STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

May 31, 2019

The Honorable Katie Hobbs
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bills from the Fifty-fourth Legislature, 1st Regular Session, which I signed on May 31st, 2019:

H.B. 2747 general appropriations act; 2019-2020. (Bowers)
H.B. 2748 capital outlay; appropriations; 2019-2020. (Bowers)
H.B. 2749 K-12 education; budget reconciliation; 2019-2020. (Cobb)
H.B. 2750 higher education; budget reconciliation; 2019-2020. (Cobb)
H.B. 2751 budget procedures; budget reconciliation; 2019-2020. (Cobb)
H.B. 2752 criminal justice; budget reconciliation; 2019-2020. (Bowers)
H.B. 2753 environment; appropriation; 2019-2020. (Bowers)
H.B. 2754 health; budget reconciliation; 2019-2020. (Cobb)
H.B. 2755 human services; budget reconciliation; 2019-2020. (Cobb)
H.B. 2756 revenue; budget reconciliation; 2019-2020. (Bowers)
H.B. 2757 tax provisions; omnibus. (Toma)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

1700 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007
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House Engrossed

FILED
KATIE HOBBS
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 272
HOUSE BILL 2756

AN ACT

AMENDING SECTIONS 28-1095 AND 35-113, ARIZONA REVISED STATUTES; AMENDING TITLE 35, CHAPTER 1, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 35-121.01; AMENDING SECTION 41-4001, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 12, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1733; AMENDING TITLE 43, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-312; AMENDING SECTION 43-1147, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 236, SECTION 10; AMENDING SECTION 43-1147, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 106, SECTION 1; APPROPRIATING MONIES; 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 28-1095, Arizona Revised Statutes, is amended to read:

28-1095. Vehicle length; exceptions; permits; rules; definitions

A. A vehicle, including any load on the vehicle, shall not exceed a length of forty feet extreme overall dimension, including front and rear bumpers. This subsection does not apply to any of the following:

1. A semitrailer when used in combination with a truck or a truck tractor.

2. A truck that is equipped with a conveyor bed, that is used solely as a fiber and forage module mover and that does not exceed forty-eight feet in length.

3. An articulated bus or articulated trolley coach that does not exceed a length of sixty feet.

4. A bus that is not articulated and that does not exceed a length of forty-five feet.

5. A recreational vehicle, a power unit, a farm vehicle, a horse trailer or wheeled equipment as defined in section 28-2153 if used in combination with two units and if the combination does not exceed sixty-five feet in length.

6. A recreational vehicle as defined in section 41-4001, paragraph ~~30~~ 33, subdivision (b) that does not exceed a length of forty-five feet.

B. A vehicle transporter may draw only one semitrailer. A combination of vehicles, excluding a vehicle transporter and the semitrailer it draws, that is coupled together shall not consist of more than two units, except that a truck or a truck tractor and semitrailer may draw either one trailer or a forklift.

C. The following restrictions apply:

1. The length of a semitrailer operating in a truck tractor-semitrailer combination or a truck tractor-semitrailer-forklift combination shall not exceed fifty-seven feet six inches.

2. The length of a semitrailer or trailer operating in a truck tractor-semitrailer-trailer combination shall not exceed twenty-eight feet six inches.

3. The length of a trailer operating in a truck-trailer combination shall not exceed twenty-eight feet six inches.

4. If the length of a semitrailer is more than fifty-three feet, the overall length of a truck tractor-semitrailer combination shall not exceed sixty-five feet on all highways, except for the national intercity truck route network designated by the United States secretary of transportation as required by the surface transportation assistance act of 1982 or on a system of highways that is designated by a local authority. In designating the streets, the local authority shall consider any reasonable restriction including such safety restrictions as structural

hazards and street width and any other safety factors identified by the local authority as a hazard to the motoring public.

5. A vehicle transporter and the semitrailer it draws shall not exceed a length of eighty feet with a front overhang of not more than four feet and a rear overhang of not more than six feet.

6. A truck-semitrailer combination shall not exceed an overall length of sixty-five feet.

D. Subsection B and subsection C, paragraphs 1 through 6 of this section do not apply to damaged, disabled or abandoned vehicles or combinations of vehicles while being towed by a tow truck in compliance with section 28-1108.

E. Notwithstanding subsections B and C of this section, extensions of not more than three feet beyond the foremost part and six feet beyond the rear bed or body of a vehicle or combination of vehicles used to transport manufactured vehicles or fiber and forage shall not be included in measuring the length of the vehicle or combination of vehicles when loaded.

F. Pursuant to a permit issued pursuant to section 28-1103, a truck or a truck tractor-semitrailer may draw not more than two additional trailers or semitrailers. The department shall adopt rules governing the movement and safety of a combination of vehicles under this subsection and authorizing the issuance in advance of prepaid permits. The rules shall include the adoption of minimum speeds on grades, lighting, signing, identification and braking requirements and any other rules the department deems necessary. The permit issued pursuant to this subsection is limited to the following highways:

1. An interstate highway that connects with two states if both states allow such combinations of trailers or semitrailers and if the interstate highway does not exceed forty miles between the connecting states.

2. A state route or highway that is located within four miles of and extends to the border of this state and an adjacent state that allows such combinations of trailers or semitrailers.

3. A state route or highway that extends at least ten miles through an Indian reservation, that does not cross the Colorado river and that is located within twenty miles of and extends to the border of this state and an adjacent state that allows such combinations of trailers or semitrailers.

G. Notwithstanding subsections B and C of this section:

1. A motor vehicle may draw one ~~single axle~~ SINGLE-AXLE tow dolly on which a motor vehicle may be transported. A person shall secure the raised end of any motor vehicle being transported pursuant to this paragraph to the tow dolly by two separate chains, cables or equivalent devices adequate to prevent shifting or separation of the drawn vehicle and the tow dolly.

2. A truck or a truck tractor may draw a trailer or semitrailer that does not exceed a length of fifty-seven feet only on an interstate highway or on a highway that is within ten miles of an interstate highway if the trailer or semitrailer is manufactured in this state and is traveling with or without a load from its place of manufacture to be delivered for use outside this state.

3. A recreational vehicle may pull two units if all of the following conditions are met:

(a) The middle unit is equipped with a fifth wheel and brakes. The middle unit may be a farm vehicle or a horse trailer and shall have a weight equal to or greater than the rear unit.

(b) If the rear unit has a gross weight of three thousand pounds or more, it is equipped with brakes.

(c) The total combined gross weight of the towed units does not exceed the manufacturer's stated gross vehicle weight of the towing unit.

4. A vehicle transporter may transport cargo or general freight on a backhaul in compliance with section 28-1100.

H. For the purposes of this section:

1. "Backhaul" means the return trip of a vehicle transporter carrying cargo or general freight over all or part of the same route.

2. "Farm vehicle" has the same meaning prescribed in section 28-2514.

3. "Recreational vehicle" means a motor vehicle that is designed and customarily used for private pleasure, including vehicles commonly called motor homes, pickup trucks with campers and pickup trucks with a fifth wheel trailing device.

Sec. 2. Section 35-113, Arizona Revised Statutes, is amended to read:

35-113. <u>Submission of budget estimates</u>

The administrative head of each budget unit, not later than September 1 of each year or at a later date not to exceed thirty days after September 1 if approved by the director of the governor's office of strategic planning and budgeting, shall submit to the governor, with five copies, estimates of the financial requirements and of receipts, including appropriated and nonappropriated monies in no less detail than the state general fund, of the budget unit for the next fiscal year. THE ESTIMATES SHALL INCLUDE A DETAILED ESTIMATE OF THE COST TO THE BUDGET UNIT IN THE NEXT FISCAL YEAR ATTRIBUTABLE TO A COUNTY'S, CITY'S OR TOWN'S ESTABLISHMENT OF A MINIMUM WAGE IF THAT MINIMUM WAGE EXCEEDS THE MINIMUM WAGE ESTABLISHED BY THIS STATE PURSUANT TO SECTION 23-363. The estimates shall be on the forms and in the manner prescribed by the governor with explanatory data that may be required, together with additional information the head of the budget unit desires to submit. The estimates submitted shall bear the approval of the administrative head of the budget unit.

Sec. 3. Title 35, chapter 1, article 2, Arizona Revised Statutes, is amended by adding section 35-121.01, to read:

35-121.01. Local minimum wage; reimbursement of state costs; collection; withholding

A. AFTER CONSIDERING THE INFORMATION IN THE BUDGET ESTIMATES REQUIRED BY SECTION 35-113, THE LEGISLATURE MAY ALLOCATE AND, IF ALLOCATED, THE DEPARTMENT OF ADMINISTRATION SHALL ASSESS AND COLLECT FROM A COUNTY, CITY OR TOWN AN AMOUNT TO REIMBURSE THIS STATE FOR THE COST TO THIS STATE IN THE NEXT FISCAL YEAR ATTRIBUTABLE TO THE COUNTY'S, CITY'S OR TOWN'S ESTABLISHMENT OF A MINIMUM WAGE IF THAT MINIMUM WAGE EXCEEDS THE MINIMUM WAGE ESTABLISHED BY THIS STATE PURSUANT TO SECTION 23-363.

B. THE DEPARTMENT SHALL ASSESS THE AMOUNTS UNDER THIS SECTION NOT LATER THAN JULY 31 OF EACH YEAR. THE AMOUNTS ARE PAYABLE IMMEDIATELY ON ASSESSMENT. IF THE COUNTY, CITY OR TOWN DOES NOT PAY TO THE DEPARTMENT THE AMOUNT ALLOCATED PURSUANT TO THIS SECTION ON OR BEFORE DECEMBER 31 OF THE YEAR THE ALLOCATION IS MADE, THE DEPARTMENT SHALL NOTIFY THE STATE TREASURER, WHO SHALL SUBTRACT THE AMOUNT OWED BY THE COUNTY, CITY OR TOWN FROM ANY PAYMENTS REQUIRED TO BE MADE BY THE STATE TREASURER TO THAT COUNTY, CITY OR TOWN PURSUANT TO SECTION 42-5029, SUBSECTION D, PLUS INTEREST ON THAT AMOUNT PURSUANT TO SECTION 44-1201, RETROACTIVE TO THE FIRST DAY THE AMOUNT WAS DUE. IF THE AMOUNT THE STATE TREASURER WITHHOLDS IS INSUFFICIENT TO MEET THE REQUIREMENTS OF THIS SECTION, THE STATE TREASURER SHALL WITHHOLD FROM ANY OTHER MONIES PAYABLE TO THAT COUNTY, CITY OR TOWN FROM WHATEVER STATE FUNDING SOURCE IS AVAILABLE AN AMOUNT NECESSARY TO FULFILL THE REQUIREMENT.

C. UNLESS OTHERWISE REQUIRED BY LAW, THE MONIES PAID TO THE DEPARTMENT OR WITHHELD BY THE STATE TREASURER FOR THE AMOUNTS ASSESSED PURSUANT TO SUBSECTION A OF THIS SECTION SHALL BE CREDITED TO THE FUNDS IN THE AMOUNTS PRESCRIBED IN THE ESTIMATES REQUIRED PURSUANT TO SECTION 35-113.

Sec. 4. Section 41-4001, Arizona Revised Statutes, is amended to read:

41-4001. Definitions

In this chapter, unless the context otherwise requires:

1. "Accessory structure" means the installation, assembly, connection or construction of any one-story habitable room, storage room, patio, porch, garage, carport, awning, skirting, retaining wall, evaporative cooler, refrigeration air conditioning system, solar system or wood decking attached to a new or used manufactured home, mobile home or residential single family factory-built building.

2. "Act" means the national manufactured housing construction and safety standards act of 1974 and title VI of the housing and community development act of 1974 (P.L. 93-383, as amended by P.L. 95-128, 95-557, 96-153 and 96-339).

3. "Alteration" means the replacement, addition, modification or removal of any equipment or installation after the sale by a manufacturer to a dealer or distributor but before the sale by a dealer to a purchaser, which may affect compliance with the standards, construction, fire safety, occupancy, plumbing or heat-producing or electrical system. Alteration does not mean the repair or replacement of a component or appliance requiring plug-in to an electrical receptacle if the replaced item is of the same configuration and rating as the component or appliance being repaired or replaced. Alteration also does not mean the addition of an appliance requiring plug-in to an electrical receptacle if such appliance is not provided with the unit by the manufacturer and the rating of the appliance does not exceed the rating of the receptacle to which such appliance is connected.

4. "Board" means the board of manufactured housing.

5. "Broker" means any person who acts as an agent for the sale or exchange of a used manufactured home or mobile home except as exempted in section 41-4028.

6. "Certificate" means a numbered or serialized label or seal that is issued by the director as certification of compliance with this chapter.

7. "CLOSED CONSTRUCTION" MEANS ANY BUILDING, BUILDING COMPONENT, ASSEMBLY OR SYSTEM MANUFACTURED IN SUCH A MANNER THAT CONCEALED PARTS OR PROCESSES OF MANUFACTURE CANNOT BE INSPECTED BEFORE INSTALLATION AT THE BUILDING SITE WITHOUT DISASSEMBLY, DAMAGE OR DESTRUCTION.

8. "COMMERCIAL" MEANS A BUILDING WITH A USE-OCCUPANCY CLASSIFICATION OTHER THAN SINGLE-FAMILY DWELLING.

~~7.~~ 9. "Component" means any part, material or appliance that is built-in as an integral part of the unit during the manufacturing process.

~~8.~~ 10. "Consumer" means either a purchaser or seller of a unit regulated by this chapter who utilizes the services of a person licensed by the department.

~~9.~~ 11. "Consummation of sale" means that a purchaser has received all goods and services that the dealer or broker agreed to provide at the time the contract was entered into, the transfer of title or the filing of an affidavit of affixture, if applicable, to the sale. Consummation of sale does not include warranties.

~~10.~~ 12. "Dealer" means any person who sells, exchanges, buys, offers or attempts to negotiate or acts as an agent for the sale or exchange of factory-built buildings, manufactured homes or mobile homes except as exempted in section 41-4028. A lease or rental agreement by which the user acquired ownership of the unit with or without additional remuneration is considered a sale under this chapter.

~~11.~~ 13. "Defect" means any defect in the performance, construction, components or material of a unit that renders the unit or any part of the unit unfit for the ordinary use for which it was intended.

~~12.~~ 14. "Department" means the Arizona department of housing.

~~13.~~ 15. "Director" means the director of the department.

~~14.~~ 16. "Earnest monies" means all monies given by a purchaser or a financial institution to a dealer or broker before consummation of the sale.

~~15.~~ 17. "Factory-built building":

(a) Means a residential or commercial building that is:

(i) Either wholly or in substantial part manufactured USING CLOSED CONSTRUCTION at an off-site location and transported for installation or completion, or both, on-site.

(ii) Constructed in compliance with adopted codes, standards and procedures.

(iii) Installed temporarily or permanently.

(b) Does not include a manufactured home, recreational vehicle, panelized COMMERCIAL building USING OPEN CONSTRUCTION, PANELIZED RESIDENTIAL BUILDING USING OPEN OR CLOSED CONSTRUCTION or domestic or light commercial storage building.

~~16.~~ 18. "HUD" means the United States department of housing and urban development.

~~17.~~ 19. "Imminent safety hazard" means an imminent and unreasonable risk of death or severe personal injury.

~~18.~~ 20. "Installation" means:

(a) Connecting new or used mobile homes, manufactured homes or factory-built buildings to on-site utility terminals or repairing these utility connections.

(b) Placing new or used mobile homes, manufactured homes, accessory structures or factory-built buildings on foundation systems or repairing these foundation systems.

(c) Providing ground anchoring for new or used mobile homes or manufactured homes or repairing the ground anchoring.

~~19.~~ 21. "Installer" means any person who engages in the business of performing installations of manufactured homes, mobile homes or residential single family factory-built buildings.

~~20.~~ 22. "Installer of accessory structures" means any person who engages in the business of installing accessory structures.

~~21.~~ 23. "Listing agreement" means a document that contains the name and address of the seller, the year, manufacturer and serial number of the listed unit, the beginning and ending dates of the time period that the agreement is in force, the name of the lender and lien amount, if applicable, the price the seller is requesting for the unit, the commission to be paid to the licensee and the signatures of the sellers and the licensee who obtains the listing.

~~22.~~ 24. "Local enforcement agency" means a zoning or building department of a city, town or county or its agents.

~~23.~~ 25. "Manufactured home" means a structure built in accordance with the act.

~~24.~~ 26. "Manufacturer" means any person engaged in manufacturing, assembling or reconstructing any unit regulated by this chapter.

~~25.~~ 27. "Mobile home" means a structure built before June 15, 1976, on a permanent chassis, capable of being transported in one or more sections and designed to be used with or without a permanent foundation as a dwelling when connected to on-site utilities. Mobile home does not include recreational vehicles and factory-built buildings.

~~26.~~ 28. "Office" means the office of manufactured housing within the department.

29. "OPEN CONSTRUCTION" MEANS ANY BUILDING, BUILDING COMPONENT, ASSEMBLY OR SYSTEM MANUFACTURED IN SUCH A MANNER THAT ALL PORTIONS CAN BE READILY INSPECTED AT THE BUILDING SITE WITHOUT DISASSEMBLY, DAMAGE OR DESTRUCTION.

~~27.~~ 30. "Purchaser" means a person purchasing a unit in good faith from a licensed dealer or broker for purposes other than resale.

~~28.~~ 31. "Qualifying party" means a person who is an owner, employee, corporate officer or partner of the licensed business and who has active and direct supervision of and responsibility for all operations of that licensed business.

~~29.~~ 32. "Reconstruction" means construction work performed for the purpose of restoration or modification of a unit by changing or adding structural components or electrical, plumbing or heat or air producing systems.

~~30.~~ 33. "Recreational vehicle" means a vehicular type unit that is:

(a) A portable camping trailer mounted on wheels and constructed with collapsible partial sidewalls that fold for towing by another vehicle and unfold for camping.

(b) A motor home designed to provide temporary living quarters for recreational, camping or travel use and built on or permanently attached to a self-propelled motor vehicle chassis or on a chassis cab or van that is an integral part of the completed vehicle.

(c) A park trailer built on a single chassis, mounted on wheels and designed to be connected to utilities necessary for operation of installed fixtures and appliances and has a gross trailer area of not less than three hundred twenty square feet and not more than four hundred square feet when it is set up, except that it does not include fifth wheel trailers.

(d) A travel trailer mounted on wheels, designed to provide temporary living quarters for recreational, camping or travel use, of a size or weight that may or may not require special highway movement permits when towed by a motorized vehicle and has a trailer area of less than three hundred twenty square feet. This subdivision includes fifth

wheel trailers. If a unit requires a size or weight permit, it shall be manufactured to the standards for park trailers in a 119.5 of the American national standards institute code.

(e) A portable truck camper constructed to provide temporary living quarters for recreational, travel or camping use and consisting of a roof, floor and sides designed to be loaded onto and unloaded from the bed of a pickup truck.

34. "RESIDENTIAL" MEANS A BUILDING WITH A USE-OCCUPANCY CLASSIFICATION OF A SINGLE-FAMILY DWELLING OR AS GOVERNED BY THE INTERNATIONAL RESIDENTIAL CODE.

~~31.~~ 35. "Salesperson" means any person who, for a salary, commission or compensation of any kind, is employed by or acts on behalf of any dealer or broker of manufactured homes, mobile homes or factory-built buildings to sell, exchange, buy, offer or attempt to negotiate or act as an agent for the sale or exchange of an interest in a manufactured home, mobile home or factory-built building.

~~32.~~ 36. "Seller" means a natural person who enters into a listing agreement with a licensed dealer or broker for the purpose of resale.

~~33.~~ 37. "Site development" means the development of an area for the installation of the unit's or units' locations, parking, surface drainage, driveways, on-site utility terminals and property lines at a proposed construction site or area.

~~34.~~ 38. "Statutory agent" means a person who is on file with the corporation commission as the statutory agent.

~~35.~~ 39. "Title transfer" means a true copy of the application for title transfer that is stamped or validated by the appropriate government agency.

~~36.~~ 40. "Unit" means a manufactured home, mobile home, factory-built building or accessory structures.

~~37.~~ 41. "Used unit" means any unit that is regulated by this chapter and that has been sold, bargained, exchanged or given away from a purchaser who first acquired the unit that was titled in the name of such purchaser.

~~38.~~ 42. "Workmanship" means a minimum standard of construction or installation reflecting a journeyman quality of the work of the various trades.

Sec. 5. Title 41, chapter 12, article 2, Arizona Revised Statutes, is amended by adding section 41-1733, to read:

41-1733. <u>Public safety interoperability fund</u>

THE PUBLIC SAFETY INTEROPERABILITY FUND IS ESTABLISHED CONSISTING OF MONIES APPROPRIATED TO THE FUND BY THE LEGISLATURE. THE DEPARTMENT SHALL ADMINISTER THE FUND. THE FUND IS SUBJECT TO LEGISLATIVE APPROPRIATION. MONIES IN THE FUND MAY BE USED ONLY FOR INTEROPERABLE COMMUNICATION SYSTEMS.

Sec. 6. Title 43, chapter 3, article 1, Arizona Revised Statutes, is amended by adding section 43-312, to read:

43-312. Information return of sales; nonresident real estate transactions; escrow agents; reports

A. A PERSON LICENSED UNDER SECTION 6-813 TO CONDUCT ESCROW BUSINESS FOR THE PURCHASE AND SALE OF REAL PROPERTY LOCATED IN THIS STATE SHALL FILE AN INFORMATION RETURN OF SALES OF REAL PROPERTY LOCATED IN THIS STATE THAT ARE REPORTED PURSUANT TO FEDERAL REPORTING REQUIREMENTS UNDER SECTION 6045(e) OF THE INTERNAL REVENUE CODE. THE PERSON SHALL FILE THE INFORMATION RETURN REQUIRED BY THIS SUBSECTION:

1. ON OR BEFORE THE THIRTY-FIRST DAY OF MARCH WITH RESPECT TO SALES OF REAL PROPERTY LOCATED IN THIS STATE THAT ARE CLOSED ON OR BEFORE DECEMBER 31 OF THE PRECEDING CALENDAR YEAR.

2. USING THE SAME FORM AND FORMAT OF THE RETURN FILED WITH THE INTERNAL REVENUE SERVICE UNDER SECTION 6045(e) OF THE INTERNAL REVENUE CODE.

B. ON OR BEFORE JUNE 30, 2020, THE DEPARTMENT SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE ESTIMATED AMOUNT OF CAPITAL GAINS TAX PAID BY NONRESIDENTS OF THIS STATE ON REAL ESTATE TRANSACTIONS IN THIS STATE FROM THE MOST RECENT YEAR BEFORE TAX YEAR 2019 BASED ON AVAILABLE DATA FROM THE INTERNAL REVENUE SERVICE. ON OR BEFORE JUNE 30 OF EACH YEAR, THE DEPARTMENT SHALL ESTIMATE AND REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE AMOUNT OF REVENUE COLLECTED FROM THE SALE OF REAL ESTATE BY NONRESIDENTS THAT IS ATTRIBUTED TO THE INFORMATION RETURN PRESCRIBED BY THIS SECTION IN THE PRIOR TAX YEAR.

Sec. 7. Section 43-1147, Arizona Revised Statutes, as amended by Laws 2013, chapter 236, section 10, is amended to read:

43-1147. Situs of sales of other than tangible personal property; definitions

A. Except as provided by subsection B of this section, sales, other than sales of tangible personal property, are in this state if either of the following applies:

1. The income producing activity is performed in this state.

2. The income producing activity is performed both in and outside this state and a greater proportion of the income producing activity is performed in this state than in any other state, based on costs of performance.

B. For taxable years beginning from and after December 31, 2013, a multistate service provider may elect to treat sales from services as being in this state based on a combination of income producing activity sales and market sales. If the election under this subsection is made pursuant to subsection C of this section, the sales of services that are

in this state shall be determined for taxable years beginning from and after:

1. December 31, 2013 through December 31, 2014 by the sum of the following:

(a) Eighty-five ~~per cent~~ PERCENT of the market sales.

(b) Fifteen ~~per cent~~ PERCENT of the income producing activity sales.

2. December 31, 2014 through December 31, 2015 by the sum of the following:

(a) Ninety ~~per cent~~ PERCENT of the market sales.

(b) Ten ~~per cent~~ PERCENT of the income producing activity sales.

3. December 31, 2015 through December 31, 2016 by the sum of the following:

(a) Ninety-five ~~per cent~~ PERCENT of the market sales.

(b) Five ~~per cent~~ PERCENT of the income producing activity sales.

4. December 31, 2016 by one hundred ~~per cent~~ PERCENT of the market sales.

C. A multistate service provider may elect to treat sales from services as being in this state under subsection B of this section as follows:

1. The election must be made on the taxpayer's timely filed original income tax return. The election is:

(a) Effective retroactively for the full taxable year of the income tax return on which the election is made.

(b) Binding on the taxpayer for at least five consecutive taxable years, regardless of whether the taxpayer no longer meets the percentage threshold of a multistate service provider during that time period, except as provided by paragraph 2 of this subsection. To continue with the election after ~~the~~ five consecutive taxable years, the taxpayer must meet the qualifications to be considered a multistate service provider and renew the election for another five consecutive taxable years.

2. During the election period, the election may be terminated as follows:

(a) Without the permission of the department on the acquisition or merger of the taxpayer.

(b) With the permission of the department before the expiration of five consecutive taxable years.

D. For a multistate service provider under subsection E, paragraph 3, subdivision (b) of this section, an election under subsection B of this section is limited to the treatment of sales for educational services. FOR A MULTISTATE SERVICE PROVIDER UNDER SUBSECTION E, PARAGRAPH 3, SUBDIVISION (c) OF THIS SECTION, AN ELECTION UNDER SUBSECTION B OF THIS SECTION IS LIMITED TO THE TREATMENT OF SALES FOR SUPPORT SERVICES, THE PAYMENT FOR WHICH IS A PERCENTAGE OF THE SALES FOR EDUCATIONAL SERVICES GENERATED BY A REGIONALLY ACCREDITED INSTITUTION OF HIGHER EDUCATION.

E. For the purposes of this section:

1. "Income producing activity sales" means the total sales from services that are sales in this state under subsection A of this section.

2. "Market sales" means the total sales from services for which the purchaser received the benefit of the service in this state.

3. "Multistate service provider" means ~~either~~ ANY OF THE FOLLOWING:

(a) A taxpayer that derives more than eighty-five ~~per cent~~ PERCENT of its sales from services provided to purchasers who receive the benefit of the service outside this state in the taxable year of election, and includes all taxpayers required to file a combined report pursuant to section 43-942 and all members of an affiliated group included in a consolidated return pursuant to section 43-947. In calculating the eighty-five ~~per cent~~ PERCENT, sales to students receiving educational services at campuses physically located in this state shall be excluded from the calculation.

(b) A taxpayer that is a regionally accredited institution of higher education with at least one university campus in this state that has more than two thousand students residing on the campus, and includes all taxpayers required to file a combined report pursuant to section 43-942 and all members of an affiliated group included in a consolidated return pursuant to section 43-947.

(c) A TAXPAYER THAT HAS MORE THAN TWO THOUSAND EMPLOYEES IN THIS STATE AND THAT DERIVES MORE THAN EIGHTY-FIVE PERCENT OF ITS SALES FROM SUPPORT SERVICES PROVIDED TO A REGIONALLY ACCREDITED INSTITUTION OF HIGHER EDUCATION, AND INCLUDES ALL TAXPAYERS REQUIRED TO FILE A COMBINED REPORT PURSUANT TO SECTION 43-942 AND ALL MEMBERS OF AN AFFILIATED GROUP INCLUDED IN A CONSOLIDATED RETURN PURSUANT TO SECTION 43-947.

4. "Received the benefit of the service in this state" means the services are received by the purchaser in this state. If the state where the services are received cannot be readily determined, the services are considered to be received at the home of the customer or, in the case of a business, the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering location cannot be determined, the services are considered to be received at the home or office of the customer to which the services were billed. IN THE CASE OF A MULTISTATE SERVICE PROVIDER UNDER PARAGRAPH 3, SUBDIVISION (c) OF THIS SUBSECTION, THE BENEFIT OF SUPPORT SERVICES SHALL BE DEEMED RECEIVED AT THE BILLING ADDRESS OF THE STUDENT TO WHICH THE SERVICES RELATE.

5. "Sales for educational services" means tuition and fees required for enrollment and fees required for courses of instruction, transcripts and graduation.

Sec. 8. Section 43-1147, Arizona Revised Statutes, as amended by Laws 2018, chapter 106, section 1, is amended to read:

43-1147. Situs of sales of other than tangible personal property; definitions

A. Except as provided by subsection B of this section, sales, other than sales of tangible personal property, are in this state if either of the following applies:

1. The income-producing activity is performed in this state.

2. The income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

B. For taxable years beginning from and after December 31, 2013, a multistate service provider may elect to treat sales from services as being in this state based on a combination of income-producing activity sales and market sales. If the election under this subsection is made pursuant to subsection C of this section, the sales of services that are in this state shall be determined for taxable years beginning from and after:

1. December 31, 2013 through December 31, 2014, by the sum of the following:

(a) Eighty-five percent of the market sales.

(b) Fifteen percent of the income-producing activity sales.

2. December 31, 2014 through December 31, 2015, by the sum of the following:

(a) Ninety percent of the market sales.

(b) Ten percent of the income-producing activity sales.

3. December 31, 2015 through December 31, 2016, by the sum of the following:

(a) Ninety-five percent of the market sales.

(b) Five percent of the income-producing activity sales.

4. December 31, 2016, by one hundred percent of the market sales.

C. A multistate service provider may elect to treat sales from services as being in this state under subsection B of this section as follows:

1. The election must be made on the taxpayer's timely filed original income tax return. The election is:

(a) Effective retroactively for the full taxable year of the income tax return on which the election is made.

(b) Binding on the taxpayer for at least five consecutive taxable years, regardless of whether the taxpayer no longer meets the percentage threshold of a multistate service provider during that time period, except as provided by paragraph 2 of this subsection. To continue with the election after ~~the~~ five consecutive taxable years, the taxpayer must meet

the qualifications to be considered a multistate service provider and renew the election for another five consecutive taxable years.

2. During the election period, the election may be terminated as follows:

(a) Without the permission of the department on the acquisition or merger of the taxpayer.

(b) With the permission of the department before the expiration of five consecutive taxable years.

D. For a multistate service provider under subsection E, paragraph 3, subdivision (b) of this section, an election under subsection B of this section is limited to the treatment of sales for educational services. FOR A MULTISTATE SERVICE PROVIDER UNDER SUBSECTION E, PARAGRAPH 3, SUBDIVISION (c) OF THIS SECTION, AN ELECTION UNDER SUBSECTION B OF THIS SECTION IS LIMITED TO THE TREATMENT OF SALES FOR SUPPORT SERVICES, THE PAYMENT FOR WHICH IS A PERCENTAGE OF THE SALES FOR EDUCATIONAL SERVICES GENERATED BY A REGIONALLY ACCREDITED INSTITUTION OF HIGHER EDUCATION.

E. For the purposes of this section:

1. "Income-producing activity sales" means the total sales from services that are sales in this state under subsection A of this section.

2. "Market sales" means the total sales from services for which the purchaser received the benefit of the service in this state.

3. "Multistate service provider" means ~~either~~ ANY OF THE FOLLOWING:

(a) A taxpayer that derives more than eighty-five percent of its sales from services or sales from intangibles provided to purchasers who receive the benefit of the service outside this state in the taxable year of election, and includes all taxpayers required to file a combined report pursuant to section 43-942 and all members of an affiliated group included in a consolidated return pursuant to section 43-947. In calculating the eighty-five percent, sales to students receiving educational services at campuses physically located in this state shall be excluded from the calculation. For the purposes of this subdivision, "sales from intangibles" means sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue.

(b) A taxpayer that is a regionally accredited institution of higher education with at least one university campus in this state that has more than two thousand students residing on the campus, and includes all taxpayers required to file a combined report pursuant to section 43-942 and all members of an affiliated group included in a consolidated return pursuant to section 43-947.

(c) A TAXPAYER THAT HAS MORE THAN TWO THOUSAND EMPLOYEES IN THIS STATE AND THAT DERIVES MORE THAN EIGHTY-FIVE PERCENT OF ITS SALES FROM SUPPORT SERVICES PROVIDED TO A REGIONALLY ACCREDITED INSTITUTION OF HIGHER EDUCATION, AND INCLUDES ALL TAXPAYERS REQUIRED TO FILE A COMBINED REPORT

PURSUANT TO SECTION 43-942 AND ALL MEMBERS OF AN AFFILIATED GROUP INCLUDED IN A CONSOLIDATED RETURN PURSUANT TO SECTION 43-947.

4. "Received the benefit of the service in this state" means the services are received by the purchaser in this state. If the state where the services are received cannot be readily determined, the services are considered to be received at the home of the customer or, in the case of a business, the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering location cannot be determined, the services are considered to be received at the home or office of the customer to which the services were billed. IN THE CASE OF A MULTISTATE SERVICE PROVIDER UNDER PARAGRAPH 3, SUBDIVISION (c) OF THIS SUBSECTION, THE BENEFIT OF SUPPORT SERVICES SHALL BE DEEMED RECEIVED AT THE BILLING ADDRESS OF THE STUDENT TO WHICH THE SERVICES RELATE.

5. "Sales for educational services" means tuition and fees required for enrollment and fees required for courses of instruction, transcripts and graduation.

Sec. 9. <u>Department of gaming; regulatory assessment; pari-mutuel pool</u>

Notwithstanding any other law, in fiscal year 2019-2020, the department of gaming shall establish and collect a regulatory assessment from each commercial racing permittee, payable from amounts deducted from pari-mutuel pools by the permittee, in addition to the amounts the permittee is authorized to deduct pursuant to section 5-111, subsection B, Arizona Revised Statutes, from amounts wagered on live and simulcast races from in-state and out-of-state wagering handled by the permittee, in the amount of 0.5 percent of the amounts wagered.

Sec. 10. <u>Department of insurance; fee and assessment adjustment suspension</u>

Notwithstanding section 20-167, subsection E, 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 2019-2020 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. 11. <u>Agricultural fees; continuation; intent; rulemaking exemption</u>

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, increase or lower existing fees from fiscal years 2017-2018 and 2018-2019 in fiscal year 2019-2020 for services provided in fiscal year 2019-2020.

B. The legislature intends 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 2019-2020.

C. The Arizona department of agriculture is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, until July 1, 2020 for the purpose of establishing fees pursuant to this section.

Sec. 12. County fiscal obligations; report

A. Notwithstanding any other law, for fiscal year 2019-2020, a county with a population of less than two hundred fifty 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 of which the board of supervisors serves as the board of directors. Under the authority provided in this subsection, a county may not use more than $1,250,000 for purposes other than the purposes of the revenue source.

B. On or before October 1, 2019, all counties with a population of less than two hundred fifty 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 for purposes other than the purposes of the 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 2019-2020.

Sec. 13. Legislative intent

The legislature intends that in fiscal year 2019-2020 the fee prescribed in section 42-5041, subsection B, Arizona Revised Statutes, be assessed and collected pursuant to the following guidelines:

1. The total amount of fees for all counties, cities, towns, councils of governments and regional transportation authorities 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 section shall be in proportion to the aggregate amount of monies distributed to counties for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6103, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111 and 42-6112, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103,

42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

3. The share of fees assessed to all cities and towns pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to cities and towns for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001 and 43-206, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

4. The share of fees assessed to all councils of governments pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to all councils of governments for the fiscal year two years preceding the current fiscal year pursuant to section 42-6105, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

5. The share of fees assessed to all regional transportation authorities located in a county with a population of more than four hundred thousand persons pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to all regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to section 42-6106, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

6. 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 section.

7. 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 section.

Sec. 14. Retroactivity

Section 43-1147, Arizona Revised Statutes, as amended by Laws 2013, chapter 236, section 10 and this act, applies retroactively to from and after December 31, 2018.

Sec. 15. Effective date

Section 43-1147, Arizona Revised Statutes, as amended by Laws 2018, chapter 106, section 1 and this act, is effective from and after December 31, 2019.

APPROVED BY THE GOVERNOR MAY 31, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 31, 2019.

Passed the House May 24, 2019

by the following vote: 31 Ayes,

29 Nays, 0 Not Voting

Speaker of the House

☐ Pro Tempore

Jim Drake

Chief Clerk of the House

Passed the Senate May 27, 2019

by the following vote: 16 Ayes,

13 Nays, 1 Not Voting

President of the Senate

Pro Tempore

Susan Aceves

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

27th day of May, 2019

at 9:25 o'clock P M.

Secretary to the Governor

Approved this 31st day of

May 2019

at 8:23 o'clock A M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 31 day of May, 2019

at 8:42 o'clock A. M.

Secretary of State

H.B. 2756