



ARIZONA BANKERS
ASSOCIATION

The Voice of Arizona's Banking Industry for over 100 Years

2018 Legislative Review

Second Regular Session of the 53rd Arizona Legislature



Dear Members,

For more than 100 years, The Arizona Bankers Association has been the preeminent voice of Arizona Banks before the Arizona Legislature. At the heart of that effort is unparalleled government relations advocacy.

The Association, in coordination with our strategic partners have worked tirelessly to advocate for pragmatic, thoughtful polices that will foster sustainable economic growth where Arizona financial services firms can thrive and grow. In addition, the Association has also been the first line of defense against needless, over burdensome regulations that will create a hostile environment for the state's financial services sector. I am proud to announce that in 2018 the Association was again successful in both arenas.

Attached, please find a comprehensive summary of the 2018 Arizona Legislative Session. In the summary, you'll find a list of the substantive bills that the Association tracked along with a brief description of each piece of legislation. The summaries are divided into key bills, enacted and not enacted legislation, and vetoed bills. Please keep in mind that these are bill summaries designed to alert you to significant provisions and are not comprehensive recitations of each bill. Additionally, nothing in this report should be viewed as a legal opinion. If you have legal questions on any bill, you should contact your bank's legal counsel. Unless otherwise specified, the general effective date all new statues will be August 3, 2018.

I am pleased to present this legislative review to you as I believe it represents the best of what The Arizona Bankers Association has to offer – exceptional government relations advocacy that protects your bottom line and the vitality of our industry. I would like to extend a special thank you to the members of our Government Relations Committee, the AzBA PAC Board and our friends at Veridus. They devote a significant amount of time to serve the industry in this very import endeavor. Without their help and commitment none of this would be possible.

Thank you for your continued support and please contact me with any questions.

Sincerely,

A handwritten signature in black ink that reads 'Paul Hickman'. The signature is written in a cursive, flowing style.

Paul Hickman
President & CEO

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SESSION IN REVIEW

53rd Arizona Legislature, 2nd Regular Session

The Arizona Legislature formally adjourned Sine Die its 2018 regular session on Friday, May 4, at 12:26 a.m. The session lasted 116 days. Lawmakers introduced 1206 bills and 122 memorials and resolutions. To date, 369 bills have received final passage – 285 of which have been signed into law. Governor Doug Ducey has used his veto stamp 16 times; he has until May 16 to take action on the remaining bills on his desk. Any measure not acted upon by that time will become law automatically. The effective date for all non-emergency measures is August 3; bills containing an emergency clause take effect immediately upon signature.

Call it the Year of the Teacher. This was the session that educators painted the Arizona Capitol red. Tens of thousands of teachers, education advocates and their allies descended on the Capitol as part of the sweeping #RedForEd movement. The campaign culminated with a 6-day teacher walkout, which closed the overwhelming majority of public schools across Arizona.

In the weeks leading up to the walkout, education funding was front and center at the Capitol: the Legislature passed – and Gov. Ducey signed – a 20-year extension of the Prop 301 sales tax, which pumps over \$650 million into Arizona schools every year. Days later, the governor stood with education and business leaders to announce his “#20x2020” plan to provide Arizona teachers with a 20 percent pay raise by the 2020 school year, among other new investments in K-12.

Red For Ed leaders were unimpressed, choosing to lead a teacher strike that would become the largest in Arizona state history. But the education package the Governor ultimately sign into law, concluding the walkout, was virtually identical to what he had initially proposed – leading some to wonder what the weeklong walkout had achieved.

Prior to the education rancor, the session started on a serious but optimistic note as lawmakers came together in a moment of bipartisanship in response to the opioid crisis. In January, the Governor called the Legislature into a Special Session to act on his Arizona Opioid Epidemic Act. The measure, which includes a \$10 million state investment to improve and expand access to treatment, passed unanimously was swiftly signed by Governor Ducey, making it the first bill to become law in 2018.

This session also saw the #MeToo movement arrive at the Arizona Capitol's doorstep. State Rep. Don Shooter (R-Yuma) was the subject of a string of sexual misconduct and harassment allegations, and became the focus of an investigation that would ultimately lead to his ouster in early February. The expulsion of Rep. Shooter was a historic moment for the State House, whose members hadn't voted to expel a colleague in 70 years.

The Arizona Bankers Association had another successful legislative session advocating for Arizona's banking industry. While previous years have focused a great deal on defending against foreclosure and real estate policy, much of this year's attention was focused on education and innovation. The Association worked closely with the Attorney General's Office and key legislators to advance the FinTech regulatory sandbox legislation for Arizona. This measure will hopefully pave the way for Arizona to be a leader in innovation in the financial sector. There are always a few bad ideas around the capitol, and this year's biggest bad ideas were in Senate Bill 1091. Senate Bill 1091 originally included language allowing for the payment of taxes with cryptocurrency and this same bill eventually became the real time sales tax collection bill. The Association successfully defeated the bitcoin legislation, but we would need a veto to defeat the real time sales tax idea that came about as part of last minute amendments to the bill. Governor Ducey recognized the potential for unintended consequences and vetoed SB1091.

Amid all that was accomplished over the last 116 days, it's also worth mentioning what was not. Most notably: water and school safety saw no significant action. An overhaul of Arizona's water policies has long been a top priority for the governor – but months of debate between the governor's office, Legislature and stakeholders ended in a stalemate. Meanwhile, the governor's major school safety initiative – whose fate had been touch-and-go from the beginning – ultimately couldn't muster the votes to pass.

All eyes now turn to the elections this fall, with each statewide office and all 90 legislative seats on the ballot. Who will voters credit with helping teachers? Which candidates will ride the wave of #RedForEd to victory in the elections? Will we do all of this again beginning in January?

KEY LEGISLATION

Please Note: Only legislation that includes a Chapter number was passed.

I. PRIORITY LEGISLATION

HB2154: Personal Information; Data Security Breaches – Chapter 177

The Attorney General proposed a sweeping reform of data breach statutes based on recent public breaches. The banking industry and broader business community voiced concerns early on and was ultimately successful in securing satisfactory amendments and a broad exemption for regulated financial institutions.

Summary: Numerous changes to statutes relating to data security breaches. Adds a new article to Title 18 (Information Technology) regulating data security breaches, and transfers several sections of current statute to the new article. If a person that conducts business in Arizona and that owns maintains or licenses unencrypted and unredacted computerized personal information becomes aware of a "security system breach" (defined), the person is required to notify the individuals affected within 45 days. If the breach requires notification of more than 1,000 individuals, the person is also required to notify the three largest nationwide consumer reporting agencies and to notify the Attorney General in writing. Establishes a list of information that must be included in the notification to individuals affected by a breach. A knowing and willful violation of these requirements is an unlawful practice and only the Attorney General may enforce the violation by investigation and taking appropriate action. The bill contains a broad GLBA exemption for financial institutions.

Sponsor: Rep. Shope

Status: Signed by Governor April 11th, 2018. Chapter 177, Laws 2018

HB2178: Secretary of State; Notary Public – Chapter 13

For many years there has been discussion about the policy and timing of moving to electronic notarization of documents. The banking industry has been supportive of the move. HB2178 includes electronic notarization and a December 31, 2019 deadline for the adoption of rules.

Summary: Numerous changes relating to notaries public. The definition of "notarization" is modified to state that the act of notarization verifies only the identity of the signer of a document and not the truthfulness, accuracy or validity of the document. Notarial commissions, duties and acts may be performed electronically, and notaries public are authorized to accept documents signed with an electronic signature. By December 31, 2019, the Secretary of State is required to adopt rules establishing standards for secure and feasible implementation of electronic notarization. Statutes regulating electronic notarization are repealed. Notaries public are required to resign in writing to the Secretary of State, instead of to the Governor. The official seal used by notaries public is required to

include the notarial commission number. Session law requires notaries public who were appointed before the effective date of this legislation to replace their official seal on reappointment with an official seal that is imprinted with the notarial commission number.

Sponsor: Rep. Coleman

Status: Signed by Governor March 16th, 2018. Chapter 13, Laws 2018.

HB2211: Bankruptcy Exemption; Personal Property – Chapter 200

The Association was strongly opposed to the total exemption of firearms from bankruptcy assets. The Association's opposition to the bill resulted in proponents agreeing to amend the bill to place a dollar limit on the amount of exempt firearms.

Summary: The list of personal property of a debtor that is exempt from process is modified to include all firearms of up to an aggregate fair market value of \$2,000, and all domestic animals or household pets. Previously, these items were part of lists of items subject to a maximum aggregate fair market value. Additionally, the maximum aggregate fair market value of certain exempt items are increased as follows: horses, milk cows and poultry to \$1,000, from \$800; one watch to \$250, from \$150; one typewriter, computer, bicycle, sewing machine, family bible or lot in any burial ground to \$2,000, from \$1,000.

First Sponsor: Rep. Thorpe

Status: Signed by Governor, April 12, 2018. Chapter 200, Laws 2018.

HB2434: Financial Products; Regulatory Exemption Program – Chapter 44

Known as "The Sandbox Bill", HB2434 would create a new regulatory framework that is designed to allow innovative FinTech companies to test their products on a limited scale and with fewer regulations. The Attorney General championed this bill based on successful sandboxes in other countries. Arizona is the first U.S. state to adopt a sandbox. It was important to the Association's members to ensure that the bill had necessary safeguards (transaction amount limits, participant limits, etc.) to protect consumers and maintain a competitive market environment for financial institutions of all sizes. Ultimately, the Association was successful in amending the bill to meet these goals.

Summary: The Attorney General is required to establish a Regulatory Sandbox Program in consultation with applicable state agencies to enable a person to obtain limited access to the market in Arizona to test "innovative financial products or services" (defined) without obtaining a license or other required authorization. Establishes an application process and requirements for participation in the Program, and requires the Attorney General to collect an application fee in an amount determined by the Attorney General. Once the Attorney General approves an application, the Program participant has 24 months to test the innovative financial product or service, subject to a list of restrictions and regulations depending on the product or service being tested. Establishes requirements for Program participants that include consumer disclosures, recordkeeping, and reporting requirements. The Program terminates on July 1, 2028.

Sponsor: Rep. Weninger

Status: Signed by Governor March 22nd, 2018. Chapter 44, Laws 2018

HB2656: Electronic Wills and Trusts – Chapter 328

In previous sessions the Association voiced concerns about necessary consumer protections when dealing with an individual's life savings and personal assets, however the Association was able to support HB2656. The process by which an individual would establish an electronic will or trust has evolved sufficiently. Please note that a version of this bill was vetoed early in the legislative session in an effort to encourage the Legislature to focus its attention on a speedy resolution to the State budget.

Summary:

Establishes requirements for "electronic wills" (defined), including "electronic signature" (defined) requirements for the testator and two witnesses. Establishes requirements for "qualified custodians" (defined) of electronic wills, including prohibiting a qualified custodian from being related to the testator by blood, marriage or adoption, from being a devisee under the electronic will or related by blood, marriage or adoption to a devisee under the electronic will. A person is required to execute a written statement agreeing to serve as qualified custodian of an electronic will, and, once executed, the person is permitted to cease serving as a qualified custodian only under specified circumstances. Requirements for storage of and access to an electronic will and requirements for certified paper originals of an electronic will are established. Effective July 1, 2019.

First Sponsor: Rep. Leach

Status: Signed by the Governor, March 15, 2018. Chapter 328, Laws 2018

SB1091: Income Tax Payments; Bitcoin

SB1091 was introduced as a bill that would allow for the payment of taxes with bitcoin. The Association watched the bill closely and toward the end of session was directed by the membership to strongly oppose. The Association opposed the bitcoin provisions of the bill and successfully reached agreement on amendments that would eliminate these provisions from the bill. However, the real-time sales tax remittance language that would take its place became the target of extreme opposition from banks, credit card processors, retailers, telecom companies, and others. Due to the late addition of the real-time sales tax language in the closing minutes of session, the bill was on the Governor's desk and opponents set their sights on a veto. Governor Ducey vetoed the bill on May 16, 2018 accompanied by a brief veto letter referring to the bill's "unintended consequences".

Summary: The Department of Revenue is authorized to develop, adopt and use a payment system for income taxes that enables the immediate remittance and collection of tax in real time at the point of sale, including payments of additional amounts after audit. The Dept. is authorized to design, develop and provide for trial demonstrations of the adaptation, application and use of technology to enable immediate remittance and collection of income

tax payments and transaction privilege tax payments at the point of sale and for payments of additional amounts after audit. If the Dept. engages in a demonstration project, the Dept. is required to report its findings and experiences to the Governor and the Legislature by January 1, 2021.

Sponsor: Sen. Petersen

Status: VETOED by the Governor on May 16, 2018.

SB1264: Gift Cards; Fees Prohibited; Inactivity – Chapter 252

It is rare that the President of the Senate will sponsor legislation, however Senator Yarbrough introduced a bill to address a personal concern regarding the automatic deductions from the value of gift cards. What became clear is the many varieties of “gift cards” available to consumers today. After involvement from banks, credit card companies, and others appropriate amendments were agreed to that address the President’s concerns while not bringing about any unintended consequences on other products.

Summary: Gift cards are prohibited from being subject to a fee, and the underlying monies on a gift card are prohibited from being subject to an expiration date. A gift card or a code or device associated with a gift card may contain an expiration date with respect to the gift card or code or device, but not with respect to the underlying monies, if the gift card contains a clear and conspicuous disclosure that the underlying monies do not expire and that the consumer may contact the issuer for a replacement card or code or device. If the gift card is electronic, the disclosure is required to be in the message to the consumer that contains the card number or code.

Sponsor: Sen. Yarbrough

Status: Signed by Governor, April 17th, 2018. Chapter 252, Laws 2018.

SB1312: State-Owned Bank Task Force

The Association has been consistent in its opposition for several consecutive years and was pleased that the State Bank bill did not get a hearing during the 2018 Legislative session.

Summary: Establishes a 10-member State-Owned Bank Task Force within the Arizona Commerce Authority to evaluate the feasibility of establishing a state-owned bank and submit a report to the Governor and the Legislature by December 1, 2018. Self-repeals October 1, 2019.

Sponsor: Sen Dalessandro

Status: Referred to Senate Finance, January 24th, 2018.

SCM1001: Urging Congress, Glass-Steagall Act

The Association has been consistent in its opposition for several consecutive years and was pleased that the Glass-Steagall bill did not get a hearing during the 2018 Legislative session.

Summary: The Legislature urges the U.S. Congress to adopt legislation similar to the Return to Prudent Banking Act of 2015 and the 21st Century Glass-Steagall Act of 2015. The Secretary of State is directed to transmit copies of this memorial to the President of the U.S., the President of the U.S. Senate, the Speaker of the U.S. House, each member of Congress from Arizona and six other specified members of U.S. Congress.

Sponsor: Sen. Mendez
Status: Referred to Senate Finance, January 18th, 2018.

II. Appraisals

HB2401: Civil Action; Limitation; Appraisers

Summary: A cause of action against a licensed or certified appraiser or registered trainee appraiser is required to be commenced before the earlier of the expiration of the applicable statute of limitation for the type of claim, or two years after the date on which the appraisal or appraisal-related service giving rise to the action was completed or performed. Some exceptions.

Sponsor: Rep. Mosley
Status: Referred to House Judiciary & Public Safety, January 18th, 2018.

SB1463: (As Introduced) Statute; Limitations; Appraisers; Appraisal Services

Summary: Creates a four-year statute of limitations for actions brought against specified appraisal related professionals and companies.

Sponsor: Sen. Brophy McGee
Status: Short title change due to strike-everything amendment

III. Block Chain

HB2602: Running Nodes; Blockchain; Regulation Prohibition – Chapter 208

Summary: Counties and municipalities cannot prohibit or otherwise restrict an individual from "running a node on blockchain technology" (defined) in a residence.

Sponsor: Rep. Weninger
Status: Signed by Governor, April 12th, 2018. Chapter 208, Laws 2018.

HB2603: Corporations; Block Chain Technology – Chapter 122

Summary: For the purpose of statutes regulating corporations, "writing" or "written" applies to "blockchain technology" and establishes that blockchain technology applies to electronic transactions within Title 10.

Sponsor: Rep. Weninger

Status: Signed by Governor April 3rd, 2018. Chapter 122, Laws 2018.

IV. Credit Freeze

HB2366: Credit Security Freezes; Prohibit Fees

Summary: Consumer reporting agencies are prohibited from charging a fee for a credit report security freeze, removal of a freeze or temporary lift of a freeze, or for re-issuance of a unique personal identification number or password. Previously, consumer reporting agencies were permitted to charge a \$5 fee for each of these services. Consumer reporting agencies are required to place a security freeze on a consumer's credit report no later than 24 hours, decreased from 10 business days, after receiving a written request from the consumer.

Sponsor: Rep. Salman

Status: Referred to House Banking and Insurance, January 24th, 2018.

SB1163: Credit Security Freezes; Fees; Prohibition – Chapter 125

Summary: Consumer reporting agencies are prohibited from charging a fee for a credit report security freeze, removal of a freeze or temporary lift of a freeze, or for re-issuance of a unique personal identification number or password. Previously, consumer reporting agencies were permitted to charge a \$5 fee for each of these services.

Sponsor: Sen. Brophy McGee

Status: Signed by Governor, April 3rd, 2018. Chapter 125, Laws 2018.

V. Crowd Funding

HB2601: Securities; Crowdfunding; Virtual Coin Offerings – Chapter 207

Summary: The list of transactions exempt from specified securities regulations is expanded to include transactions involving an intrastate offering, including "crowdfunding" or "virtual coin offerings" (both defined), if a list of specified conditions is met, including that the issuer is authorized to do business in Arizona and obtains from each prospective purchaser evidence that the purchaser is an Arizona resident, and that the transaction meets the requirements of the federal exemption for intrastate offerings. A purchaser engaging in an intrastate offering that complies with these provisions is not considered an underwriter unless the purchaser purchases more than 50 percent of the securities or virtual coins

offered for sale in the offering. A person who facilitates the exchange of a virtual coin is prohibited from being deemed to be a dealer, and the person is not subject to securities regulations due to the exchanged virtual coin if the person has a reasonable and good faith belief that the virtual coin subject to exchange does not meet the definition of a virtual coin offering. The previous exemption from specified securities regulations for intrastate offerings is deleted.

Sponsor: Rep. Weninger

Status: Signed by Governor, April 12th, 2018. Chapter 207, Laws 2018.

VI. Housing

HB2262: Condominiums; Termination; Appraisals – Chapter 235

Summary: For the purpose of termination of condominium procedures, an additional five percent of the calculated respective interests of condominium unit owners is added to the respective interest total for relocation costs for owner-occupied units. A determination of fair market value of a condominium unit as determined by an independent appraiser selected by the condominium association becomes final unless disapproved by the unit owner within 60 days, increased from 30 days, after distribution to the unit owner. A unit owner is authorized to obtain a second independent appraisal at the unit owner's expense. If the total amount of compensation owed as determined by the second appraiser is more than five percent higher than the amount determined by the association's appraiser, the unit owner must submit to arbitration at the association's expense, and the arbitration amount is the final sale amount. An additional five percent of the final sale amount must be added for relocation costs for owner-occupied units. This legislation applies to all condominiums created in Arizona without regard to when the condominium was created.

Sponsor: Rep. Toma

Status: Signed by Governor, April 17th, 2018. Chapter 235, Laws 2018.

HB2289: Housing Trust Fund; Unclaimed Property

Summary: The amount of proceeds from the sale of abandoned property that are deposited in the Housing Trust Fund each fiscal year is changed to 55 percent of the proceeds, instead of \$2.5 million.

Sponsor: Rep. Alston

Status: Referred to House Appropriations, January 17th, 2018.

SB1080: Homeowners' Associations; Foreclosures; Assessments

Summary: A lien on a unit in a condominium association or homeowner's association may be foreclosed only if the owner has been delinquent in the payment of monies secured by the lien for a period of 6 months, instead of for one year or \$1,200 or more, whichever occurred first.

Sponsor: Sen. Kavanagh

Status: Referred to Senate Government, January 9th, 2018.

SB1280: Residential Housing Assistance; Funding Sources

Summary: For any seller of real property with a last known address outside Arizona and any seller of real property that is a foreign corporation that does not qualify by law to transact business in Arizona, the deed evidencing the transfer of title is required to have a separate affidavit stating the seller's address and federal tax identification number, as well as other specified information. These individuals and corporations are required to file an income tax return with the Department of Revenue if the only income subject to tax by Arizona for the taxable year is derived from the sale of real property in Arizona. The Dept is required to separately account for monies paid with these returns, and deposit 70 percent of the monies in the Housing Trust Fund and 30 percent in the Arizona Finance Authority Operations Fund. Effective January 1, 2019.

Sponsor: Sen. Farley

Status: Referred to Senate Appropriations & Finance, January 23rd, 2018.

VII. Investments

SB1490: Annuities; Withdrawals; Restoration

Summary: If a holder of an annuity makes withdrawals from the annuity before its commencement date, the withdrawals may be restored to the annuity in whole or in part, at once or in stages, at any time before the annuity commencement date is reached.

Sponsor: Sen. Meza

Status: Referred to Senate Finance, January 31st, 2018.

VIII. Miscellaneous

HB2013: Liquid Capital; Definition – Chapter 3

Summary: For the purpose of statutes regulating trust companies, the definition of "liquid capital" is expanded to include "legal tender," which is defined as a medium of exchange, including "specie" (defined) that is authorized by the U.S. Constitution or U.S. Congress for the payment of debts, public charges, taxes and dues.

Sponsor: Rep Finchem

Status: Signed by Governor, March 16th, 2018. Chapter 3, Laws 2018.

HB2519: Adverse Possession; Notice; Market Value

Summary: The adverse possession of real property may commence only after the person who seeks the adverse possession provides a notice of the person's intent to adversely possess the real property to the owner of the parcel as shown on the current tax role and to any other party who has a legal or equitable interest in the real property recorded with the county recorder. In an action for adverse possession, the burden of proof is on the person who claims the adverse possession.

Sponsor: Rep. Kern

Status: Failed House Judiciary and Public Safety 3-6, February 14th, 2018.

SB1043: County Recorder; Recording Fees – Chapter 243

Summary: The fees received by the county recorder are modified as follows: \$30 for recording papers required or authorized by law, instead of \$5 for the first 5 pages plus \$1 for each additional page, and \$15 for recording papers to which a government entity is the requesting party, instead of \$3 for the first 5 pages plus 50 cents for each additional page. Separate fee amounts for recording deeds affecting interest in real property and deeds of trust or mortgage are eliminated. Additional fees such as the special recording surcharge, the fee for real estate transfers, and the fee for an affidavit of annual work, are included in the total fee instead of being charged separately.

Sponsor: Sen. Kavanagh

Status: Signed by Governor, April 5th, 2018. Chapter 243, Laws 2018.

SB1097: Unclaimed Property; Notice; Publication; Claims – Chapter 50

Summary: The Department of Revenue is required to publish the semiannual notice of unclaimed property on social media or broadcast on radio or published or broadcast by any other means that is likely to attract the attention of the apparent owner of the property. The Dept. is required to annually publish the estimated total dollar amount of unclaimed property on the home page of the Dept.'s unclaimed property website. A person is permitted to file a claim for property that was paid or delivered to the Dept. within 35 years after the final day of the fiscal year in which the Dept. receives the unclaimed property. Retroactive to January 1, 2018.

Sponsor: Sen. Petersen

Status: Signed by Governor, March 23rd, 2018. Chapter 50, Laws 2018.

SB1204: Trusts and Estates – Chapter 102

Summary: Various changes to statutes relating to trusts, estates and protective proceedings. The rules of probate procedure, instead of the rules of civil procedure, govern formal procedures under Title 14 (Trusts & Estates). A provision in a trust instrument that purports to penalize an interested person for contesting the trust instrument or instituting other proceedings or actions

relating to the trust property is unenforceable if probable cause exists for the contest, proceedings or actions. A person is prohibited from requiring the trustee to furnish copies of excerpts from the trust instrument unless the person provides the trustee with a verified statement that states a reasonable basis for the request.

Sponsor: Sen. Worsley

Status: Signed by Governor, March 29th, 2018. Chapter 102, Laws 2018.

SB1313: State Procurement; Identical Bids

Summary: For state contracts awarded through competitive sealed bidding, if there are two or more low, responsive offers from responsible bidders, an "Arizona bidder" (defined) must be given preference over a nonresident bidder by increasing the nonresident's bid by five percent.

Sponsor: Sen. Quezada

Status: Referred to Senate Government, January 24th, 2018.

SCR1024: Supporting Financial Education

Summary: The members of the Legislature support continued and increased financial education and personal financial management for individuals in various life stages, including Arizona's students, and recognize all organizations in Arizona that promote financial literacy and financial freedom among today's youth.

Sponsor: Sen. Yee

Status: Referred to House Rules, May 3rd, 2018.

IX. Operations

HB2061: Financial Institutions Department; Superintendent Duties – Chapter 8

Summary: The Superintendent of the Department of Financial Institutions is required to examine the affairs of any enterprise and any consumer lender solely at his/her discretion, and the requirements for each enterprise and consumer lender to be examined at least once every five years and for each premium finance company to be examined at least once every three years are deleted.

Sponsor: Rep. Shope

Status: Signed by Governor March 16th, 2018. Chapter 8, Laws 2018.

HB2176: Consular Identification Cards; Permitted Use

Summary: The state and its political subdivisions are authorized to accept a consular identification card issued by a foreign government as a valid form of identification. Statute prohibiting this practice is repealed.

Sponsor: Rep. Chavez

Status: Referred to House Judiciary & Public Safety, January 24th, 2018.

HB2226: Student Loans Servicers; Licensure

Summary: Adds a chapter to Title 6 (Banks & Financial Institutions) requiring a person acting as a "student loan servicer" (defined) to obtain a license from the Superintendent of Financial Institutions. Some exceptions. Establishes license application requirements and fees. Student loan servicer licenses expire on September 30 of each odd-numbered year and may be biannually renewed. Establishes requirements and prohibited practices for licensees as well as penalties for violations. Establishes a student loan ombudsman in the Department of Financial Institutions to attempt to resolve complaints from student loan borrowers and establish a student loan borrower education course by October 1, 2019. Due to a potential increase in state revenue, this legislation requires the affirmative vote of at least 2/3 of the members of each house of the Legislature for passage, and becomes effective on signature of the Governor.

Sponsor: Rep. Salman

Status: Referred to House Military, Veterans and Regulatory Affairs, January 24th, 2018.

HB2436: Overtime Pay

Summary: On the effective date of this legislation, the Industrial Commission is required to set a salary amount at the 40th percentile of weekly earnings of full-time nonhourly workers in the lowest-wage census region in the 2nd quarter of the year immediately preceding the update published by the U.S. Department of Labor. To qualify as an individual who is exempt from the overtime pay requirements in the federal Fair Labor Standards Act of 1938 and related regulations, an individual must be compensated on a salary basis in an amount per week, exclusive of board, lodging or other facilities, that is not less than this amount set by the Commission. The Commission is authorized to adopt rules to implement these requirements.

Sponsor: Rep. Andrade

Status: Referred to House Communications, January 18th, 2018.

HB2437: Employment Omnibus

Summary: Various changes related to employment regulations. Prohibits employers from terminating any employee unless the employee commits one of a list of acts, and from requiring any employee to reenact an injury arising out of or in the course of employment. Establishes employee training requirements. Employers are required to allow a labor organization to offer presentations to new employees. Employer policies do not supersede any valid provision of a collective bargaining agreement. The list of protected classes for employment discrimination purposes is expanded to include gender, gender identity or expression, sexual orientation and marital status, and adds an exemption for a religious organization for positions directly related to the religious functions of the organization.

Sponsor: Rep. Andrade

Status: Referred to House Judiciary & Public Safety, January 24th, 2018.

HB2462: Employment; Housing; Public Accommodations; Antidiscrimination

Summary: The list of attributes for which a person cannot be discriminated against in employment practices, various housing related statutes, and in places of public accommodation is expanded to include "sexual orientation", "gender identity", and "veteran status" (all defined).

Sponsor: Rep. Rios

Status: Referred to House Judiciary & Public Safety, January 24th, 2018.

HB2467: Employment; Employee Work Scheduling

Summary: Adds a new chapter to Title 23 (Labor) regulating employee scheduling. Employers are required to pay an employee for a minimum of four hours or the number of hours in the employee's scheduled work shift, whichever is less, on any day that the employee either reports for duty but does not work the entire shift due to the actions of the employer or is notified less than 24 hours before a shift that the employee does not need to report to work or that the hours have been reduced. Employees have the right to request not to be scheduled for work shifts during certain times or at certain locations and the right to identify certain preferences. Employers are required to provide a new employee with a written good faith estimate of the employee's work schedule at the time of hire, and are required to provide an employee with a work schedule in writing at least 14 calendar days before the first day of the work schedule.

Sponsor: Rep. Blanc

Status: Referred to House Communications, January, 30th, 2018.

HB2586: Antidiscrimination; Employment; Housing; Public Accommodations

Summary: The list of attributes for which a person cannot be discriminated against in employment practices, various housing related statutes, and in places of public accommodation is expanded to include "sexual orientation" and "gender identity" (both defined).

Sponsor: Rep. Hernandez

Status: Referred to House Judiciary & Public Safety, February 6th, 2018.

HB2637: Wage Disclosure; Employee Rights

Summary: Employers are prohibited from taking adverse employment action against an employee because the employee discloses his/her wage information, and from requiring an employee to sign a waiver or other document that prohibits such disclosure. Establishes penalties for violations.

Sponsor: Rep. Salman
Status: Referred to House Communications, February 6th, 2018.

HB2639: Investment Management Services; Excise Tax

Summary: Beginning January 1, 2019, a tax is levied on each partnership and S Corporation engaging or continuing in the business of conducting "investment management services" (defined) at a rate of 20 percent on the fees calculated by reference to the performance of the investment portfolio funds and not from the investment itself. Due to a potential increase in state revenue, this legislation requires the affirmative vote of at least 2/3 of the members of each house of the Legislature for passage, and becomes effective on signature of the Governor.

Sponsor: Rep. Salman
Status: Referred to House Ways and Means, February 6th, 2018.

SB1003: Banking Permit; Fees

Summary: The fee for a banking permit is reduced to \$1,000, from \$5,000.

Sponsor: Sen. D. Farnsworth
Status: Held in House Banking and Insurance, March 5th, 2018.

SB1011: Computer Tampering; Unauthorized Human Impersonation

Summary: The list of acts constituting the crime of computer tampering, a class 6 (lowest) felony, is expanded to include knowingly using or deploying any computer or computer software that conceals the computer or computer software's real identity to simulate or impersonate the actions of a human.

Sponsor: Sen. Kavanagh
Status: Referred to Senate Rules, May 4th, 2018.

SB1040: Service Animals; Misrepresentation

Summary: A person is prohibited from fraudulently misrepresenting an animal as a service animal or service animal in training to a person or entity that operates a public place. A court or duly appointed hearing officer may impose on a person in violation a civil penalty of \$250.

Sponsor: Sen. Kavanagh
Status: From Senate Government with do pass recommendation, January 18th, 2018.

SB1150: Application Fees; Financial Institutions Department – Chapter 214

Summary: Decreases various applications fees payable to the Department of Financial Institutions, including fees for a banking permit, a trust company license, mortgage banker, escrow agent or consumer lender license, and approval to convert from a federal bank or credit union to a state chartered institution.

Sponsor: Sen. D. Farnsworth

Status: Signed by Governor, April 12th, 2018. Chapter 214, Laws 2018.

SB1151: Banks; Financial Institutions; Violations; Penalties

Summary: A knowing violation of Title 6 (Banks & Financial Institutions) for which a different penalty is not specifically provided or a knowing violation of any rule, regulation or order issued pursuant to those statutes is a class 1 (highest) misdemeanor, instead of a class 6 (lowest) felony. Any person who knowingly makes a false statement, misrepresentation or false certification in any document filed or required pursuant to Title 6 with intent to deceive the Superintendent of Financial Institutions and any person who knowingly makes any false entry or omits a material entry in any record or statement of a financial institution with intent to injure or defraud the institution is guilty of a class 4 (lower mid-level) felony, instead of a class 3 (higher mid-level) felony.

Sponsor: Sen. D. Farnsworth

Status: From Senate Finance with do pass recommendation, January 24th, 2018.

SB1176: Consular ID Cards; Prohibition; Repeal

Summary: The state and its political subdivisions are no longer prohibited from accepting a consular identification card issued by a foreign government as a valid form of identification.

Sponsor: Sen. Miranda

Status: Referred to Senate Judiciary, January 16th, 2018.

SB1193: Overtime Pay

Summary: On the effective date of this legislation, the Industrial Commission is required to set a salary amount at the 40th percentile of weekly earnings of full-time nonhourly workers in the lowest-wage census region in the 2nd quarter of the year immediately preceding the update published by the U.S. Department of Labor. To qualify as an individual who is exempt from the overtime pay requirements in the federal Fair Labor Standards Act of 1938 and related regulations, an individual must be compensated on a salary basis in an amount per week, exclusive of board, lodging or other facilities, that is not less than this amount set by the Commission. The Commission is authorized to adopt rules to implement these requirements.

Sponsor: Sen. Farley

Status: Referred to Senate Commerce and Public Safety, January 17th, 2018.

SB1201: County Treasurer; Electronic Records; Liens – Chapter 162

Summary: The county treasurer is authorized to keep an account of the receipt and expenditure of monies in electronic books provided for that purpose and to issue either an electronic receipt or hard copy receipt for all monies received.

Sponsor: Sen. Worsley

Status: Signed by Governor, April 10th, 2018. Chapter 162, Laws 2018.

Employees; School Conferences; Leave

Summary: Employers are required to grant an employee school conference or activity leave of up to a total of 16 hours during any school year, not more than 4 hours of which may be taken during one day, to attend school conferences or activities related to the employee's child if a list of specified conditions applies.

Sponsor: Sen. Mendez

Status: Referred to Senate Education, and Commerce and Public Safety, January 18th. 2018.

SB1228: Temporary Services Employer; Employees; Rights

Summary: Establishes a temporary employee bill of rights. "Temporary services employers" (defined) are required to give various notices and disclosures to each temporary employee. Temporary employees cannot be paid less than the minimum wage and must be reimbursed for use of the employee's own vehicle for transportation to a work site. Temporary services employers and "work site employers" (defined) are prohibited from charging temporary employees for specified items or services. Only 20 percent of a work site employer's employees are permitted to be temporary workers. Establishes civil penalties for violations.

Sponsor: Sen. Mendez

Status: Referred to Senate Commerce and Public Safety, January 18th, 2018.

SB1242: Salary History; Employers

Summary: Employers are prohibited from relying on the salary history information of an applicant for employment as a factor in determining whether to offer employment to an applicant or what salary to offer an applicant, and from seeking salary history information about an applicant for employment. On reasonable request, an employer is required to provide the pay scale for a position to an applicant for employment. Applies to all employers, including state and local government employers and the Legislature.

Sponsor: Sen. Quezada

Status: Referred to Senate Commerce and Public Safety, January 18th, 2018.

SB1314: Employment; Housing; Public Accommodations; Antidiscrimination

Summary: The list of attributes for which a person cannot be discriminated against in employment practices, various housing related statutes, and in places of public accommodation is expanded to include "sexual orientation", "gender identity", and "veteran status" (all defined).

Sponsor: Sen. Hobbs

Status: Referred to Senate Commerce and Public Safety, January 24th, 2018.

SB1342: Employment & Labor Omnibus

Summary: Various changes related to employment regulations. Employers are prohibited from taking adverse employment action against an employee because the employee discloses his/her wages, and from requiring an employee to sign a waiver or other document that prohibits such disclosure. Statute prohibiting employers from paying any employee at wage rates less than the rates paid to employees of the opposite sex are modified to require equal wage rates for substantially similar work when viewed as a composite of skill, effort and responsibility and performed under similar working conditions, unless the employer demonstrates that the wage differential is based on specified factors. In addition to the wages the employee is deprived by reason of a violation, an employer in violation is liable to the employee affected for interest on the wages, and an amount equal to the wages as liquidated damages. An employer is prohibited from discharging or discriminating or retaliating against an employee who takes action to invoke or assist in the enforcement of these regulations. The Industrial Commission is required to issue an equal pay certificate to a business that meets specified qualifications, including that the average compensation for female employees is no consistently below the average compensation for male employees within each job category. Beginning January 1, 2019, a business that has at least 40 full-time employees in Arizona or in the state where the business's primary place of business is located is required to have an equal pay certificate or a waiver in order to be eligible to contract with any purchasing agency in Arizona for a procurement of more than \$500,000. Employees are authorized to request a change in the terms and conditions of employment related to a list of specified factors, and the employer is required to engage in a timely, good-faith interactive process with the employee to discuss potential changes to meet the employee's needs. Establishes requirements for pay and schedule notice for retail, food service or cleaning employees.

Sponsor: Sen. Hobbs

Status: Referred to Senate Commerce and Public Safety, January 24th, 2018.

SB1353: Limited Liability Company Act; Revisions – Chapter 168

Summary: Effective September 1, 2020, the chapter of statute known as the Arizona Limited Liability Company (LLC) Act is repealed and replaced. Applies to an LLC that is formed, converted or domesticated on or after September 1, 2019 or an LLC that elects to be subject to these regulations, and applies to all LLCs beginning September 1, 2020. Establishes regulations for LLC operating agreements, including their effect on members and third parties. Requires the name of an LLC to contain the phrase "limited liability company" or

"limited company" or the abbreviation LLC or LC, and provides for reservation and registration of names. Requires LLCs to designate and maintain a statutory agent and establishes requirements for statutory agents, including processes to change a statutory agent and resignation of a statutory agent. An LLC may be served with any process, notice or demand required or permitted by law by serving its statutory agent. Establishes regulations for LLC formation, articles of organization and any amendments, signing and filing of records, and liability for inaccurate information in filed records. Establishes filing fees for various documents. The Corporation Commission is required to issue a certificate of good standing for an LLC after the requisite fee is paid and the appropriate forms have been filed. Establishes regulations for relations of LLC members and managers to persons dealing with the LLC, to each other, and to the LLC. Establishes regulations for distributions, management of the LLC, record keeping, and standards of conduct. Authorizes transfers of transferable interest and provides for the rights of transferees and creditors. Establishes processes for dissociation, dissolution and winding up, including disposition of assets and reinstatement. Also establishes regulations for foreign LLCs. Does not affect an action commenced, proceeding brought or right accrued before September 1, 2019, or the rights and obligations of a company's members and managers relating to matters arising and events occurring before September 1, 2020.

Sponsor: Sen. Worsley

Status: Signed by Governor, April 10th, 2018. Chapter 168, Laws 2018.

SB1417: Employment Practices; Consumer Reports; Limitation

Summary: An employer is prohibited from discharging, refusing to hire or promote, or otherwise discriminating against an individual with respect to compensation or a term, condition or privilege of employment because of the individual's "consumer report" or "credit history" (both defined). An employer is prohibited from inquiring about an applicant's or employee's consumer report or credit history. Violations are a class 3 (lowest) misdemeanor.

Sponsor: Sen. Mendez

Status: Referred to Senate Commerce and Public Safety, January 29th, 2018.

SCR1016: Minimum Wage; Sick Time Repeal

Summary: The 2018 general election ballot is to carry the question of whether to amend state statute to change the minimum wage to \$10.50 per hour, prohibit counties and municipalities from establishing or otherwise requiring a higher minimum wage, and repeal statutes requiring paid sick time.

Sponsor: Sen. S. Allen

Status: From Senate Commerce and Public Safety with do pass recommendation, February 13th, 2018.

X. Small Money Lending

HB2220: Motor Vehicle Title Loans; Prohibition

Summary: A person, whether located in Arizona or another state, is prohibited from making, offering or arranging a secondary motor vehicle finance transaction to or with an individual in Arizona. A transaction made in violation is void as to principal and all charges, constitutes an unlawful practice and is subject to enforcement procedures and penalties under consumer fraud statutes.

Sponsor: Rep. Salman

Status: Referred to house Banking and Insurance, January 24th, 2018.

XI. Tax

HB2010: Elderly Homeowners; Class Six Property

Summary: The list of property classified as class six for property tax purposes is expanded to include real property and improvements to the property that are used as the owner's primary residence, that are owned by an individual who qualifies for property valuation protection under the state Constitution (for which a person must be age 65 or older), and that are valued at full cash value. Other requirements to qualify for this classification are specified. Does not apply to real property and improvements with a full cash value of \$600,000 or more unless the property qualified for valuation protection under the state Constitution as of December 31, 2018.

Sponsor: Rep. Cardenas

Status: Referred to House Ways and Means, and Appropriation, January 9th, 2018.

HB2015: Tax Credits; Exemptions; Sunset Repeal

Summary: Any new transaction privilege or use tax credit established by the Legislature is required to include in its enabling legislation a specific repeal date of from and after December 31 of no later than the eighth full calendar year following the date the “tax expenditure” (defined) is enacted. The Joint Legislative Income Tax Credit Review Committee is renamed the Joint Legislative Income Tax Credit Sunset Review Committee, and if the Committee recommends that a credit be retained, the credit must be assigned a subsequent repeal date within the next eight years.

Sponsor: Rep. Cardenas

Status: Referred to House Ways and Means, January 9th, 2018.

TPT; Digital Products; Remote Sellers

Summary: Establishes the digital property classification of transaction privilege taxes (TPT) and imposes TPT of five percent of the tax base on that classification. The digital property classification is comprised of the business of remotely selling, installing, maintaining, servicing or repairing digital property to locations in Arizona, and the tax base is the gross proceeds of sales or gross income derived by the remote seller from sales of digital property to locations in Arizona. Does not include remote sellers that have gross annual receipts in total remote sales of digital property in the U.S. in the preceding calendar year of less than \$1 million.

Sponsor: Rep. Cardenas

Status: Referred to House Ways and Means, January 24th, 2018.

HB2198: Property Tax; Delinquent Tax List - Chapter 114

Summary: The notice of sale of real property on which the taxes for prior tax years are unpaid and delinquent is required to include the property account number, instead of the legal description of the property. The county is required to make available to the public on a county website the description of the property associated with a parcel number.

Sponsor: Rep. Shope

Status: Signed by Governor, Chapter 114, Laws 2018.

HB2387: Municipal TPT; Speculative Builders

Summary: In computing the tax base for transaction privilege and other use taxes for a speculative builder, municipalities and other taxing jurisdictions are required to exclude from the tax base the price of any lease on real property or other intangible or personal property included in determining the total sales price of improved real property to the extent allocated in the affidavit of legal value for the sale. The resulting tax may not be less than the tax that would have been paid under the prime contracting classification for the improvements that were constructed or reconstructed. Retroactive to any sales of improved real property for which the statute of limitations has not run. The aggregate amount of refunds from any municipality due to the retroactive application is capped at \$10,000.

Sponsor: Rep. Rivero

Status: From House Ways and Means with do pass recommendation, February 15th, 2018.

HB2479: TPT; Digital Goods & Services

Summary: For the purpose of transaction privilege and use taxes and local excise taxes, the gross income, gross receipts, gross proceeds, purchase price or sales price from selling, leasing, licensing, purchasing or using “specified digital services” (defined) and from selling, leasing, licensing, purchasing or using “specified digital goods” (defined) that are remotely accessed by a customer and not transferred electronically to the customer, are excluded from tax. Does not apply to services provided by a person that is subject to tax under the online lodging marketplace classification. The business of selling, renting or

licensing for use of "prewritten computer software" (defined), regardless of delivery method, and selling specified digital goods that are "transferred electronically" (defined) are added to the retail classification of transaction privilege taxes. The sale of prewritten computer software and specified digital goods must be sourced to the seller's business location if the seller receives the order at a business location in Arizona, and to the purchaser's location in Arizona if the seller receives the order at a business location outside Arizona. Levies an excise tax on the use or consumption in Arizona of prewritten computer software and specified digital goods transferred electronically as a percentage of the acquisition price. The tax rate is the tax rate prescribed in statute for retailers (currently 5 percent and voter protected). Through June 30, 2021, an additional rate increment of 0.6 percent is imposed and must be collected. Each person using or consuming prewritten consumer software or specified digital goods transferred electronically in Arizona is liable for the tax. Contains a legislative intent section, which states that this legislation is not intended to affect, and may not be cited or applied in, any administrative or judicial action pending on the effective date of this legislation that considers the construction, interpretation or application of any statutory or administrative provision regarding the taxation of digital goods and services. Effective from and after the last day of the month of the general effective date of the 53rd Legislature, 2nd Regular Session.

Sponsor: Rep. Ugenti-Rita

Status: Held in Senate Appropriations, May 1st, 2018.

HB2573: Corporate Minimum Income Tax

Summary: The minimum income tax levied on the entire Arizona taxable income of every corporation is increased to \$500, from \$50. Applies to tax years beginning with 2019. Due to a potential increase in state revenue, this legislation requires the affirmative vote of at least 2/3 of the members of each house of the Legislature for passage, and becomes effective on signature of the Governor.

Sponsor: Rep. Friese

Status: Referred to House Ways and Means, February 6th, 2018.

SB1019: Tax Credits: Sunset

Summary: Any new transaction privilege or use tax credit established by the Legislature is required to include in its enabling legislation a specific repeal date of from and after December 31 of the 10th full calendar year following the date the credit is enacted. Establishes a repeal or termination date of January 1, 2029 for various existing TPT credits. Any new individual or corporate income tax credit established by the Legislature is required to include a specific repeal date of from and after December 31 of the 10th full calendar year following the date the credit is enacted. The Joint Legislative Income Tax Credit Review Committee is renamed the Joint Legislative Income Tax Credit Sunset Review Committee, and if the Committee recommends that a credit be retained, the credit must be assigned a subsequent repeal date. Numerous existing tax credits are repealed each tax year

beginning in 2020 through tax year 2029. Due to a potential increase in state revenue, this bill requires the affirmative vote of at least 2/3 of each house of the Legislature for passage.

Sponsor: Sen. Farley

Status: Referred to Senate Finance, January 8th, 2018.

SB1030: TPT Exemptions and Deductions; Sunset

Summary: The Joint Legislative Income Tax Credit Review Committee is renamed the Joint Legislation Tax Expenditure Review Committee. The Committee is required to adopt and review the "tax expenditures" (defined) for transaction privilege and affiliated excise taxes according to a 10-year review schedule, and the Committee is required to compile and adopt the schedule by December 15, 2018. After a review, the Committee is required to recommend the tax expenditures to be amended, repealed or retained. The Committee is required to report its recommendations to the Legislature and the Governor by December 15 of the year the tax expenditure is reviewed. If the tax expenditure is recommended to be retained or amended, the next review year must be no later than the 10th full calendar year following the date the tax expenditure was reviewed. Modifies the income tax credit review schedule.

Sponsor: Sen. Farley

Status: Referred to Senate Finance, January 8th, 2018.

SB1102: Property Taxes; Abatement; Procedures

Summary: The list of situations where statutes regulating abatement of tax and removal of the lien apply is expanded to include when, at the discretion of the county treasurer, the amount of the property taxes owing, including interest and penalties, is de minimis and the property taxes are six years or more past due. The county treasurer is authorized to grant appropriate relief in these situations with the agreement of the county assessor, instead of with the approval of the board of supervisors. A mobile home or recreational vehicle is only eligible for assistance from the Mobile Home Relocation Fund if the tenant has paid all property taxes for the current year and past years in full. An abandoned mobile home unit cannot be removed from a mobile home space unless the tenant has paid all property taxes in full and the county treasurer has issued a clearance letter.

Sponsor: Sen. Petersen

Status: Failed to pass Senate 14-16, March 1st, 2018.

SB1248: Taxation; Improvements on Possessory Rights

Summary: Improvements on possessory rights are subject to statutory limitations on property valuation increases. Repeals statute that exempts a "dwelling on possessory rights" (defined as a permanent improvement to real property that is listed as class 3 property, other than a mobile home, if the owner of the improvement is not the owner of the real property) that is taxed as personal property from seizure or sale for delinquent taxes as personal

property, and makes a dwelling on possessory rights subject to procedures for delinquent taxes as real property. Improvements, appurtenances, wells, stock tanks and any other fixed property located on unpatented land, a mining claim or state land not secured by patented real property are not subject to seizure or sale for delinquent taxes as personal property, but are subject to procedures for delinquent taxes as real property.

Sponsor: Sen. Burges

Status: Held in House Ways and Means, March 21st, 2018.

SB1329: Digital Goods & Services; Taxation

Summary: For the purpose of transaction privilege and use taxes, the definition of "tangible personal property" which is subject to taxation is expanded to include prewritten "computer software" and "digital goods" (both defined). The gross receipts from leasing digital goods must be apportioned to the location of the user of the digital goods. A legislative intent section states that this act is to clarify statutory intent and ratify historical administrative interpretation, and not to provide any substantive change in the law.

Sponsor: Sen. Farley

Status: Referred to Senate Finance, January 24th, 2018.

SB1359: Corporate Tax Freeze; Educational Outcomes

Summary: In lieu of the statutory income tax rates for corporations, a tax is levied on the entire Arizona taxable income of every corporation, unless specifically exempt by law, in an amount of six percent of net income or \$50, whichever is greater, unless the Superintendent of Public Instruction determines that the statewide high school graduation rate for the preceding school year was at least 95 percent. Effective January 1, 2019.

Sponsor: Sen. Mendez

Status: Referred to Senate Education, and Finance, January 24th, 2018.

SB1405: Corporate Income Tax Allocation; Sales - Chapter 106

Summary: For the purpose of statutes regulating the situs of sales other than tangible personal property, "sales from intangibles" (defined as sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue) is added to the 85 percent of sales that must be from outside Arizona in the taxable year for a taxpayer to be considered a "multistate service provider." Effective January 1, 2020.

Sponsor: Sen. Fann

Status: Signed by Governor, March 29th, 2018. Chapter 106, Laws 2018.

SB1415: Corporate Minimum Income Tax

Summary: The minimum income tax levied on the entire Arizona taxable income of every corporation is increased to \$500, from \$50. Applies to tax years beginning with 2019. Due to a potential increase in state revenue, this legislation requires the affirmative vote of at least 2/3 of the members of each house of the Legislature for passage, and becomes effective on signature of the Governor.

Sponsor: Sen. Mendez

Status: Referred to Senate Finance, January 29th, 2018.

SB1454: Depreciable Business Assets; Full Expensing (~~Tech Correction; Income Tax~~)

Summary: Beginning in tax year 2018, for the purpose of Arizona income taxes, a taxpayer is permitted to deduct the full amount of expense deductions taken with respect to property allowed by the federal Internal Revenue Code.

Sponsor: Sen. Petersen

Status: Withdrawn from House Appropriations, January 26th, 2018.

SB1479: Corporate Income Tax; Apportionable Income

Summary: For tax years beginning with 2018, a corporate income taxpayer is required to elect to apportion all business income to Arizona by multiplying the apportionable income by the sales factor. For tax years beginning with 2018, sales other than sales of tangible personal property are in Arizona if the taxpayer's market for the sales is in Arizona. Establishes a list of conditions under which the taxpayer's market for the sales is in Arizona, including if real property or tangible personal property being rented is located in Arizona, if a service is delivered in Arizona, and if a borrower on a loan is located in Arizona. If the state or states of assignment cannot be determined, they must be reasonably approximated. If the taxpayer is not taxable in a state to which a receipt is assigned, or if the state of assignment cannot be determined or reasonably approximated, the receipt must be excluded from the denominator of the sales factor.

Sponsor: Sen. Mendez

Status: Referred to Senate Finance, January 31st, 2018.

XII. Virtual Currency

SB1145: Income Tax; Virtual Currency

Summary: For tax years beginning with 2019, the list of additions to Arizona gross income in computing Arizona adjusted gross income for individual and corporate income tax purposes is expanded to include the amount of any net capital loss included in Arizona gross income for the taxable year that is derived from the exchange of "virtual currency" (defined) for other currency. For tax years beginning with 2019, the list of subtraction from Arizona gross income in computing Arizona adjusted gross income for individual and corporate income tax purposes is expanded to include the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of "virtual currency" for other currency.

Sponsor: Sen. Petersen

Status: Senate COW approved with floor amendment, February 1st, 2018.