



## LEGISLATURE WRAPS UP 2013 SESSION

After a long and bitter session the Legislature wrapped up their business earlier in June and adjourned until January, 2014. The session included a contentious debate over the expansion of the State's ACCHS system. That debate led to the Chairman of the State Republican Party comparing Governor Brewer to Judas and a "palace coup" that attempted to remove the President of the Senate in the middle of the session. The Legislature passed a major change in the state sales tax law that proved to be nearly as difficult as the budget and ACCHS issues.

ABA was involved in discussions aimed at modernizing the entire Transaction Privilege Tax since summer of 2012. Our concerns focused exclusively on the prime contracting portion of the law. There was considerable support for the complete elimination of prime contracting and replacing it with a straight tax on materials. Unfortunately, the Arizona League of Cities and Towns vehemently opposed that change and threatened to scuttle the entire bill. There were a number of bizarre alternatives put forth. In the end the Legislature has kept the TPT intact for prime contracting. However, service work will no longer fall in the prime contracting category. For service work that broadly falls into the category of "repairing, replacing and maintain" existing facilities the material in those projects will be taxed as if purchased in a retail transaction.

The bill also creates an electronic portal for all future transactions relative to transmitting all sales tax in Arizona to the Department of Revenue. Payments to cities and counties would be made through the portal. There is also a provision to begin the taxing of online sales regardless of where the location of the transaction takes place. That provision will require the passage of Federal enabling legislation.

There is a delayed effective date for all changes of January 1<sup>st</sup>, 2015. That will give us time for the Department of Revenue to develop rules and procedures. Frankly, it will also give us another chance to amend the bill if there are glaring gaps in the language that was passed.

Further legislation that passed includes:

- *SB 1231 Public building, indemnity – Public sector changes that limit the amount of insurance an agency can request equal to the limit of liability.*
- HB 2109 – Allows contractors to review licenses for one year periods as opposed to two year periods.
- HB 2176 – Allows the Registrar of Contractors to permit emergency repairs of residences in a shorter time period in cases of life safety issues. This will shorten the response time a responsible contractor will have to make repairs.
- HB 2188 – Allows the city of Phoenix to use price as an element of qualification on CMAR and DB projects that are funded by several Federal agencies.
- HB 2262 – Creates a "pawn broker" type registration system for scrap metal dealers.
- HB 2003 (In Special Session) – In addition to other school funding issues; increases a non-unified school district's class B bond capacity limit from 5% to 10% and a unified school district's class B bonding capacity from 10% to 20%. These limits apply to elections held both before and after the effective date of this act.