been introduced this session to define and regulate a new peer-to-peer business model for renting cars. HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) and SB1305 peer-to-peer car rentals, sponsored Senator David Livingston (R-Peoria) take different approaches to define and regulate this activity. HB2559 seeks to categorize this business as similar to Uber and Lyft rideshare activity while also providing exemptions from sales taxes and surcharges imposed on rental car transactions. SB1305 would define and regulate this business like a rental car transaction that is subject to all the consumer protection and tax and surcharge obligations the rental car industry must comply with.

The legislature has taken up similar measures in previous years to determine how to apply regulations and taxes to new business models while also providing a level playing field with bricks-and-mortar businesses providing the same product. For example, in 2016 a law was enacted to regulate the online short-term vacation rental industry, such as Airbnb, that subjects transactions conducted on these sharing platforms to the same TPT and bed taxes the hotel industry is obligated to pay. We believe any legislation for the P2P car rental market should do the same, which is why the League is supporting SB1305.

The tax and surcharge exemptions in HB2559 are of concern because of the loss of revenue generated from car rental fees and TPT that pays for Spring Training Baseball (\$640M in 2018 to the Arizona economy), Arizona Cardinals Stadium, public safety, road projects, and general city administration. Providing an exemption solely to P2P platforms while continuing the full tax on transactions conducted by car rental companies creates an unlevel playing field. We believe other new emerging technologies will seek the same treatment in the future and further erode the tax base. While the term applied to these transactions is "sharing," P2P car sharing is nothing more than a car rental transaction that is currently subject to state and local TPT under statute and the Model City Tax Code, including tourism surcharges that were approved by the voters. SB1350 will allow the P2P car sharing economy to operate in Arizona while ensuring state and local TPT and tourism surcharge obligations are applied equally.

Remote Seller Study Committee

On Tuesday night the Senate Appropriations Committee considered SB1155; remote sellers; taxation; study committee, in a strike-everything amendment sponsored by Senator Vince Leach (R-Tucson). SB1155 proposed to study the Wayfair issue over the summer of 2019 and to return an analysis on December 15, 2019 regarding what direction the legislature should move going forward.

The League testified in opposition, indicating there was another bill in the House, HB2702, sponsored by Rep. Ben Toma (R-Peoria), that passed through the House Ways & Means Committee last week the implements the US Supreme Court *Wayfair* decision as many other states have done, and that we should not attempt to preempt that bill's progress with confusion of a study committee. While there was significant debate in committee, the bill ultimately passed out on a 5-4 vote.

Yesterday, SB1155 came to the Senate Floor for a Third Read where it failed to pass by a vote of 11-19.

Defensive Driving School

This week HB 2005 moving violations; defensive driving school, sponsored by Representative John Kavanagh (R-Fountain Hills), was voted out of the House on a strict party line vote of 31-29. It now moves on to the Senate where it is likely to continue moving through the legislative process.

The bill would allow a driver cited for a moving violation to opt for defensive driving school *after* being found responsible by the court. Currently, a driver must choose between completing defensive driving school seven days before their court date (which results in the ticket being dismissed) or going to court.

HB 2005 will likely lead to more drivers choosing to go to court, with the knowledge that they can still choose defensive driving school even after being found responsible. Police officers would be required to appear in court to substantiate their tickets even if the cited driver later chooses the driving school option. This would further strain our police and courts, without changing the outcome of these cases or otherwise benefiting the public.

If your community is concerned about the impact this bill would place on your police and courts, **please reach out to your district Senators** to make them aware of the unintended consequences of the bill and **ask that they vote NO**.

Landlord-Tenant Issues

HB 2115 landlord tenant; state preemption, sponsored by Rep. Gail Griffin (R-Hereford), was also voted out of the House this week, also on a strict party line vote of 31-29. This bill is a broad state preemption of city and town authority to enact or enforce any regulations related to landlord-tenant issues.

Currently, some cities have ordinances that regulate landlord-tenant issues, but many do not. As with short-term rentals, when the state preempts cities on local issues that have been handled responsibly in the past, new problems tend to pop up and existing problems tend to be exacerbated.

In order to avoid having to fix problems created by the bill later on, we ask that you **please reach out to your district Senators** now and let them know this is not needed and will only lead to problems at the local level later on, the kinds of problems which the state can't or won't help resolve.

Legislative Bill Monitoring

All bills being actively monitored by the League [can be found here](#).