

ECONOMIC DEVELOPMENT BILLS OF THE 2016 LEGISLATIVE SESSION

The 2016 Legislative Session has come to a close and the Arizona Commerce Authority is pleased to announce that this session was especially successful for economic development. Thanks to the leadership of Governor Ducey, the business community will have less burdensome regulations stifling their growth, schools will have additional resources to educate our future leaders and Arizona will continue to show why it is the best place to do business.

PROPOSITION 123

The passage, by Arizona voters, is a major victory for public education in Arizona and will provide \$3.5 billion in additional funds to schools over the next 10 years. Schools will begin to see additional dollars as early as next month which will make a huge difference in the lives of educators and their students.

BUDGET AND FUNDING

The Governor promised in his State of the State address in January that he would continue to cut taxes and he did just that by signing a budget that contained an \$8 million tax cut for businesses to quickly depreciate the deduction they can take for purchases of new equipment. The accelerated depreciation limits tax liability and promotes investment in new resources. This responsible budget allows the state to invest in the future while contributing to Arizona's long-term financial stability.

SB 1525 (JTED restoration and reforms)

Restores funding to JTEDs and establishes requirements for JTED reporting and administration, establishes the Career and Technical Education Task Force and requires a special audit of JTEDs.

Here are some of the key bills passed this session to revamp the economic landscape in our state:

ACA PROGRAMS

Many of our programs serve as economic catalysts in the state to help attract businesses and ensure Arizona companies have the resources and tools to grow and expand. This session, the ACA had the opportunity to enhance many of our programs to further our mission.

HB 2239 (premium tax credit; reciprocal insurers)

States a reciprocal insurer and its attorney-in-fact are considered as the same entity for the purposes of calculating the premium tax credit for new employment and removes the tax credit sunset date. This change established conformity between the claiming of premium tax credits and the claiming of income tax credits.

HB 2584 (data center tax relief; qualification)

Changes requirements and qualifications for the tax relief allotted to the owner, operator or qualified colocation tenant of a certified computer data center. The changes will promote flexibility of the CDC program and will advance the program to a level that will increase investment opportunities by world-class companies, as well as expand on the ability of existing Arizona-based companies to compete on a national level.

HB 2666 (governor's economic opportunity office; consolidation)

Establishes the Office of Economic Opportunity and modifies existing agency programs, policies, and funds for the office to monitor Arizona's tax structure. The office will consolidate and improve analytic capacity with the goal of identifying the state's economic advantages and areas where we can improve. Serving as

the data analysis hub, the office will enable the ACA to focus exclusively on business attraction and growth. The bill also contained critical changes to the Qualified Facilities Program and Arizona Competes Fund to ensure that these programs continue to be the most impactful and beneficial to companies in Arizona.

SB 1501 (Arizona commerce authority; continuation; report)

Continues the ACA for 2 years and implements recommendations from the Auditor General's report. The ACA was pleased to implement these new reforms along with the launch of ACA 2.0 to continue improving the economic landscape and making Arizona the best state in the country for people to find work.

SHARING NETWORK

Arizona continues to lead in the sharing economy and helping to get government out of the way of innovation and technology. This session, the Governor signed three laws focusing and embracing the sharing economy.

HB 2652 (independent contractors; criteria)

Specifies the criteria that establish an independent contractor relationship for employment purposes, including services to third parties obtained through electronic format. This bill will give certainty to online platforms operating in Arizona.

SB 1350 (online lodging; administration; definitions)

Establishes regulations for online lodging, vacation and short-term rental operations and prohibits a city, town, or county from restricting the use or regulation of vacation rentals. This bill is one of the first in the nation and helps clarify and empower companies to pay taxes on behalf of their customers.

SB 1524 (regulatory actions; limitations)

Limits the ability of a city, town, county, or state agency to adopt regulations that affect individuals or businesses unless specifically authorized. This bill protects the innovative economy in Arizona and prevents regulators from applying antiquated regulations.

TOURISM

To boost communication of competitive advantages and increase collaboration, the ACA will be co-located with the Arizona Office of Tourism. There were several bills passed this session that support tourism in this state and help to further showcase the great opportunities found in Arizona.

HB 2495 (sporting event tax revenue; tourism)

Appropriates \$1.5 annually to the Arizona Office of Tourism from FY 2022 to FY 2051, if the project cost for a special sporting event meets minimum requirements. Arizona has become a national sports hub, hosting major events and championships each year and it is critical that we continue to have the resources available to remain in the national sporting spotlight.

SB 1118 (office of tourism; continuation)

Continues the Arizona Office of Tourism for 6 years to continue to promote our great state throughout the nation and across the world.

SB 1490 (transportation funding; task force)

Establishes the Surface Transportation Funding Task Force. The task force will consist of key business leaders and transportation experts to provide recommendations for ways to improve transportation in the state and how we can get the most of our roadways.



CREATING THE IDEAL ECONOMIC ENVIRONMENT

Arizona is quickly becoming the preferred place for new businesses thanks to our environment of limited regulation and our commitment to reduce unnecessary burdens that limit job growth and hurt small businesses. The Governor remained steadfast in that commitment by signing numerous pieces of legislation that get government out of the way of new jobs and innovation.

HB 2114 (declaration; independent business status)

Permits an employing unit and contractor to create a rebuttable presumption of an independent contractor relationship.

HB 2240 (workers' compensation; modifications)

Authorizes the change of an administrative law judge as a matter of right and prescribes the rate of interest on the payment of benefits.

HB 2337 (regulation; deficiencies; opportunity to correct)

Requires an agency to document inspection report deficiencies in writing and allows for the opportunity to correct deficiencies. Businesses now have the opportunity to correct errors and comply with state law rather than being preemptively penalized.

HB 2386 (patent troll prevention act)

Prohibits patent infringement claims that are made in bad faith. This bill sends a message that individuals who make false claims on patent rights and drag out costly litigation on companies are not welcome in Arizona.

HB 2487 (state agencies; pre-application authorization; limitations)

Stipulates parameters relating to an agency's ability to require pre-application procedures.

HB 2579 (nonwage compensation; minimum wage)

Provides a definition for wage and nonwage employee compensation and benefits and prevents cities and towns from further regulating nonwage compensation.

HB 2613 (regulatory boards; licensing; revisions)

Eliminates several occupational licenses eliminating burdensome licensure for several different jobs. This bill shows that Arizona is committed to chipping away at unnecessary licensing regulations.

SB 1323 (vexatious litigants; workers' compensation)

Permits a Chief Administrative Law Judge to designate a Pro Se Litigant as a vexatious litigant in a workers' compensation case.

SB 1356 (business entities; shareholders; officers; directors)

Makes revisions to statute relating to corporate actions, liabilities, remote communications, proxies, and shareholder agreements.

SB 1381 (wine; direct shipment)

Modifies the statute that permits direct-to-consumer shipments of wine and allows a licensed wine producer to sell and ship its own wine directly to the consumer.

SB 1388 (rulemaking exemption; one-year review)

Outlines procedures for reviewing rules adopted pursuant to a one-time rulemaking exemption by the Legislature. This bill continues our efforts to prevent government from imposing excessive rules and regulation on our job creators.



SB 1449 (prohibited operations; unmanned aircraft)

Prohibits a city, town, or county from enacting an ordinance, rule or policy relating to the ownership or operation of an unmanned aircraft or unmanned aircraft system to allow emerging technology to thrive throughout the state.

SB 1500 (industrial commission of Arizona; omnibus)

Makes various changes to the Industrial Commission and the Arizona Division of Occupational Safety and Health. The bill makes important changes and clarifications to eliminate unnecessary licensing regulations and create a more pro-business environment.

SB 1502 (CTE instructors; specialized teaching certificates)

Requires the State Board of Education to issue specialized standard teaching certificates in Career and Technical Education. By eliminating these barriers, individuals in the field will now be able to bring their expertise to the classroom to teach our students.

REDUCING TAX BURDENS

Arizona recognizes that a key factor in attracting and retaining businesses is creating a sustainable tax environment with minimal tax burdens. The Governor has committed to remaining competitive with other states and continue to improve the quality of life that will enhance Arizona's business-friendly climate.

HB 2002 (insurance premium tax reduction)

Adjusts the tax rate reductions on all insurance premium except fire, health service, and disability insurance.

HB 2025 (utilities TPT; sales of propane)

Exempts the sale of liquefied petroleum gas to a business that is engaged in manufacturing or smelting operations from TPT and use tax.

HB 2133 (TPT; exemption; aerial applicators)

Clarifies that crop dusters are farm equipment and exempt from TPT.

HB 2536 (fine art; TPT exemption)

Exempts the sale of fine art at an auction or gallery to a nonresident, for use outside the state from TPT.

HB 2676 (utilities; manufacturing; smelting; TPT)

Exempts the gross proceeds of sales or gross income derived from the sale of electricity or natural gas to a qualified manufacturing or smelting business from TPT and use tax.

SB 1505 (tax exemption; natural gas delivery)

Exempts gas transportation services from TPT and use tax unless the tax is levied by a city or town that chooses to tax electric or gas companies.

