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MICHELE REAGAN
SECRETARY OF STATE

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CHAPTER 10

SENATE BILL 1471

AN ACT

AMENDING SECTION 20-224, ARIZONA REVISED STATUTES; REPEALING TITLE 23, CHAPTER 4, ARTICLE 5.2, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1541, 41-1544, 42-5029 AND 42-5030, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5041; AMENDING SECTION 42-6204, ARIZONA REVISED STATUTES; AMENDING LAWS 2010, CHAPTER 321, SECTION 11; AMENDING LAWS 2000, CHAPTER 383, SECTION 10, AS AMENDED BY LAWS 2002, CHAPTER 264, SECTION 4, LAWS 2007, CHAPTER 293, SECTION 3 AND LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 126; AMENDING LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 16, AS AMENDED BY LAWS 2014, CHAPTER 9, SECTION 2; AMENDING LAWS 2014, CHAPTER 9, SECTION 11; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 20-224, Arizona Revised Statutes, is amended to read:

20-224. Premium tax; reports

A. On or before March 1 of each year each authorized domestic insurer, each other insurer and each formerly authorized insurer referred to in section 20-206, subsection B shall file with the director a report in a form prescribed by the director showing total direct premium income including policy membership and other fees and all other considerations for insurance from all classes of business whether designated as a premium or otherwise received by it during the preceding calendar year on account of policies and contracts covering property, subjects or risks located, resident or to be performed in this state, after deducting from such total direct premium income applicable cancellations, returned premiums, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer and all policy dividends, refunds, savings coupons and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance. No deduction shall be made of the cash surrender values of policies or contracts. Considerations received on annuity contracts, as well as the unabsorbed portion of any premium deposit, shall not be included in total direct premium income, and neither shall be subject to tax. The report shall separately indicate the total direct fire insurance premium income received from property located in the incorporated cities and towns certified by the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company.

B. Coincident with the filing of such tax report each insurer shall pay to the director for deposit, pursuant to sections 35-146 and 35-147, a tax of 2.0 ~~per cent~~ PERCENT of such net premiums, except that the tax on fire insurance premiums on property located in an incorporated city or town certified by the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company is .66 ~~per cent~~ PERCENT, the tax on all other fire insurance premiums is 2.2 ~~per cent~~ PERCENT and the tax on health care service and disability insurance premiums is as prescribed under sections 20-837, 20-1010 and 20-1060. Any payments of tax pursuant to subsection E of this section shall be deducted from the tax payable pursuant to this subsection. Each insurer shall reflect the cost savings attributable to the lower tax in fire insurance premiums charged on property located in an incorporated city or town certified by the state fire marshal pursuant to section 9-951, subsection B, as procuring the services of a private fire company. No insurer shall be liable to the state or to any other person, or shall be subject to regulatory action, relating to the calculation or submittal of fire insurance premium taxes based in good faith ~~upon~~ ON the state fire marshal's certification.

C. Eighty-five ~~per cent~~ PERCENT of the tax paid under this section by an insurer on account of premiums received for fire insurance shall be separately specified in the report and shall be apportioned in the manner provided by sections 9-951, 9-952 and 9-972, except that all of the tax so allocated to a fund of a municipality or fire district that has no volunteer ~~fire fighters~~ FIREFIGHTERS or pension obligations to volunteer ~~fire fighters~~ FIREFIGHTERS shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system and all of the tax so allocated to a fund of a municipality or fire district that has both full-time paid ~~fire fighters~~ FIREFIGHTERS and volunteer ~~fire fighters~~ FIREFIGHTERS or pension obligations to full-time paid ~~fire fighters~~ FIREFIGHTERS or volunteer ~~fire fighters~~ FIREFIGHTERS shall be appropriated to the account of the municipality or fire district in the public safety personnel retirement system where it shall be reallocated by actuarial procedures proportionately to the municipality or fire district for the account of the full-time paid ~~fire fighters~~ FIREFIGHTERS and to the municipality or fire district for the account of the volunteer ~~fire fighters~~ FIREFIGHTERS. A municipality or fire district shall provide to the public safety personnel retirement system all information that the system deems necessary to perform the reallocation prescribed by this section. A full accounting of such reallocation shall be forwarded to the municipality or fire district and their local boards.

D. This section shall not apply to title insurance, and such insurers shall be taxed as provided in section 20-1566.

E. Any insurer that paid or is required to pay a tax of two thousand dollars or more on net premiums received during the preceding calendar year, pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of each month from March through August a report for that month, on a form prescribed by the director, accompanied by a payment in an amount equal to fifteen ~~per cent~~ PERCENT of the amount paid or required to be paid during the preceding calendar year pursuant to subsection B of this section and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and payable on or before the fifteenth day of each month and shall be made to the director for deposit, pursuant to sections 35-146 and 35-147.

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

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

H. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR, THE DIRECTOR OF INSURANCE SHALL REPORT TO THE DIRECTORS OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE AMOUNT OF INSURANCE PREMIUM TAX CREDITS ESTABLISHED BY SECTIONS 20-224.02, 20-224.03, 20-224.04, 20-224.05, 20-224.06 AND 20-224.07 THAT WERE USED DURING THE PREVIOUS FISCAL YEAR.

Sec. 2. Delayed repeal

Title 23, chapter 4, article 5.2, Arizona Revised Statutes, is repealed from and after December 31, 2015.

Sec. 3. Section 41-1541, Arizona Revised Statutes, is amended to read:

41-1541. Arizona job training program

A. The Arizona job training program is established in the Arizona commerce authority. The program shall provide training for specific employment opportunities with qualified new and expanding businesses and businesses undergoing economic conversion. ~~If job training employer tax monies are deposited in the Arizona job training fund pursuant to section 23-769, the program may provide incumbent worker training.~~ The guidelines established pursuant to section 41-1543 shall provide additional weight for incumbent worker training applicants who demonstrate that incumbent worker trainees will receive an increase in compensation on completion of the training.

B. The chief executive officer shall implement the program and spend monies in the Arizona job training fund established by section 41-1544.

C. The authority, the business receiving monies for training and the provider of training shall design the training programs.

D. The business shall contribute monies or other appropriate resources, including technical assistance, machinery or training space, as follows:

1. For specific employment opportunities with qualified new and expanding businesses and businesses undergoing economic conversion, in an amount equal to at least twenty-five ~~per cent~~ PERCENT of the estimated cost of the proposed training.

2. For incumbent worker training, in an amount equal to at least fifty ~~per cent~~ PERCENT of the estimated cost of the proposed training.

E. The authority shall not be a direct provider of the training established pursuant to this article.

F. Training may be provided by the state community college system, a private postsecondary educational institution licensed under title 32, chapter 30, a community college operated by a tribal government or another qualified training provider.

G. Before a business currently operating in this state is eligible to receive training monies, the authority shall require the business to maintain or exceed its current level of training expenditures.

Sec. 4. Section 41-1544, Arizona Revised Statutes, is amended to read:

41-1544. Arizona job training fund; definitions

A. The Arizona job training fund is established consisting of legislative appropriations, ~~monies deposited pursuant to section 23-769,~~ gifts, grants and other monies. The authority shall administer the fund. On notice from the chief executive officer, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

B. The chief executive officer may accept and expend federal monies and private grants, gifts and contributions to assist in carrying out the purposes of this article. All monies for the program shall be expended only for the costs related to training~~, except that the authority shall reimburse the department of economic security for the development costs for establishing a system to collect the job training employer tax imposed pursuant to section 23-769 in an amount of not more than four hundred thousand dollars and for incremental costs incurred by the department of economic security relating to the collection of the job training employer tax imposed pursuant to section 23-769~~. Monies in the Arizona job training fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

C. The Arizona job training fund monies shall be spent on approval of the authority at the direction of the chief executive officer in accordance with the guidelines and procedures adopted by the governor's council on workforce policy.

D. A minimum of twenty-five ~~per cent~~ PERCENT of the monies appropriated to the Arizona job training fund shall be used to provide training to small businesses employing fewer than one hundred employees.

E. A minimum of twenty-five ~~per cent~~ PERCENT of the monies appropriated to the Arizona job training fund shall be used to provide training to businesses located in rural areas of the state.

F. If a business receives monies for training from the Arizona job training fund and the business employs fewer than one hundred employees and is located in a rural area of this state, the business shall be included in the minimum percentages prescribed in subsections D and E of this section.

G. No more than fifty ~~per cent~~ PERCENT of the monies in the Arizona job training fund shall be used to provide incumbent worker training.

H. A single grant awarded pursuant to this article shall not be more than ten ~~per cent~~ PERCENT of the estimated annual total of monies deposited in the Arizona job training fund.

I. The authority shall not approve grant monies for reimbursement of the following employer costs:

1. Fringe benefits, food and beverages, recruitment and signing bonuses for trainees and trainers.

2. Employer costs to complete a program application.

3. Except for small businesses, training expenses for partners or corporate officers.

4. Employee relocation expenses.

5. Training or course development costs that are not part of the employer's approved training plan.

6. Costs for assessing the training needs of employees.

7. Drug or other testing costs for employee screening or prescreening purposes.

8. Costs for trade shows and conferences or seminars that do not result in a skill certificate that is earned by an employee.

9. Other costs prohibited by rule.

J. For the purposes of this section:

1. "Rural area" means either:

(a) A county with a population of less than seven hundred fifty thousand persons according to the most recent United States decennial census.

(b) A census county division with less than fifty thousand persons in a county with a population of seven hundred fifty thousand or more persons according to the most recent United States decennial census.

2. "Small business" means a concern, including its affiliates, that employs fewer than one hundred employees.

Sec. 5. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. Remission and distribution of monies; definition

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5 and 8 of this chapter pursuant to section 42-1116, separately accounting for:

1. Payments of estimated tax under section 42-5014, subsection D.

2. Revenues collected pursuant to section 42-5070.

3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.

4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.

B. The department shall credit payments of estimated tax to an estimated tax clearing account and each month shall transfer all monies in the estimated tax clearing account to a fund designated as the transaction privilege and severance tax clearing account. The department shall credit all other payments to the transaction privilege and severance tax clearing account, separately accounting for the monies designated as distribution base under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the department shall report to the state treasurer the amount of monies collected pursuant to this article and articles 4, 5 and 8 of this chapter.

C. On notification by the department, the state treasurer shall distribute the monies deposited in the transaction privilege and severance tax clearing account in the manner prescribed by this section and by sections

42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

D. Of the monies designated as distribution base, AND SUBJECT TO THE REQUIREMENTS OF SECTION 42-5041, the department shall:

1. Pay twenty-five ~~per cent~~ PERCENT to the various incorporated municipalities in this state in proportion to their population to be used by the municipalities for any municipal purpose.

2. Pay 38.08 ~~per cent~~ PERCENT to the counties in this state by averaging the following proportions:

(a) The proportion that the population of each county bears to the total state population.

(b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and section 42-5353 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and section 42-5353 throughout the state for the calendar month.

3. Pay an additional 2.43 ~~per cent~~ PERCENT to the counties in this state as follows:

(a) Average the following proportions:

(i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.

(ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and section 42-5353 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and section 42-5353 throughout the state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount

available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue sufficient monies to administer and enforce this article and articles 5 and 8 of this chapter.

(b) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(c) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For the purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:

(a) In fiscal year 2001-2002, $15,305,900.

(b) In fiscal year 2002-2003, $31,530,100.

(c) In fiscal year 2003-2004, $48,727,700.

(d) In fiscal year 2004-2005, $66,957,200.

(e) In fiscal year 2005-2006 and each fiscal year thereafter, $86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one million five hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the failing schools tutoring fund established by section 15-241.

9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-five million dollars shall be transferred each fiscal year to the state general fund to reimburse the general fund for the cost of the income tax credit allowed by section 43-1072.01.

10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection, the remaining monies collected during the preceding month shall be transferred to the classroom site fund established by section 15-977. The monies shall be allocated as follows in the manner prescribed by section 15-977:

(a) Forty per cent shall be allocated for teacher compensation based on performance.

(b) Twenty per cent shall be allocated for increases in teacher base compensation and employee related expenses.

(c) Forty per cent shall be allocated for maintenance and operation purposes.

F. The department shall credit the remainder of the monies in the transaction privilege and severance tax clearing account to the state general fund, subject to any distribution required by section 42-5030.01.

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5 and 8 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten per cent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the greater Arizona development authority certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

I. Except as provided by sections 42-5033 and 42-5033.01, the population of a county, city or town as determined by the most recent United States decennial census plus any revisions to the decennial census certified by the United States bureau of the census shall be used as the basis for apportioning monies pursuant to subsection D of this section.

J. Except as otherwise provided by this subsection, on notice from the department of revenue pursuant to section 42-6010, subsection B, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city or town the amount of the penalty for business location municipal tax incentives provided by the city or town to a business entity that locates a retail business facility in the city or town. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount of the penalty has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section. The state treasurer shall not withhold any amount that the city or town certifies to the department of revenue and the state treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the city or town that were issued or incurred before the location incentives provided by the city or town.

K. On notice from the auditor general pursuant to section 9-626, subsection D, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city the amount computed pursuant to section 9-626, subsection D. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount specified in the notice has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section.

L. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state and, unless otherwise specified, includes a community college district established pursuant to section 15-1402.01 and a provisional community college district established pursuant to section 15-1409.

Sec. 6. Section 42-5030, Arizona Revised Statutes, is amended to read:

42-5030. <u>Transfers to the Arizona convention center development fund; distributions</u>

A. At the same time as the first distributions each fiscal year pursuant to section 42-5029, the department shall credit to the Arizona convention center development fund established by title 9, chapter 6, article 1 the amounts determined pursuant to this section.

B. The department shall credit twenty million dollars in each fiscal year until a certification of completion of construction is filed with the state treasurer pursuant to section 9-622. In each fiscal year thereafter, the department shall credit the amounts computed pursuant to subsection C of

this section to the Arizona convention center development fund for each eligible project as described in section 9-605.

C. The amount distributed pursuant to subsection B of this section shall be computed by dividing the total cost of the eligible project not funded from municipal sources as identified in the certificate of completion of construction filed pursuant to section 9-622 by three hundred million and multiplying the quotient by the ~~following amounts:~~

~~1. In the first fiscal year, twenty-five million dollars.~~

~~2. In the second fiscal year, thirty million dollars.~~

~~3. In the third fiscal year, thirty-five million dollars.~~

~~4. In the fourth fiscal year, forty million dollars.~~

~~5. In the fifth fiscal year and each of the next thirty fiscal years, the amount distributed in the preceding fiscal year plus one million dollars, except that the amount distributed shall not exceed sixty million dollars in any fiscal year~~ AMOUNT PRESCRIBED IN SECTION 9-602, SUBSECTION D.

D. If the chief financial officer of the eligible city certifies to the state treasurer pursuant to section 9-602 that no additional distributions are required from the Arizona convention center development fund for an eligible project, the department shall make no further transfers to the fund for that project.

Sec. 7. Title 42, chapter 5, article 1, Arizona Revised Statutes, is amended by adding section 42-5041, to read:

42-5041. Partial assessment of costs to local government

A. FROM AND AFTER JUNE 30, 2015, THE DEPARTMENT SHALL ASSESS AND COLLECT FEES FROM CITIES, TOWNS AND COUNTIES AS DETERMINED BY THE DIRECTOR AND AS PROVIDED BY THIS SECTION TO RECOVER A PORTION OF ADMINISTRATIVE, PROGRAM AND OTHER OPERATING COSTS INCURRED IN PROVIDING ADMINISTRATIVE AND COLLECTION SERVICES TO LOCAL GOVERNMENTS.

B. FROM AND AFTER JUNE 30, 2015, A FEE IS ASSESSED TO EACH COUNTY, CITY AND TOWN THAT RECEIVES STATE SHARED REVENUES PURSUANT TO SECTIONS 42-5029 AND 43-206.

C. IN FISCAL YEAR 2015-2016, A FEE IS ASSESSED TO EACH CITY AND TOWN FOR WHICH THE DEPARTMENT DOES NOT ADMINISTER AND COLLECT TRANSACTION PRIVILEGE TAXES PURSUANT TO CHAPTER 6, ARTICLE 1 OF THIS TITLE.

D. THE DEPARTMENT SHALL ASSESS THE FEES UNDER THIS SECTION NOT LATER THAN JULY 31 EACH YEAR, AND THE FEES ARE PAYABLE IMMEDIATELY ON ASSESSMENT. IF A COUNTY, CITY OR TOWN FAILS TO PAY THE ASSESSMENT IN FULL ON OR BEFORE SEPTEMBER 30, THE DEPARTMENT SHALL NOTIFY THE STATE TREASURER WHO SHALL WITHHOLD THE DELINQUENT AMOUNT FROM THE DISTRIBUTION OF MONIES TO THE AFFECTED COUNTY, CITY OR TOWN PURSUANT TO SECTION 42-5029 AND CONTINUE TO WITHHOLD MONIES UNTIL THE ENTIRE AMOUNT OF THE ASSESSMENT HAS BEEN SATISFIED.

E. ALL MONIES PAID TO THE DEPARTMENT OR WITHHELD BY THE STATE TREASURER FOR THE PURPOSES PRESCRIBED IN SUBSECTIONS A AND B OF THIS SECTION SHALL BE CREDITED TO THE DEPARTMENT OF REVENUE ADMINISTRATIVE FUND ESTABLISHED BY SECTION 42-1116.01.

F. ALL MONIES PAID TO THE DEPARTMENT OR WITHHELD BY THE STATE TREASURER FOR THE PURPOSES PRESCRIBED IN SUBSECTION C OF THIS SECTION SHALL BE CREDITED TO THE DEPARTMENT OF REVENUE IGA AND ISA FUND ESTABLISHED PURSUANT TO SECTION 35-142.

G. COUNTIES, CITIES AND TOWNS MAY MEET THEIR COST SHARING OBLIGATION FROM ANY SOURCE OF COUNTY, CITY OR TOWN REVENUE DESIGNATED BY THE APPROPRIATE COUNTY, CITY OR TOWN. THE COUNTY SOURCES MAY INCLUDE MONIES OF ANY COUNTYWIDE SPECIAL TAXING JURISDICTION IN WHICH THE BOARD OF SUPERVISORS SERVES AS THE BOARD OF DIRECTORS.

H. COUNTY, CITY AND TOWN CONTRIBUTIONS MADE PURSUANT TO THIS SECTION ARE EXCLUDED FROM THE APPLICABLE EXPENDITURE LIMITATIONS.

Sec. 8. Section 42-6204, Arizona Revised Statutes, is amended to read:

42-6204. <u>Payment; return; interest; penalty; reports</u>

A. The taxes that are levied pursuant to this article are:

1. Due and payable to the county treasurer annually on or before December 1.

2. Delinquent if not paid on or before that date.

B. The prime lessee, if subject to the tax or qualified for an abatement under this article, shall submit a return to the county treasurer on a return form prescribed by the department of revenue and submit a copy of the return to the government lessor. If the prime lessee is exempt from the tax pursuant to section 42-6208, the prime lessee shall keep and maintain the information required in this subsection. The return form shall be made available by the county treasurer at least sixty days before the taxes are due and payable and shall include:

1. The name and address of the prime lessee.

2. The location of the government property improvement.

3. The amount of gross building space or number of parking garage or deck spaces. The prime lessee may submit an initial statement of gross building space that is certified by a person who is professionally credentialed in this state as an architect, general contractor, surveyor or appraiser and thereafter shall file an annual statement with the return, under penalty of perjury, that the gross building space is unchanged from the amount previously certified.

4. The date of the original certificate of occupancy.

5. The use or uses of the property.

6. If an abatement under section 42-6209 applies, a certification under penalty of perjury that all elements necessary to qualify for the abatement are satisfied for the year covered by the return.

7. Any other pertinent information that is required by the return form.

C. If any part of the tax is not paid before it becomes delinquent, interest accrues on the unpaid amount at the rate and in the manner prescribed by section 42-1123 until it is paid. Interest on overpayments

accrues at the rate and in the manner prescribed by section 42-1123 until the refund is paid by the county treasurer.

D. The county treasurer shall assess and collect a penalty of five ~~per cent~~ PERCENT of any part of the tax that is not paid before it becomes delinquent.

E. The county treasurer shall issue a receipt to the prime lessee for payments under this article.

F. On or before February 15 of each year, the county treasurer shall submit a report to:

1. The department of revenue of all returns and payments received for the preceding calendar year under this section. The report shall be in a form and contain data prescribed by the department of revenue.

2. Each government lessor of all returns and payments received for the preceding calendar year with respect to leases of government property improvements owned by the government lessor. These reports shall contain the same data prescribed pursuant to paragraph 1 of this subsection.

3. THE JOINT LEGISLATIVE BUDGET COMMITTEE OF ALL RETURNS AND PAYMENTS RECEIVED FOR THE PRECEDING CALENDAR YEAR WITH RESPECT TO LEASES OF GOVERNMENT PROPERTY IMPROVEMENTS OWNED BY THE GOVERNMENT LESSOR. THESE REPORTS SHALL CONTAIN THE SAME DATA PRESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION.

G. The county treasurer is entitled to rely ~~upon~~ ON any information contained in any abatement certification described in subsection B, paragraph 6 of this section unless the county treasurer has actual knowledge that the certification is inaccurate.

Sec. 9. Laws 2010, chapter 321, section 11 is amended to read:

Sec. 11. Review of government property lease excise tax rates

A. ~~By~~ ON OR BEFORE December 15, 2016, the joint legislative budget committee shall conduct an analysis to determine the effectiveness of the government property lease excise tax rates prescribed by section 42-6203, Arizona Revised Statutes~~, as amended by this act~~. The analysis shall include consideration of:

1. The total ad valorem property tax revenues that would be produced by the properties to counties, cities and towns, community college districts and school districts if the properties were taxable.

2. The actual total annual amount of government property lease excise taxes collected and the amounts distributed to counties, cities and towns, community college districts and school districts.

3. The tax revenue previously being received from the vacant or underutilized property being redeveloped.

~~4. Determine the average aggregate ad valorem property tax levy per square foot for the various property types listed in section 42-6203, Arizona Revised Statutes, as amended by this act, and compare that levy with the levy rates prescribed by section 42-6203, subsection B, Arizona Revised Statutes, as amended by this act.~~

B. THE JOINT LEGISLATIVE BUDGET COMMITTEE MAY USE A REPRESENTATIVE SAMPLE OF PROPERTIES TO CONDUCT THE ANALYSIS REQUIRED BY SUBSECTION A OF THIS SECTION.

~~B.~~ C. The department of revenue AND EACH COUNTY shall cooperate with the joint legislative budget committee for the purposes of this section, and, ~~by~~ ON OR BEFORE October 1, 2015, THE DEPARTMENT OF REVENUE SHALL provide the joint legislative budget committee with the public database of all government property leases maintained pursuant to section 42-6202, Arizona Revised Statutes~~, as amended by this act~~.

~~C.~~ D. The joint legislative budget committee shall submit copies of its analysis pursuant to this section to:

1. The governor, the president of the senate and the speaker of the house of representatives.

2. The chairpersons of the house of representatives ways and means committee and the senate finance committee.

3. The secretary of state.

4. Any other person who requests a copy of the analysis.

Sec. 10. Laws 2000, chapter 383, section 10, as amended by Laws 2002, chapter 264, section 4, Laws 2007, chapter 293, section 3 and Laws 2011, second special session, chapter 1, section 126, is amended to read:

Sec. 10. Delayed repeal

A. Section 23-730.02, Arizona Revised Statutes, ~~and title 23, chapter 4, article 5.2, Arizona Revised Statutes, are~~ IS repealed from and after December 31, 2016.

B. Title 41, chapter 10, article 4, Arizona Revised Statutes, is repealed from and after December 31, 2016, at which time any unexpended or unencumbered monies in the Arizona job training fund attributable to the job training employer tax imposed pursuant to section 23-769, Arizona Revised Statutes, revert to the unemployment compensation fund established by section 23-701, Arizona Revised Statutes, and any unexpended or unencumbered monies in the Arizona job training fund not attributable to the job training employer tax imposed pursuant to section 23-769, Arizona Revised Statutes, revert to the state general fund.

Sec. 11. Laws 2013, first special session, chapter 9, section 16, as amended by Laws 2014, chapter 9, section 2, is amended to read:

Sec. 16. Department receivership revolving fund; use; intent

A. Notwithstanding section 6-135.01, Arizona Revised Statutes, in fiscal years 2013-2014, ~~and~~ 2014-2015 AND 2015-2016, the superintendent of the department of financial institutions may use monies in the department receivership revolving fund established by section 6-135.01, Arizona Revised Statutes, for expenditures on an electronic licensing system.

B. It is the intent of the legislature that expenditures in fiscal years 2013-2014, ~~and~~ 2014-2015 AND 2015-2016 on an electronic licensing system as prescribed in subsection A of this section not exceed a total of $850,000.

Sec. 12. Laws 2014, chapter 9, section 11 is amended to read:

Sec. 11. Arizona highway user revenue fund; distribution; fiscal years 2014-2015, 2015-2016 and 2016-2017

A. Notwithstanding any other law, before the distribution of revenues of the Arizona highway user revenue fund pursuant to section 28-6538, Arizona Revised Statutes, the department of transportation shall allocate and the state treasurer shall distribute $30,000,000 in fiscal year 2014-2015, $30,000,000 in fiscal year 2015-2016 and ~~$60,000,000~~ $30,000,000 in fiscal year 2016-2017 as follows:

1. To the counties, 33.231 ~~per cent~~ PERCENT.

2. To the incorporated cities and towns, 48.097 ~~per cent~~ PERCENT.

3. To incorporated cities with a population of three hundred thousand or more persons, 5.247 ~~per cent~~ PERCENT.

4. To counties with a population of more than eight hundred thousand persons, 13.425 ~~per cent~~ PERCENT.

B. The allocation and distribution made pursuant to subsection A, paragraphs 1, 2 and 3 of this section shall be made as prescribed in section 28-6540, Arizona Revised Statutes. The allocation and distribution made pursuant to subsection A, paragraph 4 of this section shall be made as prescribed in section 28-6538, subsection B, Arizona Revised Statutes.

C. The amounts appropriated in this section may be used only for the direct costs of constructing, reconstructing, maintaining or repair of public highways, streets or bridges and direct costs of rights-of-way acquisitions and expenses related thereto.

Sec. 13. Radiation regulatory agency; fees; increases; intent; rulemaking exemption

A. Notwithstanding any other law, the director of the radiation regulatory agency may increase fees in fiscal year 2015-2016 for services provided in fiscal year 2015-2016.

B. It is the intent of the legislature that the revenue generated by the fees collected pursuant to subsection A of this section not exceed $561,000.

C. The radiation regulatory agency shall deposit monies received from any fees increased pursuant to subsection A of this section in the radiation regulatory fee fund established by section 30-658, Arizona Revised Statutes.

D. The radiation regulatory agency is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, for the purpose of increasing fees pursuant to this section until July 1, 2016.

Sec. 14. Agricultural fees; intent; rulemaking exemption

A. Notwithstanding any other law, the director of the Arizona department of agriculture, with the assistance of the department of agriculture advisory council, may continue existing fees from fiscal year 2014-2015 in fiscal year 2015-2016 for services provided in fiscal year 2015-2016.

B. It is the intent of the legislature that the additional revenue generated by the fees prescribed in subsection A of this section not exceed $218,000 to the state general fund, $113,000 to the pesticide trust fund established by section 3-350, Arizona Revised Statutes, and $26,000 to the dangerous plants, pests and diseases trust fund established by section 3-214.01, Arizona Revised Statutes, in fiscal year 2015-2016.

C. The Arizona department of agriculture is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, for the purpose of establishing fees pursuant to this section until July 1, 2016.

Sec. 15. Department of insurance; fee and assessment adjustment suspension

Notwithstanding section 20-167, subsection F, Arizona Revised Statutes, and section 20-466, subsection J, Arizona Revised Statutes, the director of insurance may not revise fees or assessments in fiscal year 2015-2016 for the purpose of meeting the requirement to recover at least ninety-five percent but not more than one hundred ten percent of the department of insurance's appropriated budget.

Sec. 16. Department of liquor licenses and control; fiscal year 2014-2015; exemption

The appropriation of $626,700 from the liquor licenses fund established by section 4-120, Arizona Revised Statutes, in fiscal year 2014-2015 to the department of liquor licenses and control for a licensing replacement system pursuant to Laws 2014, chapter 18, section 55 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations until June 30, 2016.

Sec. 17. Department of financial institutions; financial services fund

Notwithstanding any other law, the department of financial institutions may use the financial services fund established by section 6-991.21, Arizona Revised Statutes, for general operating expenditures of the department.

Sec. 18. County fiscal obligations; report

A. Notwithstanding any other law, for fiscal year 2015-2016, a county with a population of less than two hundred thousand persons according to the 2010 United States decennial census may meet any county fiscal obligation from any source of county revenue designated by the county, including monies of any countywide special taxing jurisdiction in which the board of supervisors serves as the board of directors.

B. On or before October 1, 2015, all counties with a population of less than two hundred thousand persons according to the 2010 United States decennial census shall report to the director of the joint legislative budget committee whether the county used a revenue source to meet a county fiscal obligation pursuant to subsection A of this section and, if so, the specific source and amount of revenues that the county intends to use in fiscal year 2015-2016.

1 Sec. 19. Tax recovery; report; delayed repeal; definitions
2 A. Notwithstanding title 42, chapter 1, article 3, Arizona Revised
3 Statutes, the director of the department of revenue shall establish a tax
4 recovery program as provided in this section.
5 B. If a taxpayer complies with the requirements of this section by
6 applying to the department for recovery during the recovery period and
7 complying with the applicable tax requirements in the time and manner
8 prescribed in this section, the director shall abate or waive all the civil
9 penalties and interest for tax liabilities that have been or could be
10 assessed for any taxable period during the applicable liability period
11 without the need for the taxpayer to show reasonable cause or the absence of
12 wilful neglect. For the purposes of this subsection, "liability period"
13 means:
14 1. For taxpayers filing annually, any taxable period ending before
15 January 1, 2014.
16 2. For all other taxpayers, any taxable period ending before February
17 1, 2015.
18 C. The director may grant recovery only for the taxable periods and
19 tax liabilities identified in the application and only if the taxpayer
20 satisfies all of the recovery conditions and requirements prescribed by this
21 section.
22 D. To qualify for recovery, the taxpayer must submit a complete and
23 correct application as provided by subsection F of this section during the
24 recovery period.
25 E. A taxpayer does not qualify for recovery under this section if:
26 1. The taxpayer is a party to any criminal investigation or to any
27 criminal administrative proceeding or criminal litigation that is pending on
28 January 1, 2015 in any court of the United States or of this state for
29 failure to file or failure to pay, or for fraud with respect to, any tax
30 imposed by any law of this state and required to be collected by the
31 department.
32 2. The taxpayer has been the subject of a past tax-related criminal
33 investigation, indictment or prosecution if the investigation, indictment or
34 prosecution resulted in a conviction, a guilty plea or a plea of no contest.
35 3. The taxpayer has been convicted of a crime relating to any period
36 or assessment of a tax that is the basis of the penalty or interest with
37 respect to which recovery is sought.
38 4. The taxpayer is a party to a closing agreement with the department
39 for the tax periods included in the recovery application.
40 5. The taxpayer submits an application for recovery that does not
41 include any amount of unpaid tax.
42 F. An application for recovery:
43 1. Must be on an application form provided by the department that
44 requires the applicant to identify the tax, the qualifying taxable period and
45 the tax liability for which recovery is sought and to provide other

information prescribed by the director. The taxpayer shall include any returns and reports, including amended returns and reports, for the tax and taxable periods. Any return or report filed under this section is subject to verification as provided by law. A taxpayer who has insufficient information to file a full income tax return may file a gross income return and compute the tax pursuant to established rate brackets based on average tax rates for the applicable taxable years.

2. If the application for recovery is based on an established and unpaid tax liability, must include a copy of the latest applicable billing notice or any other documentation required by the department.

3. Must be filed with the department as prescribed by the director during the recovery period.

4. Must include payment of the tax due.

G. An application for recovery constitutes an express and absolute waiver of all administrative and judicial rights of appeal available at that time that have not run or otherwise expired as of the date of application. The state board of tax appeals and any court shall dismiss each such action or proceeding before that body on receiving a notification from the director that recovery has been granted for the taxable period for that taxpayer. If the audit determination is not final, the taxpayer must withdraw from the proceeding or litigation before recovery is granted. A taxpayer that files an application for recovery retains all administrative and judicial rights of appeal with respect to any additional tax assessed in a subsequent audit by the department.

H. On reviewing the application and determining compliance with the requirements of the recovery program under this section:

1. The director shall notify the taxpayer regarding the application for recovery, waiving or abating the civil penalties and interest for tax liabilities that were or could have been assessed for the taxable periods covered by the application.

2. An administrative, civil or criminal action may not be brought for failure to comply with the tax requirements for the taxable periods covered by the application.

I. A grant of recovery under this section does not entitle any affected taxpayer or other person to a refund or credit of any amount previously paid.

J. The director shall deny or revoke the recovery of a person who files a false or fraudulent application, return or report for purposes of this section, or otherwise attempts to defeat or evade a tax through the recovery program.

K. The director may:

1. Do all things necessary to provide for the timely implementation of this section.

2. Adopt emergency rules pursuant to section 41-1026, Arizona Revised Statutes, as necessary to administer this section.

L. The tax revenues collected pursuant to recovery payments shall be distributed by the department as provided by law.

M. On or before January 1, 2016, the department shall submit a report to the governor, the speaker of the house of representatives and the president of the senate. The report shall include:

1. The number of taxpayers that have applied for recovery under this section.

2. The number of taxpayers that have been granted recovery.

3. The amount of revenue received from taxpayers for the recovery period.

N. This section is repealed from and after December 31, 2015.

O. For the purposes of this section:

1. "Recovery period" means September 1, 2015 through October 31, 2015.

2. "Tax" means any tax or surcharge administered or collected by the department of revenue as provided under title 42, chapter 1, article 3, Arizona Revised Statutes or under sections 5-839, 5-840, 48-4022, 48-4234 and 48-5805, Arizona Revised Statutes, except luxury tax and withholding tax.

3. "Tax requirement" means:

(a) Timely filing a complete and correct tax return or report required by law.

(b) Timely paying a tax liability.

Sec. 20. <u>Department of revenue; payment of contracted collectors; rate; limit</u>

Notwithstanding any other law, the department of revenue may authorize contracted collectors to collect transaction privilege tax accounts receivable in fiscal years 2015-2016 and 2016-2017. The department may use transaction privilege tax revenue collected by the contracted collectors to pay for services of the contracted collectors. The department may not use more than $2,000,000 pursuant to this section.

Sec. 21. <u>Legislative intent</u>

A. It is the intent of the legislature that the fees prescribed in section 42-5041, subsection B, Arizona Revised Statutes, be assessed and collected pursuant to the following guidelines:

1. The total fees for all counties, cities and towns may not exceed $20,755,835 in any fiscal year.

2. The share of fees assessed to all counties pursuant to paragraph 1 of this subsection shall be in proportion to the aggregate amount of monies distributed to counties in the preceding two fiscal years pursuant to title 42, chapter 6, article 3, Arizona Revised Statutes, and section 42-5029, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities and towns in the preceding two fiscal years pursuant to title 42, chapter 6, article 3, Arizona Revised Statutes, and sections 42-5029, 42-6001 and 43-206, Arizona Revised Statutes.

3. The share of fees assessed to all cities and towns pursuant to paragraph 1 of this subsection shall be in proportion to the aggregate amount of monies distributed to cities and towns in the preceding two fiscal years pursuant to title 42, chapter 6, article 3, Arizona Revised Statutes, and section 42-5029, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities and towns in the preceding two fiscal years pursuant to title 42, chapter 6, article 3, Arizona Revised Statutes, and sections 42-5029, 42-6001 and 43-206, Arizona Revised Statutes.

4. Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a county as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to paragraph 2 of this subsection.

5. Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a city or town as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to paragraph 3 of this subsection.

B. It is the intent of the legislature that the fees prescribed in section 42-5041, subsection C, Arizona Revised Statutes, be payable in an amount equal to seventy-six cents multiplied by the population of the city or town used for the purposes of computing state share revenues pursuant to sections 42-5029 and 43-206, Arizona Revised Statutes.

Sec. 22. Effective date

Sections 41-1541 and 41-1544, Arizona Revised Statutes, as amended by this act, are effective from and after December 31, 2015.

APPROVED BY THE GOVERNOR MARCH 12, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 12, 2015.

Passed the House March 7, 2015,

by the following vote: 34 Ayes,

25 Nays, 1 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate March 7, 2015,

by the following vote: 17 Ayes,

12 Nays, 1 Not Voting

President of the Senate

Susan Aceves
Assistant
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

9th day of March, 2015,

at 2:44 o'clock P. M.

Secretary to the Governor

Approved this 12th day of

March, 2015,

at 5:45 o'clock P M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 12th day of March, 2015,

at 6:01 o'clock P. M.

Secretary of State

S.B. 1471