

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

CHAPTER 291
HOUSE BILL 2462

AN ACT

AMENDING SECTIONS 28-5801 AND 28-5808, ARIZONA REVISED STATUTES; AMENDING SECTION 38-891, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 234, SECTION 1; AMENDING SECTIONS 41-1517, 41-2115 AND 41-3505, ARIZONA REVISED STATUTES; AMENDING LAWS 2007, CHAPTER 260, SECTION 6; MAKING APPROPRIATIONS; RELATING TO BUDGET PROCEDURES FOR BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 28-5801, Arizona Revised Statutes, is amended to
3 read:
4 28-5801. Vehicle license tax rate
5 A. At the time of application for and before registration each year of
6 a vehicle, the registering officer shall collect the vehicle license tax
7 imposed by article IX, section 11, Constitution of Arizona. On the
8 taxpayer's vehicle license tax bill, the registering officer shall provide
9 the taxpayer with the following:
10 1. Information showing the amount of the vehicle license tax that each
11 category of recipient will receive and the amount that is owed by the
12 taxpayer.
13 2. The amount of vehicle license tax the taxpayer would pay pursuant
14 to section 28-5805 if the taxpayer's motor vehicle was powered by alternative
15 fuel.
16 B. Except as provided in subsections C and D of this section:
17 1. During the first twelve months of the life of a vehicle as
18 determined by its initial registration, the vehicle license tax is based on
19 each one hundred dollars in value, the value of the vehicle is sixty per cent
20 of the manufacturer's base retail price of the vehicle and the vehicle
21 license tax rate for each of the recipients is as follows:
22 (a) The rate for the Arizona highway user revenue fund is one dollar
23 twenty-six cents.
24 (b) The rate for the county general fund is sixty-nine cents.
25 (c) The rate for counties for ~~the same use as highway user revenue~~
26 ~~fund monies~~ ANY PURPOSES RELATED TO TRANSPORTATION, AS DETERMINED BY THE
27 BOARD OF SUPERVISORS, is sixteen cents.
28 (d) The rate for incorporated cities and towns is sixty-nine cents.
29 2. During each succeeding twelve month period, the vehicle license tax
30 is based on each one hundred dollars in value, the value of the vehicle is
31 16.25 per cent less than the value for the preceding twelve month period and
32 the vehicle license tax rate for each of the recipients is as follows:
33 (a) The rate for the Arizona highway user revenue fund is one dollar
34 thirty cents.
35 (b) The rate for the county general fund is seventy-one cents.
36 (c) The rate for counties for the same use as highway user revenue
37 fund monies is seventeen cents.
38 (d) The rate for incorporated cities and towns is seventy-one cents.
39 3. The minimum amount of the vehicle license tax computed under this
40 section is ten dollars per year for each vehicle that is subject to the
41 tax. If the product of all of the rates prescribed in paragraph 1 or 2 of
42 this subsection is less than ten dollars, the vehicle license tax is ten
43 dollars. The vehicle license tax collected pursuant to this paragraph shall
44 be distributed to the recipients prescribed in this subsection based on the
45 percentage of each recipient's rate to the sum of all of the rates.

1 C. The vehicle license tax is as follows for noncommercial trailers
2 that are not travel trailers and that are less than six thousand pounds gross
3 vehicle weight:

4 1. On initial registration, a one-time vehicle license tax of one
5 hundred five dollars.

6 2. On renewal of registration, a one-time vehicle license tax of
7 seventy dollars.

8 D. The vehicle license tax is as follows for a trailer or semitrailer
9 that exceeds ten thousand pounds gross vehicle weight:

10 1. On initial registration, a one-time vehicle license tax of five
11 hundred fifty-five dollars.

12 2. On renewal of registration or if previously registered in another
13 state, a one-time vehicle license tax of:

14 (a) If the trailer's or semitrailer's model year is less than six
15 years old, three hundred fifty-five dollars.

16 (b) If the trailer's or semitrailer's model year is at least six years
17 old, one hundred dollars.

18 E. The vehicle license tax collected pursuant to subsection C or D of
19 this section shall be distributed to the recipients prescribed in subsection
20 B of this section based on the percentage of each recipient's rate to the sum
21 of all of the rates.

22 F. For the purposes of subsection C of this section, "travel trailer"
23 has the same meaning prescribed in section 28-2003.

24 Sec. 2. Section 28-5808, Arizona Revised Statutes, is amended to read:
25 28-5808. Vehicle license tax distribution

26 A. The director shall distribute monies collected by the director
27 pursuant to section 28-5801, except monies deposited in the state general
28 fund, on the first and fifteenth calendar day of each month as follows:

29 1. On the first calendar day, the director shall deposit, pursuant to
30 sections 35-146 and 35-147, all of the Arizona highway user revenue fund
31 monies received from the first through the fifteenth calendar day of the
32 preceding month in the Arizona highway user revenue fund, except that on the
33 first calendar day the director shall deposit, pursuant to sections 35-146
34 and 35-147, in the parity compensation fund established by section 41-1720,
35 1.51 per cent of the portion of vehicle license tax revenues that otherwise
36 would be deposited in the state highway fund from the first through the
37 fifteenth calendar day of the preceding month.

38 2. On the fifteenth calendar day, the director shall deposit, pursuant
39 to sections 35-146 and 35-147, all of the Arizona highway user revenue fund
40 monies received from the sixteenth through the last day of the preceding
41 month in the Arizona highway user revenue fund, except that on the fifteenth
42 calendar day, the director shall deposit, pursuant to sections 35-146 and
43 35-147, in the parity compensation fund established by section 41-1720, 1.51
44 per cent of the portion of vehicle license tax revenues that otherwise would
45 be deposited in the state highway fund from the sixteenth through the last
46 day of the preceding month. On the fifteenth calendar day, the director

1 shall distribute or deposit all other monies received during the entire
2 preceding month as follows:

3 (a) The county general fund monies to the county general fund.

4 (b) The county ~~highway~~ TRANSPORTATION monies to the state treasurer to
5 be apportioned among the counties for ~~the same use as highway user revenue~~
6 ~~fund monies~~ ANY PURPOSES RELATED TO TRANSPORTATION, AS DETERMINED BY THE
7 BOARD OF SUPERVISORS, on the basis that the population of the unincorporated
8 area of each county bears to the population of the unincorporated areas of
9 all counties in this state.

10 (c) The incorporated cities and towns monies to the incorporated
11 cities and towns of the county in proportion to the population of each.

12 3. The deposit of the monies in the parity compensation fund pursuant
13 to paragraphs 1 and 2 of this subsection shall not impact the distribution of
14 vehicle license tax revenues to the state general fund and to cities, towns
15 and counties pursuant to this section.

16 B. The director shall distribute monies collected by the director
17 pursuant to sections 28-5804, 28-5805, 28-5806 and 28-5810, except monies
18 deposited in the state general fund, on the first and fifteenth calendar day
19 of each month as follows:

20 1. On the first calendar day, the director shall deposit, pursuant to
21 sections 35-146 and 35-147, 37.61 per cent of all monies received from the
22 first through the fifteenth calendar day of the preceding month in the
23 highway user revenue fund.

24 2. On the fifteenth calendar day, the director shall deposit, pursuant
25 to sections 35-146 and 35-147, 37.61 per cent of all monies received from the
26 sixteenth through the last day of the preceding month in the highway user
27 revenue fund and distribute or deposit the following amounts as a percentage
28 of all monies received pursuant to sections 28-5804, 28-5805, 28-5806 and
29 28-5810 during the entire preceding month as follows:

30 (a) 20.45 per cent to the county general fund.

31 (b) 4.91 per cent to the state treasurer to be apportioned among the
32 counties for ~~the same use as highway user revenue fund monies~~ ANY PURPOSES
33 RELATED TO TRANSPORTATION, AS DETERMINED BY THE BOARD OF SUPERVISORS, on the
34 basis that the population of the unincorporated area of each county bears to
35 the population of the unincorporated areas of all counties in this state.

36 (c) 20.45 per cent to the incorporated cities and towns of the county
37 in proportion to the population of each.

38 (d) Except as provided in subsection C of this section, 1.64 per cent
39 shall be deposited, pursuant to sections 35-146 and 35-147, in the state
40 highway fund established by section 28-6991.

41 (e) 4.09 per cent in the state highway fund established by section
42 28-6991.

43 (f) 10.85 per cent shall be deposited, pursuant to sections 35-146 and
44 35-147, in the state general fund to aid school financial assistance.

45 C. Through September 30, 2003, if the department's authorized share of
46 federal surface transportation program monies in each year is more than

1 forty-two million dollars, the director shall deposit each year in equal
2 installments during the year an annual amount equal to the difference between
3 this state's authorized share of federal surface transportation program
4 monies and forty-two million dollars from the amount prescribed in subsection
5 B, paragraph 2, subdivision (d) of this section in the local transportation
6 assistance fund established by section 28-8101. Monies deposited in the
7 local transportation assistance fund pursuant to this subsection shall be
8 distributed to eligible cities, towns and counties as provided in section
9 28-8103. The amount distributed pursuant to this subsection shall not exceed
10 the amount prescribed in subsection B, paragraph 2, subdivision (d) of this
11 section.

12 D. For purposes of this section the population of a county, city or
13 town shall be determined as provided by section 28-6532 or 42-5033.01. If an
14 incorporated city or town has had no federal enumeration of population, the
15 supervisors shall both:

16 1. Appoint a qualified person to take an accurate census of the
17 incorporated city or town.

18 2. Certify the results to the county treasurer, and the incorporated
19 city or town shall share in the distribution as provided by this section.

20 Sec. 3. Section 38-891, Arizona Revised Statutes, as amended by Laws
21 2008, chapter 234, section 1, is amended to read:

22 38-891. Employer and member contributions

23 A. As determined by actuarial valuations reported to the employers and
24 the local boards by the fund manager, each employer shall make level per cent
25 of salary contributions sufficient under the actuarial valuations to meet
26 both the normal cost plus the actuarially determined amount required to
27 amortize the unfunded accrued liability over, beginning July 1, 2005 a
28 rolling period of at least twenty and not more than thirty years that is
29 established by the fund manager taking into account the recommendation of the
30 plan's actuary, except that, beginning with fiscal year 2006-2007, except as
31 otherwise provided, the employer contribution rate shall not be less than six
32 per cent of salary. For any employer whose actual contribution rate is less
33 than six per cent of salary for fiscal year 2006-2007 and each year
34 thereafter, that employer's contribution rate shall be at least five per cent
35 and not more than the employer's actual contribution rate. An employer may
36 pay a higher level per cent of salary thereby reducing its unfunded past
37 service liability. All contributions made by the employers and all state
38 taxes allocated to the fund shall be irrevocable and shall be used to pay
39 benefits under the plan or to pay expenses of the plan and fund. The minimum
40 employer contribution that is paid and that is in excess of the normal cost
41 plus the actuarially determined amount required to amortize the unfunded
42 accrued liability as calculated pursuant to this subsection shall be used to
43 reduce future employer contribution increases and shall not be used to pay
44 for an increase in benefits that are otherwise payable to members. The fund
45 manager shall separately account for these monies in the fund. Forfeitures
46 arising because of severance of employment before a member becomes eligible

1 for a pension or for any other reason shall be applied to reduce the cost to
2 the employer, not to increase the benefits otherwise payable to members.
3 After the close of any fiscal year, if the plan's actuary determines that the
4 actuarial valuation of an employer's account contains excess valuation assets
5 other than excess valuation assets that were in the employer's account as of
6 fiscal year 2004-2005 and is more than one hundred per cent funded, the fund
7 manager shall account for fifty per cent of the excess valuation assets in a
8 stabilization reserve account. After the close of any fiscal year, if the
9 plan's actuary determines that the actuarial valuation of an employer's
10 account has a valuation asset deficiency and an unfunded actuarial accrued
11 liability, the fund manager shall use any valuation assets in the
12 stabilization reserve account for that employer, to the extent available, to
13 limit the decline in that employer's funding ratio to not more than two per
14 cent.

15 B. Except as provided by subsection H, each member shall contribute
16 7.96 per cent of the member's salary to the retirement plan. Member
17 contributions shall be made by payroll deduction. Continuation of employment
18 by the member constitutes consent and agreement to the deduction of the
19 applicable member contribution. Payment of the member's salary less the
20 deducted contributions constitutes full and complete discharge and
21 satisfaction of all claims and demands of the member relating to salary for
22 services rendered during the period covered by the payment.

23 C. Each participating employer shall cause the member contributions to
24 be deducted from the salary of each member. The deducted member
25 contributions shall be paid to the retirement plan within five working days
26 and shall be credited to the member's individual account.

27 D. During a period when an employee is on industrial leave and the
28 employee elects to continue contributions during the period of industrial
29 leave, the employer and employee shall make contributions based on the salary
30 the employee would have received in the employee's job classification if the
31 employee was in normal employment status.

32 E. The local board of the state department of corrections or the local
33 board of the department of juvenile corrections may specify a position within
34 that department as a designated position if the position is filled by an
35 employee who has at least five years of credited service under the plan, who
36 is transferred to temporarily fill the position and who makes a written
37 request to the local board to specify the position as a designated position
38 within ninety days of being transferred. On the employee leaving the
39 position, the position is no longer a designated position.

40 F. The local board of the state department of corrections or the local
41 board of the department of juvenile corrections may specify a designated
42 position within the department as a nondesignated position if the position is
43 filled by an employee who has at least five years of credited service under
44 the Arizona state retirement system and who makes a written request to the
45 local board to specify the position as a nondesignated position within ninety

1 days of accepting the position. On the employee leaving the position, the
2 position reverts to a designated position.

3 G. Beginning with fiscal year 2008-2009, if the aggregate computed
4 employer contribution rate that is calculated pursuant to subsection A is
5 less than six per cent of salary, beginning on July 1 of the following fiscal
6 year the member contribution rate prescribed in subsection B OR H is
7 permanently reduced by an amount that is equal to the difference between six
8 per cent and the aggregate computed employer contribution rate.
9 Notwithstanding this subsection, the member contribution rate shall not be
10 less than 7.65 per cent of the member's salary.

11 H. Notwithstanding subsection B, except for a full-time dispatcher,
12 ~~beginning on July 1, 2009,~~ a member shall contribute 8.41 per cent of the
13 member's salary to the retirement plan. After the close of any fiscal year,
14 if the plan's actuary determines that the aggregate ratio of the funding
15 value of accrued assets to the accrued liabilities of the fund is at least
16 one hundred per cent, from and after June 30 of the following year, except
17 for a full-time dispatcher, a member shall contribute 7.96 per cent of the
18 member's salary to the retirement plan. Additionally, the member's
19 contribution to the retirement plan may also be permanently reduced pursuant
20 to subsection G.

21 Sec. 4. Section 41-1517, Arizona Revised Statutes, is amended to read:

22 41-1517. Motion picture production tax incentives; duties;
23 definitions

24 A. From and after December 31, 2005 through December 31, 2010, the
25 department of commerce shall qualify motion picture production companies that
26 produce one or more motion pictures in this state for motion picture
27 production tax incentives, subject to the following requirements and
28 conditions:

29 1. Except as provided in subsection K of this section, a motion
30 picture production company must spend at least two hundred fifty thousand
31 dollars toward production costs in this state producing each motion picture.

32 2. For the purpose of this section, production costs are limited to
33 and subject to the following conditions:

34 (a) Salaries and other compensation for talent, management and labor
35 paid to residents of this state, as defined by section 43-104.

36 (b) A story and scenario to be used for a motion picture.

37 (c) Set construction and operations, wardrobe, props, accessories and
38 related services in this state. Expenses paid for construction contracts are
39 limited to contractors who are licensed under title 32, chapter 10.

40 (d) Photography, sound synchronization, lighting and related costs
41 incurred in this state.

42 (e) Editing and related services performed in this state.

43 (f) Rental of facilities and equipment in this state.

44 (g) Catered food, drink and condiment purchased in this state.

1 (h) Other direct in-state costs of producing the motion picture,
2 pursuant to rules adopted by the department of revenue that follow generally
3 accepted accounting standards for the motion picture industry.

4 (i) Payments for penalties and fines do not qualify as production
5 costs.

6 (j) Expenses incurred before the date of notice of preapproval under
7 subsection D of this section do not qualify as production costs.

8 3. A motion picture production company or its authorized payroll
9 service company must employ residents of this state in its production
10 activities as follows:

11 (a) In 2006, at least twenty-five per cent of full-time employees
12 working in this state must be residents of this state.

13 (b) In 2007, at least thirty-five per cent of full-time employees
14 working in this state must be residents of this state.

15 (c) In 2008 and every subsequent taxable year, at least fifty per cent
16 of full-time employees working in this state must be residents of this state.

17 4. A motion picture production company must submit a completed
18 application pursuant to subsection C of this section. An application is
19 complete on receipt of all requested information.

20 5. A motion picture production company must include in the credits for
21 each motion picture, other than a commercial advertisement or music video, an
22 acknowledgement that the production was filmed in Arizona.

23 B. Only a motion picture production company that demonstrates that it
24 has the lawful right to produce a particular production may apply for
25 qualification under this section with respect to that production.

26 C. A motion picture production company initially applying for
27 qualification under this section must report the following to the department
28 of commerce on a form and in a manner prescribed by the department, with the
29 cooperation of the department of revenue:

30 1. The name, address, telephone number and ~~web-site~~ WEBSITE of the
31 motion picture production company.

32 2. The name and address of an individual who will maintain records of
33 expenditures in this state.

34 3. The projected first preproduction date and last production date in
35 this state.

36 4. The production office address and office telephone number in this
37 state.

38 5. The estimated total budget of the production.

39 6. The estimated total expenditures in this state.

40 7. The estimated total percentage of the production taking place in
41 this state.

42 8. The estimated level of employment of residents of this state in the
43 cast and crew.

44 9. A script, including a synopsis, the proposed director and a
45 preliminary list of the cast and producer, except that, with respect to a

1 television series, other than a pilot production, in lieu of a script the
2 applicant must include:

3 (a) A synopsis of the general nature of the series.

4 (b) A description of the characters and the intended nature of their
5 interaction with each other.

6 (c) A description of the locations.

7 (d) A description of the sets.

8 (e) The intended distribution or broadcast medium with specific
9 television channels, if known.

10 10. An affirmation signed by any person who will be credited on screen
11 as the producer or producers of the motion picture, not including the
12 executive producers, associate producers, assistant producers or line
13 producers, that:

14 (a) The motion picture production company agrees to furnish records of
15 expenditures in this state to the department of revenue on request.

16 (b) Any items purchased with a ~~certification~~ CERTIFICATE issued under
17 section 42-5009, subsection H are intended for use by the applicant directly
18 in motion picture production.

19 D. The department of commerce shall review all applications within
20 thirty days after submission of a complete application pursuant to subsection
21 C of this section to determine whether the motion picture production company
22 satisfies all of the criteria provided in subsection A of this section and
23 shall establish the process by which the department qualifies and preapproves
24 a company for motion picture production tax incentives. This process shall
25 preapprove a company for motion picture production tax incentives based on
26 priority placement established by the date that such motion picture
27 production company filed its initial application for qualification with the
28 department.

29 E. The department of commerce may conduct a site visit to verify that
30 production has begun. Within ninety days after the department preapproves
31 the company's initial application, the company must submit notice to the
32 department that production has begun and provide at least one of the
33 following:

34 1. A copy of a contract, loan out agreement or deal memo with a
35 cameraman and crew.

36 2. A copy of the crew call sheet for the first day of production.

37 3. Evidence that residents of this state have been paid a total of at
38 least five thousand dollars for work on the preapproved motion picture.

39 4. A copy of a contract or agreement directly attributable to the
40 preapproved motion picture.

41 F. Preapproval by the department of commerce under subsection D of
42 this section lapses, the application is void and the amount of the
43 preapproved incentives does not apply against the dollar limit prescribed by
44 subsection J of this section if, within ninety days after the department
45 preapproves the company, the company fails to provide documentation of
46 either:

1 1. Its expenditure in this state of the lesser of:
2 (a) Ten per cent of the estimated total state budget of the
3 production.

4 (b) Two hundred fifty thousand dollars.

5 2. A completion bond, equal to the estimated total budget of the
6 production, for the production of the motion picture for which the company
7 was preapproved. For the purposes of this paragraph, "completion bond" means
8 an executed written contract, issued by an insurance company with an
9 insurance industry rating of B+ or better by A.M. Best company guarantying to
10 the financiers of the project that it will be completed according to the
11 terms of the preapproved application submitted by the production company in
12 its application.

13 G. The preapproved amount applies against the dollar limit prescribed
14 by subsection J of this section for the year in which the application was
15 submitted regardless of whether the initial preapproval period extends into
16 the following year or years. Before the expiration of the initial
17 preapproval or requalification period, a company may voluntarily relinquish
18 unused credit amounts.

19 H. The department of commerce shall reallocate the amount of credits
20 that is voluntarily relinquished under subsection G of this section, that
21 ~~lapse~~ LAPSES under subsection F of this section or that ~~lapse~~ LAPSES under
22 subsection O of this section. The reallocation shall be to other motion
23 picture production companies that applied in the original credit year based
24 on priority placement. The amount of the reallocated credits shall continue
25 to apply against the dollar limit of the original credit year regardless of
26 the year in which the reallocation occurs. If for any year an unused balance
27 occurs in the income tax credits authorized under the dollar limit prescribed
28 by subsection J of this section:

29 1. The balance shall be allocated to motion picture production
30 companies that successfully appeal the denial of approval under this section
31 or section 41-1517.01. Any amount of income tax credits due to successful
32 appeals that are not paid from an unused balance in any year shall be paid
33 against the dollar limit allowed by subsection J of this section in the
34 following year.

35 2. Any remaining unused balance shall be reallocated for the purposes
36 of this section in the following year.

37 I. Beginning with the tax credits allocated for 2006 pursuant to
38 subsection J of this section, an approved credit offsets tax liability for
39 the taxable year for which the credit was originally allocated or any
40 subsequent taxable year within the applicable carryforward period pursuant to
41 section 43-1075, subsection G or section 43-1163, subsection G. The credits
42 must be claimed on a timely filed original income tax return, including
43 extensions.

44 J. Subject to the requirements of section 41-1517.01 and subsections K
45 and U of this section, the department of commerce shall not preapprove income
46 tax credits exceeding a total of:

- 1 1. Thirty million dollars for 2006.
- 2 2. Forty million dollars for 2007.
- 3 3. Fifty million dollars for 2008.
- 4 4. Sixty million dollars for 2009.
- 5 5. From and after December 31, 2009, seventy million dollars for a
- 6 single year.
- 7 6. Five million dollars for an individual motion picture application
- 8 in 2007.
- 9 7. Seven million dollars for an individual motion picture application
- 10 in 2008.
- 11 8. Eight million dollars for an individual motion picture application
- 12 in 2009.
- 13 9. From and after December 31, 2009, nine million dollars for an
- 14 individual motion picture application.
- 15 K. Beginning in 2008, the following provisions apply with respect to
- 16 commercial advertisement and music video production:
- 17 1. Five per cent of the maximum dollar amount of income tax credits
- 18 prescribed for any year by subsection J of this section is reserved for use
- 19 with respect to commercial advertisement and music video production.
- 20 2. A commercial advertisement or music video production company may
- 21 apply for qualification under subsection C of this section before the company
- 22 reaches the minimum expenditure threshold requirements of subsection A,
- 23 paragraph 1 of this section.
- 24 3. In lieu of a script under subsection C, paragraph 9 of this
- 25 section, the applicant must submit a synopsis or storyboard that:
- 26 (a) Identifies the product, service, person or event for a commercial
- 27 advertisement or the artist and song for a music video.
- 28 (b) Describes the general content or message to be conveyed.
- 29 (c) Describes the location or locations.
- 30 (d) Describes the sets.
- 31 (e) Describes the intended distribution or medium and specific
- 32 channels, if known.
- 33 4. The department must review the completed application within fifteen
- 34 business days.
- 35 5. Expenses incurred before the date of submission of a completed
- 36 application under subsection C of this section do not qualify as production
- 37 costs.
- 38 6. The department shall allocate the income tax credit incentives
- 39 based on priority placement established by the date that the company files
- 40 its application and based on the percentage of estimated total expenditures
- 41 in this state allowed as a credit under section 43-1075 or 43-1163.
- 42 7. Within sixty days after applying with the department under
- 43 subsection C of this section, a company that is preapproved for a specific
- 44 production must notify and provide documentation of expenditures to the
- 45 department of the total amount of eligible production costs associated with
- 46 the production.

1 8. The company is not eligible for income tax credit incentives until
2 the company's eligible production expenditures reach two hundred fifty
3 thousand dollars in a period of twelve consecutive months. When the company
4 reaches that threshold, the company may apply to the department for approval
5 of the income tax credit incentives pursuant to subsection ~~P- 0~~ of this
6 section. Applications for approval of income tax credit incentives may not
7 be submitted by the same company more frequently than once a calendar month.

8 9. Notwithstanding any other provision of this section, the department
9 of commerce shall adopt rules and prescribe forms and procedures as necessary
10 for the purposes of this subsection.

11 L. Except for applications with respect to commercial advertisement
12 and music video production under subsection K of this section, after October
13 31 of each year, if the department has preapproved the maximum calendar year
14 tax credit amount pursuant to subsection J of this section, the department
15 may accept initial applications for the next calendar year. The preapproval
16 of any application pursuant to this subsection shall not be effective prior
17 to the first business day of the following calendar year. The department may
18 accept initial applications with respect to commercial advertisement and
19 music video production under subsection K of this section only during the
20 calendar year in which the credits would be allotted.

21 M. Subject to ~~the provisions of~~ subsection O of this section, the
22 department of commerce shall deny an application submitted on completion of
23 the production pursuant to subsection O of this section if it determines
24 that:

25 1. The motion picture production company does not meet all of the
26 established criteria provided in subsection A of this section.

27 2. The production would constitute an obscene motion picture film or
28 obscene pictorial publication under title 12, chapter 7, article 1.1.

29 3. The production depicts sexual activity as defined in title 13,
30 chapter 35.

31 4. The production would constitute sexual exploitation of a minor or
32 commercial sexual exploitation of a minor under title 13, chapter 35.1.

33 N. On a determination by the department of commerce that a motion
34 picture production company qualifies for motion picture production tax
35 incentives, the department shall issue the company a written letter of
36 qualification and transmit a copy of the letter to the department of revenue.
37 Beginning from and after December 31, 2007, a letter of qualification is
38 effective for twenty-four consecutive months as stated in the letter.

39 O. Upon completion of the motion picture production, a motion picture
40 production company that qualifies for the motion picture tax incentives shall
41 apply to the department in writing for approval of income tax credits, submit
42 a viewable copy of the motion picture, **EXCEPT AS PROVIDED IN SUBSECTION P OF
43 THIS SECTION**, and certify the total amount of eligible production costs
44 associated with the project incurred from and after December 31, 2005. From
45 and after June 30, 2006, the department shall provide approval to a motion
46 picture production company that it has met the eligibility requirements of

1 this section and shall notify the department of revenue that the motion
2 picture production company may claim the tax credits pursuant to sections
3 43-1075 and 43-1163. If the eligible production costs actually spent are
4 less than the amount preapproved for income tax credits, the preapproved
5 amount not incurred lapses and does not apply against the dollar limit
6 prescribed by subsection J of this section for that year.

7 P. A motion picture production company may apply for postapproval of
8 the production before a viewable copy of the production **UNDER SUBSECTION O OF**
9 **THIS SECTION** is available. To do so, the company must submit with its
10 application a letter of credit, payable to the department of revenue,
11 providing that within two business days after the issuer receives a written
12 determination from the department of commerce that the production fails to
13 qualify for the tax credits the issuer will pay to the department of revenue
14 the full face value of the income tax credits in the application. If the
15 department of revenue draws on the letter of credit, the monies shall be
16 transferred to and held in an interest bearing account pending the final
17 outcome of an appeal, if any. The letter of credit may be released on the
18 determination by the department of commerce that the completed production
19 qualifies for the tax credits.

20 Q. If a preapproved motion picture production company fails to
21 undertake production, as described in subsection F of this section, and also
22 fails to voluntarily relinquish the unused credit amounts for reallocation by
23 the department as provided by subsection G of this section within the
24 ninety-day period, the company and all persons signing the application for
25 preapproval are disqualified from receiving, or participating in any motion
26 picture production company that applies for or receives, tax incentives
27 pursuant to this section for three years after the original application.

28 R. The department of commerce, with the cooperation of the department
29 of revenue, shall adopt rules and publish and prescribe forms and procedures
30 as necessary to effectuate the purposes of this section.

31 S. Any information gathered from motion picture production companies
32 for the purposes of this section, **OR APPLICANTS FOR INFRASTRUCTURE INCENTIVES**
33 **FOR THE PURPOSES OF SECTION 41-1517.01**, shall be considered confidential
34 taxpayer information and shall be disclosed only as provided in section
35 42-2003, subsection B, paragraph 12, except that the department shall publish
36 the following information in its annual report:

37 1. The name of each motion picture production company and
38 infrastructure applicant and the amount of income tax credits preapproved for
39 each production and infrastructure project.

40 2. The amount of credits approved with respect to each production.

41 T. The department of commerce shall:

42 1. Keep annual records of the information provided on applications for
43 motion picture production tax incentives. These records shall reflect a
44 percentage comparison of the annual amount of monies exempted or credited to
45 qualifying motion picture production companies to the estimated amount of

1 monies spent on in-state production costs by motion picture production
2 companies.

3 2. Maintain annual data on growth in Arizona-based motion picture
4 industry companies and motion picture industry employment and wages.

5 3. Not later than April 30 of each year, prepare and publish a report
6 summarizing the information collected pursuant to this subsection. The
7 department shall make copies of the annual report available to the public on
8 request.

9 U. Subject to annual legislative authorization, the amount of ~~one~~
10 ~~hundred eighty~~ THREE HUNDRED THIRTY SEVEN thousand SEVEN HUNDRED dollars from
11 the dollar amount of income tax credits under subsection J of this section is
12 allocated each year to the department of commerce for up to ~~two~~ SIX full-time
13 equivalent positions dedicated solely for the purposes of this section and
14 section 41-1517.01. If the income tax credits terminate pursuant to
15 subsection A of this section and section 41-1517.01, subsection A, the
16 authorization under this subsection and any positions dedicated for those
17 purposes also terminate.

18 V. For the purposes of this section:

19 1. "Commercial advertisement" means an advertising message designed
20 for delivery through either:

21 (a) A motion picture film or video medium to attract the attention of
22 consumers or influence consumers' feelings toward a particular product,
23 service, event or cause.

24 (b) Still photography that is used in national or international print
25 media to attract the attention of consumers or influence consumers' feelings
26 toward a particular product, service event or cause.

27 2. "Motion picture" means a single medium or multimedia program,
28 including a commercial advertisement, music video or television series, that:

29 (a) Is created by production activities conducted in whole or in part
30 in this state.

31 (b) Can be viewed or reproduced.

32 (c) Is intended for commercial distribution or licensing in the
33 delivery medium used.

34 Motion picture does not include any production featuring actual news, current
35 events, weather, locally produced and locally broadcast television
36 productions, financial market reports, concerts, Internet broadcasts, talk
37 shows and interviews, game shows, sporting events, award or other gala
38 events, a production whose sole purpose is fund-raising, a production used
39 for corporate or organizational training or in-house corporate advertising or
40 other similar production activities.

41 3. "Motion picture production company" or "production company" means
42 any person primarily engaged in the business of producing motion pictures and
43 that has a physical business office and bank account in this state.

44 4. "Motion picture production tax incentives" means the tax deductions
45 for transaction privilege and use taxes listed in section 42-5009, subsection

1 H and the credit against income taxes provided under section 43-1075 or
2 43-1163.

3 5. "Music video" means a filmed or videotaped rendition of a song or
4 songs, portraying musicians performing the song or other visual images set to
5 the lyrics of the song.

6 6. "Television series" means a group of productions THAT IS created or
7 adapted for television broadcast with a common series title, THAT IS related
8 to each other in subject or theme, which THAT is produced seasonally for
9 appearing at scheduled intervals, but subject to discretionary programming
10 and scheduling decisions, and with or without a predetermined number of
11 episodes. Television series includes a pilot production for the promotion or
12 introduction of a television series.

13 Sec. 5. Section 41-2115, Arizona Revised Statutes, is amended to read:

14 41-2115. Civil penalties

15 A. A person who violates this chapter, any rule of the department or
16 any license requirement is subject to a civil penalty imposed by the
17 director. A person who violates this chapter, any rule of the department or
18 any license requirement may request a hearing to review a civil penalty
19 imposed under this section. The department shall conduct the hearing in
20 accordance with chapter 6, article 10 of this title. Except as prescribed in
21 subsection B of this section, the civil penalty shall not exceed ~~five-hundred~~
22 ONE THOUSAND dollars for each infraction nor more than ~~five~~ TEN thousand
23 dollars for any thirty day period at each business location, for each
24 registered service representative or for each public weighmaster, provided
25 that no person shall be assessed more than fifty thousand dollars per thirty
26 day period.

27 B. The director may double the maximum civil penalty if any of the
28 following applies:

29 1. A commercial device is found to be in violation with results that
30 favor the retailer at more than twice the allowable tolerance as stated in
31 national institute of standards and technology handbook 44.

32 2. A package is found to exceed the maximum allowable variation for
33 the labeled quantity allowed in national institute of standards and
34 technology handbook 133 or the average error of the lot is twice the sample
35 error limit in favor of the retailer.

36 3. A stage II vapor recovery system reinspection fails the required
37 tests.

38 4. A maximum civil penalty has been imposed on a retailer for a price
39 posting or price verification violation and in a reinspection, if conducted
40 within ninety days, the failure rate is ten per cent or more and at least one
41 error is in favor of the retailer.

42 5. A maximum civil penalty has been imposed on a refiner, refinery,
43 registered supplier or transmix processing facility for a violation of motor
44 fuel quality standards or producing a product transfer document that is
45 incorrect, incomplete or produced in any manner tending to mislead or deceive
46 a person.

1 C. The attorney general shall bring actions to recover civil penalties
2 pursuant to this section in the superior court in the county in which the
3 violation occurred or in a county where the agency has its office. All
4 monies derived from civil penalties shall be deposited, pursuant to sections
5 35-146 and 35-147, in the state general fund.

6 Sec. 6. Section 41-3505, Arizona Revised Statutes, is amended to read:
7 41-3505. Information technology fund

8 A. The information technology fund is established for use by the
9 agency and the committee. Monies in the fund are subject to legislative
10 appropriation.

11 B. Beginning January 1, 1997, state service agencies subject to
12 section 41-764, and, beginning July 1, 1997, all budget units and the
13 legislative and judicial branches of state government, shall contribute a pro
14 rata share of the overall cost of information technology services provided by
15 the agency or committee. The pro rata share is payable by payroll fund
16 source, and the resultant amount shall be deposited in the information
17 technology fund. Beginning ~~January 1, 1997, for state service agencies~~
18 ~~subject to section 41-764 and beginning July 1, 1997~~ JULY 1, 2008, for all
19 budget units and the legislative and judicial branches of state government,
20 the pro rata share shall be ~~.15~~ .20 per cent of the total payroll. Total
21 payroll includes all fund sources including the state general fund, federal
22 monies, special revenue funds, intergovernmental revenue monies, trust funds
23 and other payroll fund sources.

24 C. A claim for the pro rata share percentage payment shall be
25 submitted according to the fund source, with the accompanying payroll, to the
26 department of administration for deposit in the information technology fund.

27 D. Notwithstanding section 35-190, monies in the information
28 technology fund do not revert to the state general fund at the end of each
29 fiscal year.

30 Sec. 7. Laws 2007, chapter 260, section 6 is amended to read:

31 Sec. 6. Arizona twenty-first century competitive initiative
32 fund; appropriations

33 A. The sum of \$22,500,000 IS APPROPRIATED FROM THE STATE GENERAL FUND
34 IN FISCAL YEAR 2008-2009, THE SUM OF \$25,000,000 is appropriated from the
35 state general fund in ~~each of the~~ fiscal ~~years 2007-2008 through 2010-2011~~
36 ~~YEAR 2009-2010 AND THE SUM OF \$27,500,000 IS APPROPRIATED FROM THE STATE~~
37 ~~GENERAL FUND IN FISCAL YEAR 2010-2011~~ for deposit into the Arizona
38 twenty-first century competitive initiative fund established by section
39 41-1505.09, Arizona Revised Statutes, and the same amounts are appropriated
40 from that fund to the commerce and economic development commission in each
41 fiscal year for the purposes prescribed in Laws 2006, chapter 334.

42 B. In order to amend the existing memorandum of understanding or enter
43 into a new memorandum of understanding with the commission pursuant to
44 section 41-1505.09, Arizona Revised Statutes, a nonprofit corporation shall
45 identify and document written agreements for private, ~~or~~ philanthropic OR
46 GOVERNMENTAL investments, EXCEPT MONIES RECEIVED FOR AND BELONGING TO THE

1 STATE, either for specific grants or for general grant investment areas that
2 are equivalent to ~~\$25,000,000~~ \$22,500,000 or more in ~~each of the~~ fiscal years
3 ~~2007-2008~~, YEAR 2008-2009, \$25,000,000 IN FISCAL YEAR 2009-2010 and
4 \$27,500,000 IN FISCAL YEAR 2010-2011. Unless prohibited by the
5 organization's governing documents, the private, ~~or~~ philanthropic OR
6 GOVERNMENTAL investments shall be cash OR AUDITABLE CASH EQUIVALENT
7 contributions to the nonprofit. State funds shall be drawn down
8 incrementally as ~~the~~ EACH cash OR CASH EQUIVALENT match is received OR
9 OTHERWISE SECURED AS PART OF THE COST SHARE FOR A WRITTEN GRANT AGREEMENT by
10 the nonprofit and documented by the commission.

11 C. CONTRIBUTIONS FROM GOVERNMENT ENTITIES OR ANY AUDITABLE CASH
12 EQUIVALENT CONTRIBUTIONS SHALL NOT CONSTITUTE MORE THAN FIFTY PER CENT OF THE
13 MATCH REQUIRED BY SUBSECTION B OF THIS SECTION.

14 ~~C.~~ D. The appropriations made in subsection A of this section are
15 exempt from the provisions of section 35-190, Arizona Revised Statutes,
16 relating to the lapsing of appropriations.

17 Sec. 8. Information technology retirement appropriations;
18 lapsing extension; retroactivity

19 A. Notwithstanding any other law, the amounts appropriated to the
20 information technology plan line item for the Arizona state retirement system
21 for fiscal year 2004-2005 by Laws 2003, chapter 262, section 88, as amended
22 by Laws 2005, chapter 331, section 12, and exempted from lapsing by Laws
23 2006, chapter 316, section 6 and Laws 2007, chapter 259, section 17, and for
24 fiscal year 2005-2006 by Laws 2005, chapter 286, section 87, as exempted from
25 lapsing by Laws 2006, chapter 316, section 6 and Laws 2007, chapter 259,
26 section 17, are exempt from the provisions of section 35-190, Arizona Revised
27 Statutes, relating to lapsing of appropriations, through June 30, 2009.

28 B. This section is effective retroactively to from and after June 30,
29 2008.

30 Sec. 9. Delayed implementation; professional employer
31 organization registration; retroactivity

32 A. Notwithstanding any other law, the secretary of state shall not
33 implement title 23, chapter 3, article 4, Arizona Revised Statutes, relating
34 to professional employer organization registration, or any rules adopted
35 pursuant to title 23, chapter 3, article 4, Arizona Revised Statutes, until
36 July 1, 2010.

37 B. This section is effective retroactively to from and after February
38 29, 2008.

39 Sec. 10. Unrestricted federal monies; retroactivity

40 A. Any unrestricted federal monies received from May 1, 2008 through
41 June 30, 2009 shall be deposited in the state general fund. The monies shall
42 be used for the payment of essential governmental services.

43 B. This section is effective retroactively to from and after
44 April 30, 2008.

45 Sec. 11. Authorization

1 Pursuant to section 41-1517, subsection U, Arizona Revised Statutes, as
2 amended by this act, the department of commerce is authorized to use \$337,700
3 in fiscal year 2008-2009 for up to six full-time equivalent positions.

4 Sec. 12. Fees for providing services; increases; fiscal year
5 2008-2009; intent; appropriations; exemption from
6 rule making

7 A. Notwithstanding any other law, the director of each of the
8 following agencies may raise fees in fiscal year 2008-2009 for services it
9 provides:

- 10 1. Department of public safety.
- 11 2. Department of agriculture.
- 12 3. Department of environmental quality.
- 13 4. Department of health services.
- 14 5. State land department.
- 15 6. Radiation regulatory agency.

16 B. It is the intent of the legislature that the additional revenue
17 generated by the fee increases shall not exceed the amounts listed below:

- 18 1. Department of public safety - \$7,800,300.
- 19 2. Department of agriculture - \$1,100,000.
- 20 3. Department of environmental quality - \$600,000.
- 21 4. Department of health services - \$600,000.
- 22 5. State land department - \$600,000.
- 23 6. Radiation regulatory agency - \$400,000.

24 C. Monies generated from any fees raised pursuant to subsection A are
25 appropriated to the respective agencies.

26 D. The agencies described in subsection A are exempt from the rule
27 making requirements of title 41, chapter 6, Arizona Revised Statutes, for the
28 purpose of raising fees pursuant to this section for a period of one year
29 from the effective date of this act.

1 Sec. 13. Calculation adjustments; fiscal year 2008-2009 closing
2 state general fund balance; supplemental continuing
3 appropriations

4 Notwithstanding any other law, for purposes of calculating the state
5 general fund balance at the close of fiscal year 2008-2009, any monies
6 appropriated from the state general fund that are exempted from lapsing
7 pursuant to section 35-190, Arizona Revised Statutes, and that remain
8 unexpended and unencumbered at the close of fiscal year 2008-2009 shall be
9 included in the closing balance as if the appropriations had lapsed or
10 otherwise reverted to the state general fund.

11 Sec. 14. Counties; revenue sources; expenditure limitation

12 A. Notwithstanding any other law, a county may meet any statutory
13 funding requirements of section 12 of this act, relating to fees for
14 providing services, from any source of county revenue designated by the
15 county, including funds of any countywide special taxing district in which
16 the board of supervisors serves as the board of directors.

17 B. County contributions that are made pursuant to section 12 of this
18 act, relating to fees for providing services, are excluded from the county
19 expenditure limitations.

20 Sec. 15. Exemption from rule making

21 The department of weights and measures is exempt from the rule making
22 requirements of title 41, chapter 6, Arizona Revised Statutes, for the
23 purpose of raising civil penalties pursuant to section 41-2115, Arizona
24 Revised Statutes, as amended by this act, for a period of one year from the
25 effective date of this act.

26 Sec. 16. Declaration of emergency; limitation

27 Notwithstanding section 35-192, Arizona Revised Statutes, or any other
28 law, the aggregate amount of all liabilities incurred during a declaration of
29 emergency shall not exceed three million five hundred thousand dollars in
30 fiscal year 2008-2009.

31 Sec. 17. Retroactivity

32 Section 41-3505, Arizona Revised Statutes, as amended by this act,
33 applies retroactively to from and after June 30, 2008.

APPROVED BY THE GOVERNOR JUNE 27, 2008.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2008.