



LEGISLATIVE BULLETIN

Issue No. 9 – March 9, 2018

Legislative Overview

Today marks the 61st day of the legislative session. The pace of activity slowed in the House and Senate this week with light floor calendars. League staff continues to participate in stakeholder meetings on several bills, and is meeting frequently with individual legislators. Budget discussions are reported to be getting underway in the Senate while a group of budget writers is meeting in the House. The chairs and vice chairs of the Appropriations Committees in both chambers are meeting to discuss their budget priorities.

Digital goods and Services

SB 1392 and HB 2479, TPT; digital goods and services, sponsored by Sen. David Farnsworth (R-Mesa) and Rep. Michelle Ugenti-Rita (R-Scottsdale) respectively, are the companion bills that emerged from the interim committee on Digital Goods and Services.

The intent is to draw a line between “pre-written software” and “specified digital goods” (books, music, movies, etc.) that are “transferred electronically” meaning wholly downloaded or saved in some manner by the user and thus are considered taxable, versus the same items that are “remotely accessed” over the Internet (“in the cloud”) without downloading a complete copy and thus are defined as exempt “specified digital services.” To accomplish this, the bill creates at least eight new exemptions for transactions that have been held taxable for decades.

Last week, despite our best efforts, HB 2479 was approved in the House Committee of the Whole and passed on Third Read by a vote of 39-19. However, when the companion bill SB 1392 was scheduled for floor action in the Senate Committee of the Whole, it was retained on the calendar. The fiscal note prepared by the JLBC confirmed all of our misgivings about the bill including the new exemptions we identified and cost to state and local governments.

The proponents of the bill are now questioning the validity of the data we provided to the JLBC as well as questioning our authority to tax these digital goods. Let your legislators know that although it is impossible to be 100% accurate in our estimates of revenue loss, we stand behind the methodology that generated the revenue impact. We also point out the fact that there is no dispute that there will be a revenue impact to the state, cities, towns, counties and school districts.

Furthermore, we are confident that state statute gives state and local government the authority to tax these goods and has done so for some time under the retail and tangible personal property rental categories. The statutes don't itemize what is taxable, they establish categories of taxable goods and enumerate what is exempt from definitions in those individual categories.

It is imperative that we keep up our efforts to educate legislators about the true negative impacts of this dramatic policy change. Here is a [link](#) to a document that explains the bill and its impacts.

Home-based Businesses

HB 2333 home-based businesses; local regulation (Rep. Jeff Weninger, R-Chandler) is back on the Senate Commerce and Public Safety Committee agenda for Monday, March 12.

We question the need for this legislation. Home-based businesses are thriving in every community in the state without it. Cities and towns are currently managing this activity with few problems. We are concerned this bill will eliminate our ability to balance the interests of adjacent property owners.

Unless there is an impact on the neighborhood, people are free to run a home-based business without interference from local government. It is only when that business activity encroaches upon the quiet enjoyment of a residential area that a city or town may have to intercede.

We approached the sponsor of the bill with suggested changes to HB 2333 that would allow us to stand down and be neutral. While some of our suggestions were accepted, many were not incorporated into the bill and we continue to oppose it. We do not believe it is necessary to address this issue in statute at all. However, if there is going to be a statewide mandate on the treatment of home-based businesses, it needs to maintain the tools cities and towns currently have to address any problems that arise. Please contact your neighborhood groups and other interested citizens to let them know this bill is going to be heard. Additionally, contact your Senator with your concerns. Unless this bill is amended further, we would urge them to support their neighborhoods and vote no.

Resolutions

Every year the League accepts legislative proposals from our member cities and towns which are discussed, debated and voted on through the policy committee process. The proposals that successfully move forward then become items for consideration at the Resolutions Committee meeting at the League's Annual Conference. This session, several of our current resolutions are successfully moving through the legislature.

HB 2334 liquor omnibus, sponsored by Rep. Jeff Weninger (R-Chandler) passed out of the House and awaits a hearing in the Senate. It includes a League resolution to codify an existing practice of allowing municipal clerks to approve special event licenses when they have been authorized to do so by their council. The resolution came out of the League's General Administration, Human Resources, and Elections (GAHRE) policy committee on behalf of the municipal clerks.

HB 2078 NOW: political subdivisions; electronic filing system, sponsored by Rep. Mark Finchem (R-Oro Valley), includes a provision to reinstate a permanent \$500 threshold above which all local candidates for election must file with the Secretary of State. This resolution arose as a result of the 2016 state law which established a formula to annually increase the threshold above which candidates/committees must file. This created a problem for local elections because campaigns often spend less than the current \$1,000 threshold (which will continue to rise). Reinstating a permanent, lower threshold will give clerks more information about who is running locally and allow them to provide more training and education to those candidates. The bill passed out of the Senate Government Committee this week and now moves on to the Rules Committee.

SB 1281 street lighting improvement districts; consolidation, sponsored by Sen. John Kavanagh (R-Fountain Hills), will allow the consolidation of two or more street light improvement districts (SLIDs) that have contiguous boundaries, with the consent of the majority of property owners in each of the districts, and allow the addition of new territory into an existing SLID, under certain conditions. Consolidating SLIDs will achieve a more evenly distributed property tax for the payment of energy costs and increase the administrative efficiency for the municipality and the county assessor that, over time, will save taxpayer money.

SB 1465 sober living homes; certification, sponsored by Sen. Kate Brophy-McGee (R-Phoenix), also advanced this week, passing out of the Senate unanimously (1 member not voting). Efforts to develop a policy to help protect sober home residents and the communities in which they live was discussed at length over the interim. During this session, through several stakeholder meetings with Sen. Brophy-McGee, the Arizona Department of Health Services and representatives from the sober home industry, an agreement has been reached on the general framework for the bill, which would require all sober living homes to be licensed by DHS going forward. Although there may be minor adjustments to the bill as it moves through the House it is expected to pass the chamber with significant support.

Legislative Bill Monitoring

Our Legislative Bill Monitoring system has been upgraded! The issue with linking directly to a specific bill's information page on the Arizona Legislature website has been resolved. We have also implemented a self-updating list through Arizona Capitol Reports, providing you with the most up-to-date information possible! Click [here](#) to browse through our Legislative Bill Monitoring page!