



LEGISLATIVE BULLETIN

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Legislative Update

Today is the 61st day of session. This week both chambers continued progress in standing committee hearings; the deadline to hear bills in committee is March 29, two weeks from today. Floor action, particularly in the House, was at a slow pace due to some measures sparking heated debates. Democrats in both chambers on Wednesday moved to ratify the Equal Rights Amendment, trying to make Arizona the 38th state to do so. Democrats in the Senate attempted to suspend the chamber's rules to allow the bill to be voted on, but that effort failed after hours of debate. Democrats in the House used their floor time to support ratifying the ERA.

House leadership this week confirmed the 37 House bills remaining in the Rules Committee will not be moving forward. Among the measures held include League-supported bills such as HB2702 TPT; marketplace facilitators; nexus that implements the Wayfair v South Dakota decision, HB2465 appropriation; Interstate 10; widening; study that appropriates \$10M to ADOT to the study widening the Interstate 10 between Casa Grande and Chandler, and HB2365 tax credits; affordable housing that establishes a state tax credit for developing affordable housing projects in rural and urban areas. It is very unusual to see this number of bills held by the Rules Committee Chair as this committee is charged with determining constitutionality, not political merit. Lawmakers have expressed their frustrations with this issue, and the House speaker accepted responsibility for stopping the measures by stating the Rules Committee is an extension of the speaker's office. It is likely that some Senate bills will suffer the same fate.

To date, there has been no definitive progress on the state's budget, leading some to believe session will extend longer than usual. There hasn't yet been an agreement between legislative leaders and the governor on tax conformity or the highway safety fee, both of which are key items of discussion.

Digital Goods

This week was a busy one for discussion on SB 1460: TPT; digital goods and services sponsored by Senator Michelle Ugenti-Rita (R-Scottsdale). On Tuesday, the bill was discussed in caucus meetings where it was unanimously panned by the Democrat Caucus. In the Republican Caucus there were a few key supporters who spoke in favor of the bill, while the Senate President indicated the caucus had friends on both sides of the issue and she was hopeful all parties could come to a conclusion.

Just last week, the League offered an amendment to stakeholders that would codify in law tax treatment of certain digital products, identify specified digital goods, and provide clarity to the Department of Revenue and taxpayers. Unfortunately, the League's proposal was rejected by the bill's proponents.

On Wednesday, in the Arizona Capitol Times Yellow Sheet, President Fann was quoted as indicating there were at least 4 Republican senators opposed to SB1460 in its current form and she was not inclined to put the bill up for a vote unless she was assured it could pass. President Fann was also quoted as saying the Arizona Department of Revenue would release a projected fiscal impact of SB1460 within days that might give the legislature more direction on this issue.

As of this publication the analysis has not been made public. However, the League feels confident that the Department will find that this year's bill lacks clarity for the business community and will result in a substantial revenue impact. The League is anxious for the document to be published and stands ready to provide a response upon release.

Short-Term/Vacation Rentals

HB2672 vacation rentals; short-term rentals; regulation, sponsored by Representative John Kavanagh (R-Fountain Hills), was voted out of the House on a vote of 41-19, with 12 Republicans joining all the Democrats to vote yes. The support was not as robust as we had hoped for (particularly among the majority caucus) but the bill is still moving.

The League is continuing to have discussions with city and town government affairs staff and other stakeholders on the language of the bill to ensure the final legislation is workable and useful to our members while still being palatable to the Arizona Department of Revenue, the responsible actors in the short-term rental industry that want to work with us, and most importantly, legislators, the Governor and their staffs.

The next hurdle is getting the bill on the agenda for the Senate Commerce committee, chaired by Sen. Michelle Ugenti-Rita (R-Scottsdale). Bolstering support for the bill in the Senate will be vital, as the debate in the House committee hearing and the final vote in the House has reduced its momentum. **If your community has a relationship with**

any of the members of the Senate Commerce committee, or with any other Senators, please reach out to them to voice your support and urge a yes vote.

Peer-to-peer Car Rental Bills

On Wednesday the House further amended HB2559 peer-to-peer car sharing, sponsored by Representative Travis Grantham (R-Gilbert) to apply a tax distribution scheme that continues to allow cities and towns to tax P2P car rental transactions and also redirects the state TPT collected to offset the exemptions of certain car rental surcharges imposed on the traditional car rental industry, such as the Tourism and Sports Authority (TSA) surcharge.

The distribution formula the amendment established is as follows: 1) it first runs the state tax collected by the P2Ps through the normal distribution for cities (net, 0.50% of the 5% tax collected) and counties (net, 0.8102%) as Shared Revenue, total of 1.3102% out of the 5% collected, leaving 3.6898%; 2) it next looks to the balance of tax paid by a P2P in Maricopa County and assesses 3.5% on the related gross receipts to pay the TSA; 3) it next looks to the balance of tax paid by a P2P in a county with a population less than two million, with a stadium district tax (Pima County) and assesses 3.5% on the related gross receipts to pay the stadium district; and 4) it returns the balance from those counties (0.1898% portion of the 5% state tax rate) to the state General Fund.

The amendments also allow the state's airports to regulate and levy fees and charges for all transactions conducted at the airport. The bill passed 44-16 and now proceeds to the Senate for committee assignment.

Legislative Bill Monitoring

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