

REFERENCE TITLE: interstate compact; company tax subsidies

State of Arizona  
Senate  
Fifty-fourth Legislature  
First Regular Session  
2019

## **SB 1322**

Introduced by  
Senator Mendez: Representative Salman

AN ACT

AMENDING TITLE 43, CHAPTER 11, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 7; RELATING TO COMPANY SUBSIDIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 43, chapter 11, Arizona Revised Statutes, is  
3 amended by adding article 7, to read:

4 ARTICLE 7. COMPACT TO ABOLISH COMPANY-SPECIFIC SUBSIDIES

5 43-1191. Compact to abolish company-specific subsidies

6 THE COMPACT TO ABOLISH COMPANY-SPECIFIC SUBSIDIES IS ADOPTED AND  
7 ENACTED INTO LAW AS FOLLOWS:

8 ARTICLE 1. TITLE AND ENACTMENT

9 THIS AGREEMENT AMONG THE STATES TO ABOLISH COMPANY-SPECIFIC  
10 SUBSIDIES IS HEREBY ENACTED INTO LAW AND ENTERED INTO BY THIS STATE WITH  
11 ALL STATES LEGALLY JOINING THEREIN IN THE FORM SUBSTANTIALLY AS FOLLOWS:

12 ARTICLE 2. MEMBERSHIP

13 ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA MAY  
14 BECOME A MEMBER OF THIS AGREEMENT BY ENACTING THIS AGREEMENT.

15 ARTICLE 3. PURPOSE

16 EACH MEMBER STATE AGREES TO ABOLISH ANY COMPANY-SPECIFIC SUBSIDY FOR  
17 ANY COMPANY CURRENTLY LOCATED IN OR CONSIDERING LOCATING IN ANY MEMBER  
18 STATE.

19 ARTICLE 4. DEFINITIONS

20 "COMPANY-SPECIFIC TAX INCENTIVE" IS ANY CHANGE IN THE GENERAL TAX  
21 RATE OR VALUATION OFFERED OR PRESENTED TO A SPECIFIC COMPANY THAT IS NOT  
22 AVAILABLE TO OTHER SIMILARLY SITUATED COMPANIES. ANY TAX INCENTIVE THAT  
23 IS PART OF A SPECIAL AGREEMENT NEGOTIATED WITH AN OFFICIAL OF THE STATE  
24 GOVERNMENT IS HEREBY DEFINED AS A COMPANY-SPECIFIC TAX INCENTIVE AND NOT  
25 PERMITTED UNDER THIS LAW.

26 "COMPANY-SPECIFIC GRANT" IS ANY DISBURSEMENT OF FUNDS VIA PROPERTY,  
27 CASH OR DEFERRED TAX LIABILITY BY THE STATE GOVERNMENT TO A PARTICULAR  
28 COMPANY AND IS NOT PERMITTED UNDER THIS LAW.

29 WORKFORCE DEVELOPMENT GRANTS THAT TRAIN EMPLOYEES ARE NOT SUBJECT TO  
30 THIS AGREEMENT, AS THE COMPANY RECEIVING THE GRANT MAY BENEFIT BUT THE  
31 EMPLOYEES RECEIVING THE TRAINING ARE THE LARGEST BENEFICIARY.

32 COMPANY-SPECIFIC SUBSIDIES FOR CORPORATE HEADQUARTERS, MANUFACTURING  
33 FACILITIES, OFFICE SPACE OR OTHER REAL ESTATE DEVELOPMENTS ARE THE SUBJECT  
34 OF THIS AGREEMENT AND NOT PERMITTED BY LAW.

35 ARTICLE 5. RETROACTIVE APPLICATION EXCLUDED

36 EXISTING COMPANY-SPECIFIC GRANTS ARE NOT IMPACTED BY THIS AGREEMENT,  
37 AS THIS AGREEMENT IS NOT RETROACTIVE, EXCEPT THAT ANY CHANGES TO THE TERMS  
38 OF ANY EXISTING COMPANY-SPECIFIC GRANTS ARE TO BE CONSIDERED NEW  
39 COMPANY-SPECIFIC GRANTS AND THUS NOT PERMITTED UNDER THE TERMS OF THIS  
40 AGREEMENT.

41 ARTICLE 6. WITHDRAWAL

42 ANY MEMBER STATE MAY WITHDRAW FROM THIS AGREEMENT WITH SIX MONTHS'  
43 NOTICE AND SHALL DO SO IN WRITING TO THE CHIEF EXECUTIVE OFFICER OF EVERY  
44 OTHER MEMBER STATE TO THE AGREEMENT.

ARTICLE 7. BOARD

A BOARD OF MEMBER STATES TO THE AGREEMENT TO ABOLISH COMPANY-SPECIFIC SUBSIDIES IS ESTABLISHED BY THIS AGREEMENT. EACH MEMBER STATE SHALL APPOINT FIVE MEMBERS TO THE BOARD, ONE FROM THE CHIEF EXECUTIVE OFFICER, ONE EACH FROM THE MAJORITY LEADER OF EACH CHAMBER AND ONE EACH FROM THE MINORITY LEADER OF EACH CHAMBER. THE BOARD SHALL CONVENE AT LEAST ANNUALLY, ELECT OFFICERS FROM ITS MEMBERSHIP AND ESTABLISH RULES AND PROCEDURES FOR ITS GOVERNANCE. THE PURPOSE OF THE BOARD IS TO COLLECT TESTIMONY FROM ALL INTERESTED PARTIES, INCLUDING MEMBER STATES AND ORGANIZATIONS AND ASSOCIATIONS REPRESENTING STATE LEGISLATORS, TAXPAYERS AND SUBJECT-MATTER EXPERTS ON HOW THE AGREEMENT CAN BE IMPROVED AND STRENGTHENED. THE BOARD MAY DRAFT AND DISSEMINATE SUGGESTED REVISIONS TO THIS AGREEMENT FROM TIME TO TIME.

43-1192. Administration

THE DEPARTMENT OF REVENUE IS DESIGNATED AS THE AGENCY RESPONSIBLE FOR PERFORMING ANY ADMINISTRATIVE AND ENFORCEMENT DUTIES ASSIGNED TO THIS STATE BY THE COMPACT TO ABOLISH COMPANY-SPECIFIC SUBSIDIES.

Sec. 2. Legislative findings

The legislature finds:

1. That state governments are caught in a race to the bottom offering ever-larger company-specific tax breaks or grants in an attempt to lure large companies to stay or relocate in their state, despite overwhelming evidence that the company-specific tax breaks are neither an efficient use of public dollars nor a determining factor in a company's eventual decision where to locate.

2. That state governments in the aggregate spend tens of billions of dollars annually on company-specific subsidies.

3. That those economic development dollars on universal infrastructure such as transportation or education that benefits all employers, not just the few large for-profit companies that negotiate a special subsidy, is a far superior use of state budget resources.

4. That the ability of the world's most profitable companies to set off a bidding war, often in secret, between states to package the largest subsidy imaginable in order to lure the company to that state demonstrates the inherently weak bargaining position of states in any company-specific subsidy negotiation, driving up the prices of these policies.

5. That providing special subsidies for one company puts all the competitors to that company at a disadvantage, as they must pay the full tax rate or operate without the benefit of the grant, which further exacerbates the largest companies getting even greater market share than they otherwise would if all companies paid the same tax rate.

7. That it would be far superior for all employers if states competed for companies based on their overall economic condition that all employers enjoyed, including taxes, infrastructure, workforce and

1 regulations, and not on a company-specific subsidy package that benefits  
2 only a small number of the wealthiest companies.

3 8. That despite widespread recognition of the wasteful nature of  
4 these company-specific subsidies, no one state is able to unilaterally end  
5 the practice as doing so is perceived to put that state at a competitive  
6 disadvantage to other states.

7 9. That set a level playing field and abolish the practice of  
8 company-specific subsidies, states should enter into an agreement not to  
9 engage in the practice that becomes binding for any companies located in  
10 any state that is a member of the agreement, especially among neighboring  
11 states until all fifty states are able to join the agreement.

12 10. That this act is a first version of such an interstate compact  
13 and intends to be replaced in 2020 after input from experts and  
14 organizations from all sides of the political spectrum.