



Arizona Restaurant Association

2017 LEGISLATIVE SUMMARY

Your Guide to New Industry Related Laws



ARA Government Affairs Committee

Monday, August 7, 2017

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The Arizona Restaurant Association (ARA) monitors and engages legislation each year during the Arizona Legislative Session. During the 2017 Legislative Session 1079 bills were introduced and 342 were signed into law. Of the 1079 bills introduced, the ARA tracked nearly 500 bills with some sort of relation to the restaurant industry and actively engaged 20. Throughout this process, the ARA Board of Directors' Government Affairs Committee (GAC) was instrumental in helping to identify harmful and helpful legislation for the ARA staff to engage.

When legislation that will impact the restaurant industry is identified, the ARA Government Affairs team meets with the GAC to analyze the bill and to determine what level of involvement is needed by the association. From those determinations, ARA staff will engage with lawmakers, staff, and other stakeholder groups to develop an effective strategy. ARA staff and members will also engage a bill or issue by testifying in front of numerous legislative committees.

In this document, you will find summaries of all ARA supported and opposed legislation along with their outcomes. We have also provided you summaries of bills that have passed and could have an impact on the restaurant industry but the ARA has not taken a formal position on. The title of each of the bills links directly to the final bill language.

All laws outlined in this document have a general effective date (when they become enforceable) of August 9, 2017 unless otherwise stated.

2017 Restaurant Quick Facts:

- \$12 billion in projected sales
- 290,500 jobs
- 9,314 eating and drinking establishments



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Information contained in this document is derived from the Arizona Capitol Reports, Arizona House of Representatives Summaries, and Arizona Senate Fact Sheets.



2017 KEY LEGISLATION

Legislation proposed or supported by the Arizona Restaurant Association.

HB 2047 liquor; serving age; reduction (*Weninger*)

Reduces the legal age for handling alcoholic beverages from 19 to 18. Specifically, the age is reduced for an employee:

- Handling liquor in any capacity as an employee of an on-site retailer (restaurants)
- Manufacturing, selling, or disposing of liquor
- Refilling hotel liquor minibars
- Supervising another person at least 16 years of age at on off-site retailer, while checking out, packaging merchandise, or assisting customers with carry-out service when the employer primarily sells non-alcoholic goods

Outcome: Signed by the Governor

Why it matters: This legislation will allow restaurants serving alcohol to hire or use 18-year-old employees to serve alcoholic beverages to patrons.

HB 2214 income tax subtraction; ADA retrofits (*Leach*)

Allows individuals and businesses to deduct from their Arizona taxes eligible costs resulting from retrofitting real property to comply with the Americans with Disabilities Act (ADA). To qualify for the deduction, the property being modified must have been placed into service at least 10 years prior to the current tax year. Eligible expenditures include the costs of:

- Removing any barriers that prevent a business from being accessible to or useable by individuals with disabilities
- Providing qualified interpreters or other methods of making audio materials available to hearing impaired individuals
- Providing qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments
- Acquiring or modifying equipment or devices for individuals with disabilities
- Providing other similar services, modifications, materials, or equipment

A taxpayer who has been cited for noncompliance with the ADA by either federal or state enforcement officials is ineligible for this deduction for any expenditure required to cure the cited violation.

Outcome: Signed by the Governor

Why it matters: After the previous years' battles with "drive-by" lawsuits targeting restaurants for violations of the Americans with Disabilities Act (ADA), this piece of legislation helps to create some financial relief for making needed upgrades or repairs to comply with the ADA.

HB 2244 NOW: initiatives; standard of review; handbook (*Farnsworth E.*)

Requires a "strict compliance" standard be applied to voter initiatives instead of "substantial compliance." Specifically, the law:

- Specifies that constitutional and statutory requirements for statewide initiative measures must be strictly construed



- Requires persons using the initiative process must strictly comply with constitutional and statutory requirements
- Requires the Secretary of State to:
 - Prepare and publish initiative, referendum and recall handbooks each election cycle that provides guidance on interpreting, administering, applying and enforcing initiative, referendum and recall laws
 - Make the handbook available to the public online
 - Make available a sample initiative petition that strictly complies with certain statutory form requirements
- States that any committee that uses the sample initiative petition provided by the Secretary of State is presumed to have strictly complied with the statutory form requirements

Outcome: Signed by the Governor

Why it matters: The passage of Prop. 206 was brought about through an influx of out of state money to pay professional petition gatherers in order to bypass the legislature and place the question on the ballot. This legislation will ensure that any further attempts to legislate through the ballot box must strictly comply with existing laws and the Arizona Constitution.

HB 2322 franchises; mark owners; employment relationships (Lovas)

Clarifies that a franchisor is not an employer or co-employer of either the franchisee or an employee of the franchisee, unless the franchisor agrees to assume that role. The law also states that an owner of a mark is not the employer or co-employer of the licensee or an employee of the licensee, unless the owner of the mark agrees to assume that role.

Outcome: Signed by the Governor

Why it matters: This legislation provides additional protection, under state law, from joint-employer determination. This legislation is in direct response to the National Labor Relations Board (NLRB) ruling from 2015 redefining “joint-employer.”

HB 2404 initiatives; circulators; signature collection; contests (Leach)

Prohibits a person from paying or receiving money or any other thing of value based upon the number of signatures collected for an initiative or referendum measure. Permits any person or organization that intends to support or oppose a measure to submit a copy of the proposed law, referral or amendment to the Director of Legislative Council at any time after filing an application. The timeframe for a person to challenge the lawful registration of circulators in court is now within 10 days, rather than 5 days, after the final date on which the petitions for the circulator must be registered. Any person may contest the validity of an initiative or referendum and seek to enjoin the Secretary of State from certifying or printing the official ballot that will include a contested initiative or referendum measure.

Outcome: Signed by the Governor

Why it matters: The passage of Prop. 206 was brought about through an influx of out of state money to pay professional petition gatherers in order to bypass the legislature and place the question on the ballot. This legislation will ensure transparency when using paid petition circulators and removes perverse incentives by banning pay-per-signature for paid petition gatherers.



SB 1236 NOW: statewide petition circulators; registration; committees (*Lesko*)

Requires all paid circulators, instead of just out-of-state circulators, to register with the Secretary of State (SOS). Prohibits a person from registering as a paid circulator if they have a civil or criminal penalty for an election law violation within five years, or has been convicted of a felony and has not had their civil rights restored. It is a class 1 misdemeanor for any person to knowingly omit or misrepresent information or provide false information on a circulator registration application. The organization running a statewide initiative is required to file a list of the names and addresses of any paid circulators and an acknowledgement that the organization is liable for any violation committed by a paid circulator and is subject to a civil penalty. Any violation involving fraud or forgery by a paid circulator is deemed a violation by the organization circulating the initiative and the organization is liable for a civil penalty of up to \$1,000 for each violation.

Outcome: Failed to pass the Senate on a Final Vote

Why it matters: The passage of Prop. 206 was brought about through an influx of out of state money to pay professional petition gatherers in order to bypass the legislature and place the question on the ballot. This legislation would have increased transparency in the initiative process by requiring all paid petition circulators to be registered with the SOS and would have held the campaign committee responsible for any misconduct committed by their paid circulators.

SB 1406 NOW: public accommodation; exemptions; enforcement; sanctions (*Fann*)

Makes various changes related to violations of public accommodation and services requirements under the Arizonans with Disabilities Act (AzDA). Specifically, the measure:

- Specifies that only an aggrieved person (someone personally impacted) subjected to discrimination may file a civil action
- Prohibits the filing of a civil action for a building, facility, or parking lot violation until written notice is provided to the private entity or business detailing the violation and allowing for the private entity or business to cure the violation
- Allows the private entity or business 30 days to cure any violation before a civil action can proceed
- If the private entity or business must obtain or permit or other government approval to fix a violation, they have 60 days to fix the violation provided they send a corrective action plan to the aggrieved person and file an application(s) for the permit or other approval within 30 days of receiving written notification
- Clarifies that the time it takes for the governmental entity to make a final determination on a permit or other required permission application is excluded from the 60-day period
- Requires an aggrieved person filing a civil action to sign an affidavit stating they have read the entire complaint, agree with the facts/allegations in the complaint, and that they are not receiving or have been promised to receive anything of value in exchange for filing the civil action
- Permits the courts to stay a civil lawsuit under the AzDA to determine whether the filer is a vexatious litigant, or to determine if there are multiple civil actions involving the same filer that should be consolidated.
- Prohibits an aggrieved person, or their attorney, from demanding or collecting money from a private entity or business prior to the end of the 30 or 60-day cure period



Outcome: Signed by the Governor

Why it matters: After the previous years' battles with "drive-by" lawsuits targeting restaurants for violations of the Americans with Disabilities Act (ADA), this piece of legislation will ensure that no money can be demanded or any civil suit filed under Arizona law until a business has been told about a violation and given an opportunity to fix it.



GENERAL BUSINESS OPERATIONS

This section contains bills that may have an impact on your general business operations.

[HB 2047 liquor; serving age; reduction](#) (*Weninger*) Reduces the legal age for handling alcoholic beverages from 19 to 18. Specifically, the age is reduced for an employee:

- Handling liquor in any capacity as an employee of on on-site retailer (restaurants)
- Manufacturing, selling, or disposing of liquor
- Refilling hotel liquor minibars
- Supervising another person at least 16 years of age at on off-site retailer, while checking out, packaging merchandise, or assisting customers with carry-out service when the employer primarily sells non-alcoholic goods

[HB 2322 franchises; mark owners; employment relationships](#) (*Lovas*) Clarifies that a franchisor is not an employer or co-employer of either the franchisee or an employee of the franchisee, unless the franchisor agrees to assume that role. The law also states that an owner of a mark is not the employer or co-employer of the licensee or an employee of the licensee, unless the owner of the mark agrees to assume that role.

[HB 2372 public benefits; fee waivers; requirements](#) (*Weninger*) Makes various changes to public assistance programs. A needy family may continue to receive Temporary Assistance for Needy Families (TANF) cash assistance for 12 months in addition to the 12-month limit if the household member(s) who is required to participate in the work program is in full compliance with all work activity requirements of the program. DES is required to post online a spending report of the Supplemental Nutrition Assistance Program (SNAP) and TANF benefits, which must include specified information. If specified conditions are met, DES is required to provide the Jobs Program to eligible families transitioning off TANF cash assistance due to the time limit if needed to obtain or maintain employment or to receive a higher level of employment. The Jobs Program must be provided for up to 12 months after a cash assistance case closure. Beginning in 2017, each employment service contractor is required to semiannually report specified information on job placement to DES, the Governor and the Legislature by June 30 and December 31 of each year.

[HB 2417 signatures; electronic transactions; blockchain technology](#) (*Weninger*) Classifies a signature obtained through blockchain technology as an electronic form of a signature and designates a record or contract secured through blockchain technology as an electronic record for sales, leases, and documents of title. Smart contracts are authorized for use in commerce transactions and recognizes the smart contract as a valid form of a contract. Smart contracts cannot be denied legal standing or enforceability solely due to its smart contract term.

[SB 1072 administrative decisions; scope of review](#) (*Petersen*) Requires the courts to award fees and other expenses in a successful civil action challenging an agency decision if:

- The civil action is brought because the agency decision is not authorized by statute, violates the United States Constitution or violates the Arizona Constitution
- The civil action is brought by a party other than the state, city, town or county
- The agency or commission is statutorily exempt from rulemaking

The measure further clarifies that a court may only affirm, reverse, modify, or vacate and remand an agency action.



SB 1166 employment security; time frame; interest (*Fann*) Requires interest on all benefit overpayment debts to accrue at 10 percent per year and allows the Department of Economic Security (DES) to waive a portion of this accrued interest when good cause is shown. The measure also adjusts several timelines for filing appeals, including:

- Reduces, from 60 to 30 days after written notice, the period for determination of fund liability to become final
- Increases, from 15 to 30 days after written notice, the period for an employer to petition for a reassessment of a delinquency assessment before the assessment and lien become final
- Increases, from January 31 to February 28, the date by which employers may make voluntary payments to receive credit to their account's most recent computation date

SB 1272 business entities; omnibus (*Worsley*) Makes numerous changes related to electronic filings for corporations, including:

- Eliminates the requirement for a corporation to submit a copy of any rejected documents when resubmitting various articles or an application
- Requires the Arizona Corporation Commission (ACC) to provide a Notice of Filing to the LLC or corporation, rather than a hard copy of the document
- Authorizes the ACC to provide a Notice of a Refusal to file a document to the corporation, rather than return a copy or the original document
- Suspends the annual report requirement and late fees for six months when a corporation files Articles of Dissolution with the ACC prior to the annual report due date
- Authorizes the ACC to administratively dissolve an LLC when the articles of organization or the operating agreement requires dissolution as outlined
- Revises the definitions for “deliver,” “delivery,” and “electronic transmission” as they relate to an electronic record or electronic transmission for corporations and associations.
- Deems an electronic transmission to a corporation's email address as communicating written notice or notice
- Establishes civil liability for a person who knows at the time of filing a document with the ACC that the information is materially false or misleading and the person is liable to the corporation and its creditors for damages
- Entitles the prevailing party in a court action to recover court costs and reasonable attorney fees
- Requires an action to be commenced within two years of discovering the violation, or the amount of time a reasonable person would take for discovery, but not more than six years after the false or misleading document was filed or received by the ACC
- Stipulates that consent to serve as a statutory agent does not constitute a certification of the truth or accuracy of the information in a document
- Stipulates the required information when an LLC changes its known place of business or statutory agent
- Clarifies the LLC must include the name and address of each member whose address is changing
- Gives discretionary authority to the ACC to permit a person to advance monies for future filings and services

SB 1478 occupational safety and health omnibus (*Smith*) Makes various changes to occupational safety and health statutes. The measure requires the Arizona Division of Occupational Health and Safety (ADOSH) to create a Voluntary Protection Program and Model System Programs to promote safe and healthy workplaces. The bill also addresses



witness testimony and the Office of Administrative Hearings procedures for workers' compensation cases, and makes changes to the statutes governing boilers, pressure vessels, and lined hot water heaters.



TAXATION

This section contains laws that may impact your tax bill or the way you file your taxes.

[HB 2213 GPLET reform; K-12 taxes](#) (*Leach*) Caps the abatement of the Government Property Lease Excise Tax (GPLET) at eight years for development agreements, ordinances or resolutions for the lease of government property improvements approved by a governing body beginning on or after January 1, 2017. As soon as reasonably practicable and within 12 months after the expiration of the lease, the government lessor is required to convey, to the current prime lessee, title to the government property improvement and the underlying land. This law clarifies that the property conveyed does not qualify for classification as class 6 property or for any other discounted assessment. The government lessor, instead of the Department of Revenue, is required to maintain a public database of all government property leases that are subject to GPLET, or to post its lease agreements on a county or municipal website where the government property improvement is located.

[HB 2214 income tax subtraction; ADA retrofits](#) (*Leach*) Allows individuals and businesses to deduct from their Arizona taxes eligible costs resulting from retrofitting real property to comply with the Americans with Disabilities Act (ADA). To qualify for the deduction, the property being modified must have been placed into service at least 10 years prior to the current tax year. Eligible expenditures include the costs of:

- Removing any barriers that prevent a business from being accessible to or useable by individuals with disabilities
- Providing qualified interpreters or other methods of making audio materials available to hearing impaired individuals
- Providing qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments
- Acquiring or modifying equipment or devices for individuals with disabilities
- Providing other similar services, modifications, materials, or equipment

A taxpayer who has been cited for noncompliance with the ADA by either federal or state enforcement officials is ineligible for this deduction for any expenditure required to cure the cited violation.

[HB 2280 department of revenue; electronic filing](#) (*Shooter*) Makes various changes relating to the Department of Revenue (DOR) and tax administration. Requires various reports and returns to be filed electronically for reporting periods beginning January 1, 2020, or when DOR has established an electronic filing program, whichever is later. Below are a few provisions of the bill most relevant to the restaurant industry:

- Requires all business income and transaction privilege taxes to be paid electronically if the taxpayer's liability is equal to or greater than:
 - \$20,000 for all tax years before TY 2019
 - \$10,000 for TY 2019
 - \$5,000 for TY 2020
 - \$500 for TY 2021 and beyond
- Allows a taxpayer to file for a waiver from filing their taxes electronically if any of the following apply:
 - The taxpayer doesn't have a computer
 - The taxpayer doesn't have internet access
 - Any other circumstance considered to be worthy by the DOR director



- States that the waiver is not required if the return cannot be electronically filed for reasons beyond the taxpayers control, including situations where ADOR requests a paper filing
- Requires annual fiduciary returns, partnership returns and corporate returns to be filed electronically for taxable years beginning TY 2020 or when ADOR establishes an electronic filing program, whichever is later
- Requires bingo licensees and beer and liquor licensee's to electronically file any financial report or tax return beginning on January 1, 2020 or when ADOR has established an electronic filing program, whichever is later
- Expands the Tax Credit for Accounting and Reporting Expenses, allowing a tax credit in the amount of 1.2% of the amount of tax due, not exceeding \$12,000, for a taxpayer who files electronically through a program established by ADOR
- Prohibits the tax credit for filing electronically if the taxpayer fails to file using ADOR's electronic filing program
- States that the penalty for a taxpayer who fails to file a return for TPT or local excise tax before the due date, without reasonable cause, is subject to a penalty equal to the greater of 4.5% or \$25
- States that the penalty for a taxpayer who fails to file a return on notice and demand without reasonable cause is 25% of the tax or \$100, whichever is greater and the penalty is due and payable on notice and demand by ADOR
- Increases the penalty for a bad check from \$25 to \$50
- Makes a first-time violation of tax fraud a Class 1 misdemeanor – down from class 5 felony
- Allows ADOR to revoke any TPT or municipal privilege tax license issued to any person who fails, for 13 consecutive months, to make and file a return before the due date without reasonable cause

HB 2286 truth in taxation; increase; notice (*Barton*) Changes the required wording of truth in taxation hearing notices to state both the amount the proposed tax increase will cause the taxes on a \$100,000 home to be and the amount of taxes that would be owed on a \$100,000 home without the proposed tax increase.

HB 2438 NOW: corporations; nontaxable event; status change (*Farnsworth E.*) Clarifies that a change in the organizational structure of a corporation (S-corp., LLC, or partnership) into another organizational structure is not a taxable event for Arizona income tax purposes, provided there is no change among the owners, their ownership interests or the assets of the organization.

SB 1152 NOW: tax authorization; consolidated election dates (*Lesko*) Requires an election authorizing the assessment of a sales tax by a county, city or town be held in even-numbered years on the general election date.

SB 1416 NOW: quality jobs incentives; credits (*Pratt*) Continues the Quality Jobs Tax Credit (QJTC) through FY 2025. The QJTC allows eligible employers to claim an income tax or insurance premium tax credit for net increases in full-time employees in qualified employment positions. Under the QJTC qualified employment position means employment that meets the following requirements:

- The position consists of at least 1,750 hours per year
- The job duties are performed primarily in location(s) of the business in Arizona



- The employment provides health insurance coverage for the employee and the employer pays at least 65 percent of the premium
- The employees’ compensation meets the requirements as outlined below

This measure also modifies the requirements for employer eligibility to be the following:

Minimum Investment	Capital	Minimum Number of New Jobs	Percent of County Median Wage of Those New Jobs
Urban Location (city with 50,000 or more people or a county with 800,000 or more people)			
\$5,000,000		25	100
\$2,500,000		25	125
\$1,000,000		25	150
\$500,000		25	200
Rural Location (tribal land, city with less than 50,000 people, or a county with less than 800,000 people)			
\$1,000,000		5	100
\$500,000		5	125
\$100,000		5	150

The measure also makes changes to statute governing sales tax revenue for public infrastructure, accelerated depreciation, the Qualified Facilities Tax Credit, and the Fractional Ownership Aircraft Sales Tax Exemption.



AMERICANS WITH DISABILITIES ACT (ADA) AND ARIZONANS WITH DISABILITIES ACT (AZDA) COMPLIANCE

This section contains laws that impact how Arizona courts and agencies will enforce ADA/AzDA laws.

HB 2214 income tax subtraction; ADA retrofits (*Leach*) Allows individuals and businesses to deduct from their Arizona taxes eligible costs resulting from retrofitting real property to comply with the Americans with Disabilities Act (ADA). To qualify for the deduction, the property being modified must have been placed into service at least 10 years prior to the current tax year. Eligible expenditures include the costs of:

- Removing any barriers that prevent a business from being accessible to or useable by individuals with disabilities
- Providing qualified interpreters or other methods of making audio materials available to hearing impaired individuals
- Providing qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments
- Acquiring or modifying equipment or devices for individuals with disabilities
- Providing other similar services, modifications, materials, or equipment

A taxpayer who has been cited for noncompliance with the ADA by either federal or state enforcement officials is ineligible for this deduction for any expenditure required to cure the cited violation.

SB 1239 parking violation; disabilities; access aisles (*Kavanaugh*) Prohibits a person from stopping, standing, or parking a vehicle (including a vehicle with the symbol of access) in the access aisle of a disabled parking space. An access aisle is the designated area adjacent to a disabled parking space that is marked by spaced, crosshatched, or diagonal stripes, or a distinctive change in color or material and leads to the accessible route of travel.

SB 1406 NOW: public accommodation; exemptions; enforcement; sanctions (*Fann*) Makes various changes related to violations of public accommodation and services requirements under the Arizonans with Disabilities Act (AzDA). Specifically, the measure:

- Specifies that only an aggrieved person (someone personally impacted) subjected to discrimination may file a civil action
- Prohibits the filing of a civil action for a building, facility, or parking lot violation until written notice is provided to the private entity or business detailing the violation and allowing for the private entity or business to cure the violation
- Allows the private entity or business 30 days to cure any violation before a civil action can proceed
- If the private entity or business must obtain or permit or other government approval to fix a violation, they have 60 days to fix the violation provided they send a corrective action plan to the aggrieved person and file an application(s) for the permit or other approval within 30 days of receiving written notification
- Clarifies that the time it takes for the governmental entity to make a final determination on a permit or other required permission application is excluded from the 60 day period



- Requires an aggrieved person filing a civil action to sign an affidavit stating they have read the entire complaint, agree with the facts/allegations in the complaint, and that they are not receiving or have been promised to receive anything of value in exchange for filing the civil action
- Permits the courts to stay a civil lawsuit under the AzDA to determine whether the filer is a vexatious litigant, or to determine if there are multiple civil actions involving the same filer that should be consolidated.
- Prohibits an aggrieved person, or their attorney, from demanding or collecting money from a private entity or business prior to the end of the 30 or 60-day cure period



MUNICIPALITIES, AND AGENCY REGULATIONS AND REQUIREMENTS

This section contains laws that impact various state regulatory agencies and municipalities related to the restaurant industry as well as certain protections and notifications for businesses.

[HB 2088 incorporation; urbanized areas](#) (*Farnsworth E.*) Removes the requirement for nearby cities to approve the incorporation plan of a proposed city. This legislation will allow the San Tan census area to seek incorporation as a city. Under current law, a proposed city must seek the approval of other cities if the proposed boundaries of the new city are within six miles of a city with 5,000 people or more, or within three miles of a city with under 5,000 people. This creates an exemption from the approval if the area seeking incorporation as a city has at least 15,000 people and is larger than the population of the city opposing the incorporation.

[HB 2157 private property access; rights-of-way](#) (*Bowers*) Requires the state or any political subdivision to grant a nonexclusive right-of-way for a term of at least 30 years to the owner of private property to provide legal access to the owner's private property to which access across land owned by the state or political subdivision is necessary because land owned by the state or a political subdivision surrounds the private property.

[HB 2213 GPLET reform; K-12 taxes](#) (*Leach*) Caps the abatement of the Government Property Lease Excise Tax (GPLET) at eight years for development agreements, ordinances or resolutions for the lease of government property improvements approved by a governing body beginning on or after January 1, 2017. As soon as reasonably practicable and within 12 months after the expiration of the lease, the government lessor is required to convey, to the current prime lessee, title to the government property improvement and the underlying land. This law clarifies that the property conveyed does not qualify for classification as class 6 property or for any other discounted assessment. The government lessor, instead of the Department of Revenue, is required to maintain a public database of all government property leases that are subject to GPLET, or to post its lease agreements on a county or municipal website where the government property improvement is located.

[HB 2280 department of revenue; electronic filing](#) (*Shooter*) Makes various changes relating to the Department of Revenue (DOR) and tax administration. Requires various reports and returns to be filed electronically for reporting periods beginning January 1, 2020, or when DOR has established an electronic filing program, whichever is later. Below are a few provisions of the bill most relevant to the restaurant industry:

- Requires all business income and transaction privilege taxes to be paid electronically if the taxpayer's liability is equal to or greater than:
 - \$20,000 for all tax years before TY 2019
 - \$10,000 for TY 2019
 - \$5,000 for TY 2020
 - \$500 for TY 2021 and beyond
- Allows a taxpayer to file for a waiver from filing their taxes electronically if any of the following apply:



- The taxpayer doesn't have a computer
 - The taxpayer doesn't have internet access
 - Any other circumstance considered to be worthy by the DOR director
- States that the waiver is not required if the return cannot be electronically filed for reasons beyond the taxpayers control, including situations where ADOR requests a paper filing
- Requires annual fiduciary returns, partnership returns and corporate returns to be filed electronically for taxable years beginning TY 2020 or when ADOR establishes an electronic filing program, whichever is later
- Requires bingo licensees and beer and liquor licensee's to electronically file any financial report or tax return beginning on January 1, 2020 or when ADOR has established an electronic filing program, whichever is later
- Expands the Tax Credit for Accounting and Reporting Expenses, allowing a tax credit in the amount of 1.2% of the amount of tax due, not exceeding \$12,000, for a taxpayer who files electronically through a program established by ADOR
- Prohibits the tax credit for filing electronically if the taxpayer fails to file using ADOR's electronic filing program
- States that the penalty for a taxpayer who fails to file a return for TPT or local excise tax before the due date, without reasonable cause, is subject to a penalty equal to the greater of 4.5% or \$25
- States that the penalty for a taxpayer who fails to file a return on notice and demand without reasonable cause is 25% of the tax or \$100, whichever is greater and the penalty is due and payable on notice and demand by ADOR
- Increases the penalty for a bad check from \$25 to \$50
- Makes a first-time violation of tax fraud a Class 1 misdemeanor – down from class 5 felony
- Allows ADOR to revoke any TPT or municipal privilege tax license issued to any person who fails, for 13 consecutive months, to make and file a return before the due date without reasonable cause

HB 2286 truth in taxation; increase; notice (*Barton*) Changes the required wording of truth in taxation hearing notices to state both the amount the proposed tax increase will cause the taxes on a \$100,000 home to be and the amount of taxes that would be owed on a \$100,000 home without the proposed tax increase.

HB 1236 liquor omnibus (*Weninger*) Makes various changes to statutes relating to liquor licenses and liquor regulations. The following are a selection of provisions with the greatest nexus to the restaurant industry:

- Prohibits the Director from auditing a start-up restaurant for the first three months
- Authorizes the Director to issue additional beer and wine bar (Series 7) licenses in each county annually, based on the rate of:
 - One license per 5,000 population increase until January 1, 2022
 - One license per 10,000 population increase beginning January 1, 2022
- Permits a remote tasting room license to be issued to a craft distiller or a farm winery licensee located on the same property as another remote tasting room license
- Permits the Director to issue one or more distillery festival licenses up to 150 calendar days per distillery (currently up to 25 licenses for up to 75 days).
- Limits the private club special event licenses where nonmembers may attend to no more than 12 events annually



- Requires that within one business day after the conclusion of a special event, the special event licensee or a special event contractor shall return unbroken packages of spirituous liquor to the appropriate off-sale licensee or wholesaler
- Limits unlicensed locations to a maximum 30 days of special event licenses per calendar year (currently 12 special event licenses per calendar year)
- Permits the Director to extend a license in nonuse status for good cause, if the licensee files a written request before the license automatically reverts to the State
- Requires requalification after a licensed location has not been in use for three years (rather than two years)
- Asserts there is no acquisition of control if the business' controlling persons remain the same as disclosed to the Director, even if another person is added to the ownership
- Rewrites and revises the procedures when there is a notice of an acquisition of control or request of a pre-investigation for the sale or transfer of a liquor license as follows:
 - Requires the Director to include in the notice to the local governing body, written directions on how to access the DLLC investigation results
 - Limits the charge to review an application by a local governing body to only one fee

HB 2372 public benefits; fee waivers; requirements (*Weninger*) Makes various changes to public assistance programs. A needy family may continue to receive Temporary Assistance for Needy Families (TANF) cash assistance for 12 months in addition to the 12-month limit if the household member(s) who is required to participate in the work program is in full compliance with all work activity requirements of the program. DES is required to post online a spending report of the Supplemental Nutrition Assistance Program (SNAP) and TANF benefits, which must include specified information. If specified conditions are met, DES is required to provide the Jobs Program to eligible families transitioning off TANF cash assistance due to the time limit if needed to obtain or maintain employment or to receive a higher level of employment. The Jobs Program must be provided for up to 12 months after a cash assistance case closure. Beginning in 2017, each employment service contractor is required to semiannually report specified information on job placement to DES, the Governor and the Legislature by June 30 and December 31 of each year.

SB 1072 administrative decisions; scope of review (*Petersen*) Requires the courts to award fees and other expenses in a successful civil action challenging an agency decision if:

- The civil action is brought because the agency decision is not authorized by statute, violates the United States Constitution or violates the Arizona Constitution
- The civil action is brought by a party other than the state, city, town or county
- The agency or commission is statutorily exempt from rulemaking

The measure further clarifies that a court may only affirm, reverse, modify, or vacate and remand an agency action.

SB 1152 NOW: tax authorization; consolidated election dates (*Lesko*) Requires an election authorizing the assessment of a sales tax by a county, city or town be held in even-numbered years on the general election date.

SB 1272 business entities; omnibus (*Worsley*) Makes numerous changes related to electronic filings for corporations, including:

- Eliminates the requirement for a corporation to submit a copy of any rejected documents when resubmitting various articles or an application



- Requires the Arizona Corporation Commission (ACC) to provide a Notice of Filing to the LLC or corporation, rather than a hard copy of the document
- Authorizes the ACC to provide a Notice of a Refusal to file a document to the corporation, rather than return a copy or the original document
- Suspends the annual report requirement and late fees for six months when a corporation files Articles of Dissolution with the ACC prior to the annual report due date
- Authorizes the ACC to administratively dissolve an LLC when the articles of organization or the operating agreement requires dissolution as outlined
- Revises the definitions for “deliver,” “delivery,” and “electronic transmission” as they relate to an electronic record or electronic transmission for corporations and associations.
- Deems an electronic transmission to a corporation's email address as communicating written notice or notice
- Establishes civil liability for a person who knows at the time of filing a document with the ACC that the information is materially false or misleading and the person is liable to the corporation and its creditors for damages
- Entitles the prevailing party in a court action to recover court costs and reasonable attorney fees
- Requires an action to be commenced within two years of discovering the violation, or the amount of time a reasonable person would take for discovery, but not more than six years after the false or misleading document was filed or received by the ACC
- Stipulates that consent to serve as a statutory agent does not constitute a certification of the truth or accuracy of the information in a document
- Stipulates the required information when an LLC changes its known place of business or statutory agent
- Clarifies the LLC must include the name and address of each member whose address is changing
- Gives discretionary authority to the ACC to permit a person to advance monies for future filings and services

SB 1416 NOW: quality jobs incentives: credits (*Pratt*) Continues the Quality Jobs Tax Credit (QJTC) through FY 2025. The QJTC allows eligible employers to claim an income tax or insurance premium tax credit for net increases in full-time employees in qualified employment positions. Under the QJTC qualified employment position means employment that meets the following requirements:

- The position consists of at least 1,750 hours per year
- The job duties are performed primarily in location(s) of the business in Arizona
- The employment provides health insurance coverage for the employee and the employer pays at least 65 percent of the premium
- The employees' compensation meets the requirements as outlined below

This measure also modifies the requirements for employer eligibility to be the following:



Minimum Capital Investment	Minimum Number of New Jobs	Percent of County Median Wage of Those New Jobs
Urban Location (city with 50,000 or more people or a county with 800,000 or more people)		
\$5,000,000	25	100
\$2,500,000	25	125
\$1,000,000	25	150
\$500,000	25	200
Rural Location (tribal land, city with less than 50,000 people, or a county with less than 800,000 people)		
\$1,000,000	5	100
\$500,000	5	125
\$100,000	5	150

The measure also makes changes to statute governing sales tax revenue for public infrastructure, accelerated depreciation, the Qualified Facilities Tax Credit, and the Fractional Ownership Aircraft Sales Tax Exemption.

SB 1478 occupational safety and health omnibus (*Smith*) Makes various changes to occupational safety and health statutes. The measure requires the Arizona Division of Occupational Health and Safety (ADOSH) to create a Voluntary Protection Program and Model System Programs to promote safe and healthy workplaces. The bill also addresses witness testimony and the Office of Administrative Hearings procedures for workers' compensation cases, and makes changes to the statutes governing boilers, pressure vessels, and lined hot water heaters.



INITIATIVE & ELECTION REFORM

This section contains laws related to the voter initiative process and general election changes.

[HB 2244 NOW: initiatives; standard of review; handbook](#) (*Farnsworth E.*) Requires a “strict compliance” standard be applied to voter initiatives instead of “substantial compliance.” Specifically, the law:

- Specifies that constitutional and statutory requirements for statewide initiative measures must be strictly construed
- Requires persons using the initiative process must strictly comply with constitutional and statutory requirements
- Requires the Secretary of State to:
 - Prepare and publish initiative, referendum and recall handbooks each election cycle that provides guidance on interpreting, administering, applying and enforcing initiative, referendum and recall laws
 - Make the handbook available to the public online
 - Make available a sample initiative petition that strictly complies with certain statutory form requirements
- States that any committee that uses the sample initiative petition provided by the Secretary of State is presumed to have strictly complied with the statutory form requirements

[HB 2286 truth in taxation; increase; notice](#) (*Barton*) Changes the required wording of truth in taxation hearing notices to state both the amount the proposed tax increase will cause the taxes on a \$100,000 home to be and the amount of taxes that would be owed on a \$100,000 home without the proposed tax increase.

[HB 2404 initiatives; circulators; signature collection; contests](#) (*Leach*) Prohibits a person from paying or receiving money or any other thing of value based upon the number of signatures collected for an initiative or referendum measure. Permits any person or organization that intends to support or oppose a measure to submit a copy of the proposed law, referral or amendment to the Director of Legislative Council at any time after filing an application. The timeframe for a person to challenge the lawful registration of circulators in court is now within 10 days, rather than 5 days, after the final date on which the petitions for the circulator must be registered. Any person may contest the validity of an initiative or referendum and seek to enjoin the Secretary of State from certifying or printing the official ballot that will include a contested initiative or referendum measure.

[SB 1152 NOW: tax authorization; consolidated election dates](#) (*Lesko*) Requires an election authorizing the assessment of a sales tax by a county, city or town be held in even-numbered years on the general election date.



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