ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

COMMITTEE ON COMMERCE

Report of Regular Meeting
Tuesday, March 16, 2021
House Hearing Room 3 -- 2:00 P.M.

Convened 2:05 P.M.
Recessed
Reconvened
Adjourned 4:01 P.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
3-17-21

Members Present
Mr. Chaplik
Mr. Cook
Mr. Espinoza
Mrs. Fernandez
Mr. Meza
Ms. Nutt
Ms. Powers Hannley
Mr. Wilmeth
Mr. Kaiser, Vice-Chairman
Mr. Weninger, Chairman

Members Absent

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Committee Action

Bill	Action	Vote	Attachments
SB1042	DPA	10-0-0-0	4, 5, 6
SB1257	DP	10-0-0-0	7, 8
SB1356	DP	10-0-0-0	9, 10
SB1379	DP	10-0-0-0	11, 12
SB1720	DP	9-1-0-0	13, 14

Iris McMahon, Committee Secretary
March 17, 2021

(Original attachments on file in the Office of the Chief Clerk; video archives available at http://www.azleg.gov)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

Convened: 2:05 pm
Adjourned: 4:01 pm

REGULAR MEETING AGENDA

COMMITTEE ON COMMERCE

DATE Tuesday, March 16, 2021 ROOM HHR 3 TIME 2:00 P.M.

This meeting will be held via teleconference software. Members of the public may access a livestream of the meeting here: https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2021031073

Members:

Mr. Chaplik	Mr. Meza	Mr. Wilmeth
Mr. Cook	Ms. Nutt	Mr. Kaiser, Vice-Chairman
Mr. Espinoza	Ms. Powers Hannley	Mr. Weninger, Chairman
Mrs. Fernandez		

Bills		Short Title	Strike Everything Title
SB1042	DPA	workers' compensation; settings; definition(now: workers' compensation; fee schedule; settings)	
		(Livingston: Fann)	
	10-0-0-0	COM, RULES	
SB1257	DP	state liquor board; membership	
		(Mesnard)	
	10-0-0-0	COM, RULES	
SB1356	DP	pharmacy benefit managers; prohibited fees	
		(Barto)	
	10-0-0-0	HHS dp 9-0-0-0-0, COM, RULES	
SB1379	DP	vacation rentals; short-term rentals; enforcement	
		(Mesnard)	
	10-0-0-0	COM, RULES	
SB1720	DP	peer-to-peer car sharing	
		(Fann)	
	9-1-0-0	COM, RULES	

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

Pursuant to Committee Rule (2). Any person desiring to be heard concerning legislation remotely shall email that request to (HouseCOM@azleg.gov) at least 24 hours, excluding weekends and holidays, in advance of committee, if practicable. The request must state the bill the person desires to present arguments upon, and whom the person represents. Timely requests will receive a response that includes meeting access information to participate in the committee remotely. Sharing meeting access information with unauthorized users may result in being prohibited to participate remotely in future legislative hearings. The request to participate remotely via teleconference shall be in addition to requesting to speak via the Request to Speak system (https://apps.azleg.gov/requesttospeak/topicsearch). Persons desiring to testify remotely shall indicate that the participation is remote within the comments of the Request to Speak system.

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

Attachment 1

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD

HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Commerce Bill Number SB1257

Date 3/16/21 ☐ Support ☐ Oppose ☐ Neutral

Name Katherine Compton Need to Speak? ☑ Yes ☐ No

Representing Self Are you a registered lobbyist? No

Complete Address 1655 E University Dr, Tempe, AZ 85281

E-mail Address legisintern@azleague.org Phone Number (928)750-3246

Comments:

FIVE-MINUTE SPEAKING LIMIT

Information Registered on the Request to Speak System

House Commerce (3/16/2021)

SB1042, workers' compensation; settings; definition (NOW: workers' compensation; fee schedule; settings)

Support:

Stuart Goodman, IWP (INJURED WORKERS PHARMACY); Don Isaacson, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); Dianne McCallister, Az Independent Pharmacists Coalition, AZ PHARMACY ASSOCIATION; Mark Boesen, representing self; Barry Aarons, INJURED WORKERS PHARMACY

Neutral:

Mark Kendall, COPPERPOINT INSURANCE COMPANY

All Comments:

Stuart Goodman, IWP (INJURED WORKERS PHARMACY): Speaking in person; Barry Aarons, INJURED WORKERS PHARMACY: If Necessary; Mark Kendall, COPPERPOINT INSURANCE COMPANY: If necessary

SB1257, state liquor board; membership

Support:

Nick Ponder, LEAGUE OF ARIZONA CITIES & TOWNS; Bob Charles, GLENDALE, CITY OF; Heather Bernacki Wilkey, QUEEN CREEK, TOWN OF; Alexis Apodaca, CHANDLER, CITY OF

SB1356, pharmacy benefit managers; prohibited fees

Testified in support:

Dianne McCallister, Az Independent Pharmacists Coalition; Teresa Dickinson, representing self; Ken Patel, representing self; Mark Boesen, representing self

Testified as opposed:

Jay Kaprosy, CIGNA CORPORATE SERVICES LLC

Support:

ROSY VALLIN, representing self; Mike mckinley, representing self; BRANDON RODGERS, representing self; Avi Pelta, representing self; Lindsey Genet, representing self; Rachel Jacobson, representing self; Tracy Wagner, representing self; Silas Peterson, representing self; Valarie Kennebeck , representing self; Rebecca Bryce, representing self; Debbie Walton, representing self; Heather Walker, representing self; Teneal Irigoyen, representing self; Meghaen Dell'Artino, Arizona Pharmacy Association; Miguel Rodriguez, representing self

Oppose:
Elizabeth Hatch, AETNA INC; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Courtney Coolidge, AZ CHAMBER OF COMMERCE

All Comments:
ROSY VALLIN, Self: I support this bill because it will help independent pharmacies, which are small businesses here in Az.; Avi Pelta, Self: I strongly support SB1356; Jay Kaprosy, CIGNA CORPORATE SERVICES LLC: speaking in opposition

SB1379, vacation rentals; short-term rentals; enforcement

Testified in support:
Sara Alper, representing self; Linda Curry, representing self; John Choi, representing self

Testified as neutral:
Don Isaacson, AMERICAN RESORT DEVELOPMENT ASSOCIAITON

Testified as opposed:
Nick Ponder, LEAGUE OF ARIZONA CITIES & TOWNS; Sandra Scanlan, representing self; Timothy Dickman, representing self; Scott Fey, representing self; Bert Farmer, representing self; abijah elley Ringo, representing self; richard buckley, representing self; Douglas Cole, PARADISE VALLEY, TOWN OF; Jerry Bien Willner, PARADISE VALLEY, TOWN OF; Kate Bauer, representing self; david goodman, representing self; Susan Edwards, representing self; William Hunter, representing self; Karl Isenburg, representing self; Vandana Verma, representing self; Judy Reid, representing self; daniel chain, representing self; jamie pyle, representing self

Support:
david mason, representing self; Jeff Sandquist, EXPEDIA INC; Barbara Meaney, SONDER; Jonathan Paton, AIRBNB, INC; Toby Friedman, representing self; Nicholas Bosley, representing self; Diane Spence, representing self; Naghmeh Fard, representing self; Kim Pensinger, representing self; Josie Pensinger, representing self; Reuben Wiseman, representing self; John Schmitz, representing self; David Davidoff, representing self; Garret Allison, representing self; Kiarash Kavosi, representing self; maureen mason, representing self

Neutral:
Bonnie Raschke, representing self

Oppose:
Larisa Balderrama, representing self; Paul Dembow, PARADISE VALLEY, TOWN OF; Jeannine Reno, representing self; Steve Grace, representing self; William Critchfield, representing self

All Comments:
Sara Alper, Self: In the decade-plus that I've lived in Sedona, I've seen firsthand how short-term rentals have benefitted our entire community. My startup specializes in vacation rental property management, allowing guests to visit Sedona and aid our local business; Linda Curry, Self: It is clear to me that Arizona visitors prefer the amenities offered by short-term rentals. As a responsible host, I allow only four occupants at any time. Rules such as no events or gatherings is easily monitored with zero complaints.; John Choi, Self: official representative for

Airbnb in support of SB 1379; david mason, Self: SB1379 is good beginning to protecting the integrity of homeownership, and, as the Republican Platform states, Homeownership ...means a decent place to live, a safe place to raise kids, a welcoming place to retire." and "Zoning decisions have always be; Toby Friedman, Self: Individual municipalities should make their own decisions about short-term rentals.; Nicholas Bosley, Self: I am a Host in Pine, AZ and have very high standards for my guests and enforce very common sense rules to protect my community and neighbors from bad traveling apples, just like 1379 does. 1379 makes good Sense and I support it.; Diane Spence, Self: I own a short term rental in Flagstaff, and provide guests an awesome experience to enjoy family and friends. I have strict rules and do not allow parties or events. My neighbors fully support me, because I take this role very seriously.; Naghmeh Fard, Self: Please vote yes to SB 1379 to protect short term rentals.; Kiarash Kavosi, Self: Please vote yes for SB 1379 to protect short term rentals.; maureen mason, Self: SB1379 is good beginning to protecting the integrity of homeownership, and, as the Republican Platform states, Homeownership ...means a decent place to live, a safe place to raise kids, a welcoming place to retire."; Sandra Scanlan, Self: Please support AZ residents instead of Silicon Valley billionaires.; Timothy Dickman, Self: This bill does not go far enough. We need the ability for local zoning. In our area, most rentals are between 25 - 30 unrelated people and this defines a party house.; Scott Fey, Self: I wish to speak on behalf of the rights of homeowners; Bert Farmer, Self: STRs have been very disruptive and destructive in Arizona as well as many cities and countries around the world.; abijah elley Ringo, Self: i own several str's in lake havasu city, they are my lively hood. I feel that several of the stipulations make it very easy for a overreaching city to effectively shut down str's and also would make it easy for a jealous neighbor to do the same.; richard buckley, Self: I am opposed to 1379 as it only hurts the homeowners, not the guests, not the booking platform. The fines are far too excessive and will hurt small business owners. These issues can be resolved at a city level and booking services.; Larisa Balderrama, Self: This bill is not good for neighborhoods. This will not address the bad operators in the industry.; Paul Dembow, PARADISE VALLEY, TOWN OF: This bill is the short-term rental industries bill that is toothless and will allow bad actors to continue to destroy the fabric of residential neighborhoods! Please vote NO on this bill and YES on HB2481 that is put out by cities & towns. Thank you.; Jeannine Reno, Self: Homes are not hotels, and neighborhoods are for neighbors. Cities and towns know best what is for their community. The AZLEG was snake oiled by Lobbyists in 2016. Vote for residents, not billion dollar corporations!; Steve Grace, Self: Diane - you're a good host EXACTLY BECAUSE you have strict rules and occupancy limits - That's why effective regs will protect good operators and get rid of bad operators - 1379 is totally toothless, we need something effective; Douglas Cole, PARADISE VALLEY, TOWN OF: While there are some useful enforcement tools in this bill, it does not go far enough in allowing local governments to adopt and enforce reasonable residential use and zoning ordinances. League has proposal for COW that STR industry is reviewing.; david goodman, Self: Cities already have laws on the books to deal with issues; the cities simply need to enforce them. The provision of the bill allowing for the fines to be levied against STR owners is particularly onerous.; Susan Edwards, Self: Of the 30K STRs in AZ, ~1/3 are single-family houses; those 10K houses directly affect up to 40K contiguous residences + 30K across the street, that's 70,000 families whose rights to actual neighbors and peace are denied.; William Hunter, Self: 1379 is useless by design, it only creates the illusion of regulation - Good operators should WELCOME regulation to get rid of bad operators - Require registration, verify listings, real occupancy limits and real fines are needed now!; Karl Isenburg, Self: I am a Realtor who is pro business and pro investment. You would think I would be for this bill 100%. Unfortunately I am not and it is not good for my neighborhood. This is not a partisan issue and the average homeowner is truly not protected here; Vandana Verma, Self: We need local control, registration verification, enforceable occupancy limits.; Judy Reid, Self: The STR's next door to me and behind me have been a source of noise, litter and constant disturbance. The party house advertises to sleep 12 in a 4 bedroom, 2 bath home. Our quiet neighborhood never signed up for no control over this. please listen.; daniel chain, Self: I own two str's in lake havasu city, I actually started a facebook group for str owners in the area to be able to work together on making a list of bad renters and tips on preventing the party crowd. Our group is now working with lhc council. online; jamie pyle, Self: Please advise of what I need to do so I

am able to join remotely. Thank you ~ Jamie Pyle; Bonnie Raschke, Self: This reg won't do anything if it isnt enforceable- the STR next to me was out of control until there was a deadly shoot out. We need occupancy limits, registration verification, and local control/common-sense zoning enforcement.

SB1720, peer-to-peer car sharing

Testified in support:

Barbara Meaney, TURO INC.; Kelsey Lundy, ENTERPRISE RENT-A-CAR

Support:

Nick Simonetta, Cactus League Baseball Association; Barry Aarons, VISIT MESA, VISIT PHOENIX, VISIT TUCSON; Jaime Molera, ARIZONA LODGING AND TOURISM ASSOCIATION, AZ SPORTS AND TOURISM AUTHORITY (AZSTA); Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Julie Rees, TUCSON AIRPORT AUTHORITY; Ryan Smith, PHOENIX-MESA GATEWAY AIRPORT (AUTHORITY); Courtney Coolidge, AZ CHAMBER OF COMMERCE; Laura Magnus, EXPERIENCE SCOTTSDALE; Noel Cole Young, ALLSTATE INSURANCE CO

Neutral:

Tom Farley, AZ AUTOMOBILE DEALERS ASSN; Ellen Poole, Executive Director, SW Region Govt Relations, American Property & Casualty Insurers

All Comments:

Kelsey Lundy, ENTERPRISE RENT-A-CAR: Testifying in support of SB1720 on behalf of Enterprise; Noel Cole Young, ALLSTATE INSURANCE CO: I only need to speak if necessary and there are questions on the insurance portions of the bill that others cannot answer.; Ellen Poole, American Property & Casualty Insurers: I will be available in case the committee has any questions about the insurance provisions of the bill

ARIZONA STATE LEGISLATURE

Fifty-fifth Legislature - First Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON **COMMERCE**

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Steve Kaiser

	DATE	03/09/21	3/16/21	/21	/21	/21
	CONVENED	2:03pm	2:05pm	m	m	m
	RECESSED					
	RECONVENED					
	ADJOURNED	3:14 pm	4:01pm			
MEMBERS						
Chaplik		✓	✓			
Cook		✓	✓			
Espinoza		✓	✓			
Fernandez		✓	✓			
Meza		✓	✓			
Nutt		✓	✓			
Powers Hannley		✓	✓			
Wilmeth		✓	✓			
Kaiser, Vice-Chairman		✓	✓			
Weninger, Chairman		✓	✓			

√ Present --- Absent exc Excused

Attachment 3

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: FIN DPA/SE 9-0-1-0 | 3rd Read 29-0-1-0

SB 1042: workers' compensation; fee schedule; settings
Sponsor: Senator Livingston, LD 22
Committee on Commerce

Overview
An emergency measure which excludes, under certain conditions, mail order pharmacies servicing workers' compensation claimants from settings that are not accessible to the general public.

History
Pursuant to A.R.S. § 23-908, the Industrial Commission of Arizona is responsible for fixing a schedule of fees to be charged by physicians, physical therapists or occupational therapists attending injured employees as well as prescription medicines required to treat an injured employee. The schedule of fees may include other reimbursement guidelines for medications dispensed in settings that are not accessible to the general public. The commission is responsible for an annual review of the schedule of fees.

Provisions
1. Excludes mail order pharmacies delivering pharmaceutical services to workers' compensation claimants from settings that are not accessible to the general public, provided:
   a) The pharmacy does not limit or restrict access to claimants with an affiliation to a medical provider or other entity; and
   b) Any medical provider or other entity referring a claimant does not receive or accept any rebate, refund, commission, preference or other consideration as compensation for the referral. (Sec. 1)
2. Makes technical changes. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☒ Emergency (40 votes) ☐ Fiscal Note

Fifty-fifth Legislature
First Regular Session

Commerce
S.B. 1042

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1042

(Reference to Senate engrossed bill)

Page 2, between lines 36 and 37, insert:

"J. SUBSECTION B OF THIS SECTION DOES NOT PROHIBIT:

1. A HEALTHCARE PROVIDER OR PHARMACY FROM ENTERING INTO A SEPARATE CONTRACT OR NETWORK THAT GOVERNS FEES, IN WHICH CASE REIMBURSEMENT SHALL BE MADE ACCORDING TO THE APPLICABLE CONTRACTED CHARGE OR NEGOTIATED RATE.

2. AN EMPLOYER FROM DIRECTING MEDICAL, SURGICAL OR HOSPITAL CARE PURSUANT TO THE PROVISIONS OF SECTION 23-1070."

Amend title to conform

JEFF WENINGER

1042WENINGER3
03/15/2021
09:28 AM
H: LG/ra

Attachment 5

Adopted ✓ # of Verbals ____
Failed ____ Withdrawn ____
Not Offered ____ Analysts Initials ____

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. SB 1042

DATE March 16, 2021 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Chaplik		✓			
Cook		✓			
Espinoza		✓			
Fernandez		✓			
Meza		✓			
Nutt		✓			
Powers Hannley		✓			
Wilmeth		✓			
Kaiser, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Iris McMahon
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
STEVE KAISER, Vice-Chairman

ATTACHMENT 6

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: COM DP 9-0-0-0 | 3rd Read 29-0-1-0

SB 1257: state liquor board; membership
Sponsor: Senator Mesnard, LD 17
Committee on Commerce

Overview
Requires a member of the State Liquor Board (Board) to be a current elected municipal official.

History
The Department of Liquor Licenses and Control consists of the Board and the Office of the Director. The Board is responsible for granting and denying spiritous liquor license applications, adopting rules and hearing appeals on decisions made by the Director. The Board may reverse, modify or affirm decisions made by the Director (A.R.S. §§ 4-112 and 4-210.02).

The Board membership consists of seven members appointed by the Governor and confirmed by the Senate. Five members cannot be financially interested directly or indirectly in business licensed to deal with spirituous liquors. Two members must currently be engaged in the spiritous liquor industry or have been engaged in the past, one of whom must currently be a retail licensee or employee of a retail licensee. One member must be a member of a recognized neighborhood association recognized by a county, city or town.

The members serve three-year terms, which expire on the third Monday in January of the appropriate year. All members must be Arizona residents for at least five years and be registered with the same political party or as an independent for at least two years preceding appointment. No more than four members may be of the same political party and no more than three members may be appointed from the same county (A.R.S. § 4-111).

Currently, there are four vacancies on the Board.

Provisions
1. Requires one of the five Board members who may not be financially interested in business licensed to deal with spirituous liquors to be a current elected municipal official. (Sec. 1)
2. Allows all persons serving as members of the Board on the effective date of this act to continue to serve until the expiration of their normal terms. (Sec. 2)
3. Directs the Governor to make all subsequent appointments. (Sec. 2)
4. Removes archaic language. (Sec. 1)
5. Makes technical changes. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. SB 1257

DATE March 16, 2021 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Chaplik		✓			
Cook		✓			
Espinoza		✓			
Fernandez		✓			
Meza		✓			
Nutt		✓			
Powers Hannley		✓			
Wilmeth		✓			
Kaiser, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Iris McMahon
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
STEVE KAISER, Vice-Chairman

ATTACHMENT 8

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: HHS DP 8-0-0-0 | 3rd Read 28-1-1-0
House: HHS DP 9-0-0-0

SB 1356: pharmacy benefit managers; prohibited fees
Sponsor: Senator Barto, LD 15
Committee on Commerce

Overview
Prohibits a pharmacy benefit manager (PBM) from charging a pharmacist a fee relating to the claims adjudication process.

History
A *PBM* is a person, business or other entity that, pursuant to a contract or under an employment relationship with an insurer or other third-party payor, manages the prescription drug coverage provided by the insurer or other third-party payor, including:

1. Processing and payment of claims for prescription drugs;
2. Performance of drug utilization review;
3. Processing of drug prior authorization requests;
4. Adjudication of appeals or grievances related to prescription drug coverage;
5. Contracting with network pharmacies; and
6. Controlling the cost of covered prescription drugs (A.R.S. § 20-3321).

Pursuant to A.R.S. § 20-3331, a PBM must do all of the following:

1. Update the price and drug information for each list that the PBM maintains every seven business days;
2. At specified times, make available to each network pharmacy the sources used to determine maximum allowable cost pricing;
3. Establish a process by which a network pharmacy may appeal its reimbursement for a drug subject to maximum allowable cost pricing; and
4. Allow a pharmacy services administrative organization that is contracted with the PBM to file an appeal of a drug on behalf of the organization's contract pharmacies.

Under current law, with deference to federal law, a PBM may not prohibit a pharmacist or pharmacy from providing an insured individual information on the insured's cost share for the prescription drugs and the clinical efficiency of more affordable alternatives or penalize a pharmacy or pharmacist for disclosing such information or for selling more affordable alternatives to the insured. Additionally, a PBM may not require a pharmacist or pharmacy to charge or collect a copayment that exceeds the total submitted charges by the network pharmacy (A.R.S. 44-1752).

Provisions
1. Prohibits a PBM from, on behalf of itself, a plan sponsor or an insurer, charging or holding a pharmacist or pharmacy responsible for a fee for any step of, component or mechanism related to the claims adjudication process, including:
   a) Adjudicating a pharmacy benefit claim;
   b) Processing or transmitting a benefit claim; or

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

Attachment 9

c) Developing, managing, or participating in a claims processing or adjudication network. (Sec. 1)

2. Permits a pharmacy to submit a complaint of a violation to the Director of the Department of Insurance and Financial Institutions (Director).
   a) Requires the pharmacy to include supporting documentation when filing the complaint.
   b) Instructs the Director to investigate the complaint.
   c) Allows the Director to examine and audit the books and records of a PBM to determine if a violation has occurred. (Sec. 1)
3. Permits the Director, upon finding that a violation has been committed by a PBM, to:
   a) Seek an injunction and apply for temporary and permanent orders that are necessary to restrain the PBM from continuing the violation; and
   b) Issue a cease and desist order on the PBM. (Sec. 1)
4. Subjects a PBM found in violation to statutory civil penalties relating to prohibited practices. (Sec. 1)
5. Allows any person who is damaged by a violation committed by a PBM to bring a civil action for damages against the PBM found in violation. (Sec. 1)
6. Contains an applicability clause. (Sec. 2)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. SB 1356

DATE March 16, 2021 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Chaplik		✓			
Cook	✓	✓			
Espinoza	✓	✓			
Fernandez		✓			
Meza		✓			
Nutt		✓			
Powers Hannley		✓			
Wilmeth		✓			
Kaiser, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Iris McMahon
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
STEVE KAISER, Vice-Chairman

ATTACHMENT 10

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: COM DPA 9-0-0-0 | 3rd Read 27-3-0-0

SB 1379: vacation rentals; short-term rentals; enforcement
Sponsor: Senator Mesnard, LD 17
Committee on Commerce

Overview

Allows a city, town or county (local government) to further regulate a short-term rental or vacation rental (Rental) by requiring the owner to maintain liability insurance and caps the civil penalties imposed for verified violations.

History

Under current law, a local government may not restrict the use of or regulate Rentals unless:

1. Protecting public health and safety;
2. Adopting and enforcing residential use and zoning ordinances;
3. Limiting or prohibiting use for illicit activity or adult-oriented business; and
4. Requiring contact information from the owner.

If a violation is verified to have occurred, the local government must notify the Arizona Department of Revenue (ADOR) and the owner of the Rental of the local government's applicable laws, regulations or ordinances and if a civil penalty was imposed. *Verified violation* means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a proscribed purpose that has been finally adjudicated (A.R.S. §§ 9-500.39 and 11-269.17).

Pursuant to A.R.S. § 42-1125.02, ADOR may impose civil penalties for an online lodging operator that receives a verified violation. If the local government does not impose a civil penalty, the operator that has committed a verified violation is subject to the following statutory penalties: 1) $500 for the first verified violation; 2) $1,000 for the second verified violation within a 12-month period; and 3) $1,500 or 50% of gross monthly revenue of the accommodation, whichever is greater, for the third and subsequent violations within a 12-month period. An *online lodging operator* is a person what is engaged in the business of renting to an occupant any lodging accommodation offered through an online lodging marketplace and includes an owner of a Rental that is not offered through an online lodging marketplace.

Online lodging marketplace means a person that provides a digital platform for compensation through which an unaffiliated third party offers to rent lodging accommodations in this state to an occupant, including a transient and the accommodations are not classified for property tax purposes (A.R.S. § 42-5076).

Provisions

1. Permits a local government to impose a civil penalty of up to $1,000 for every 30 days that an owner of a vacation rental or short-term rental fails to provide certain contact information, if required by an ordinance.
   a) Requires the city or town to provide 30 days' notice to the owner before imposing the first civil penalty. (Sec. 1)

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

2. Allows a local government to require the owner of a vacation rental or short-term rental to maintain liability insurance in the aggregate of not less than $500,000 or to advertise and offer each rental through a hosting platform that provides equal or greater coverage. (Sec. 1)
3. Permits a local government to impose civil penalties for verified violations, against the owner of a vacation rental or short-term rental, of:
   a) $500 or up to an amount equal to one night's rent for the lodging accommodation as advertised on an online lodging marketplace, whichever is greater, for the first verified violation.
   b) $1000 or an amount equal to two nights' rent as advertised online, whichever is greater, for the second verified violation in a 12-month period; or
   c) $3,500 or an amount equal to three nights' rent as advertised online, whichever is greater, for the third and any subsequent verified violations in a 12-month period. (Sec. 1-2)
4. Allows ADOR, after notice and a hearing, to suspend for one year the transaction privilege tax license of the owner of a Rental that has three verified violations within the same 12-month period. (Sec. 1, 2, 4)
5. Alters statutory civil penalties that may be imposed by ADOR for an online lodging operator that commits a verified violation that has not been penalized by a local government, to reflect the civil penalties imposed by a local government on an owner of a Rental for verified violations.
   a) Removes, as a statutory penalty for third and any subsequent verified violations, the penalty of 50% of the relevant gross monthly revenues of the lodging accommodation or $1,500, whichever is greater. (Sec. 3)
6. Removes the residential use and zoning limitations on ordinances which a local government may adopt and enforce. (Sec. 1, 2)
7. Defines *lodging accommodation, online lodging marketplace*, and *verified violation.* (Sec. 1-2, 4)
8. Makes technical and conforming changes. (Sec. 1, 2)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. SB 1379

DATE March 16, 2021 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Chaplik		✓			
Cook	✓	✓			
Espinoza		✓			
Fernandez		✓			
Meza		✓			
Nutt		✓			
Powers Hannley		✓			
Wilmeth		✓			
Kaiser, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Iris Mc Mahon
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
STEVE KAISER, Vice-Chairman

ATTACHMENT 12

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: FIN DPA 9-0-1-0 | 3rd Read 29-0-1-0

SB 1720: peer-to-peer car sharing
Sponsor: Senator Fann, LD 1
Committee on Commerce

Overview
Establishes laws governing Peer-to-Peer Car Sharing.

History
Currently, a person engaged in the business of renting motor vehicles without drivers is required to collect a five percent surcharge on each rental contract that is for a period of fewer than 180 days. The surcharge is computed on the total amount stated in the contract less any applicable taxes, and is a reimbursement for the amount of the vehicle license tax imposed on the vehicle (A.R.S. § 28-5810). Rental car surcharges are also levied and collected by the Arizona Sports and Tourism Authority (AZSTA) and stadium districts (A.R.S. §§ 5-839; and 48-4234).

According to the National Conference of State Legislatures, Car sharing is a free-market approach to mobility that can offer important mobility options for those who do not need or want to own a car, but who may need to use one for a few hours to grocery shop or visit a relative. Car sharing is distinct from ride sourcing in that members are actually driving a vehicle themselves rather than being picked up and driven as is the case with services such as Uber and Lyft. Typically, car sharing is a membership-based service that provides members of a car-sharing organization access to an insured vehicle; gas and free dedicated parking may be included. Four main car sharing models exist: roundtrip, one-way station-based, one-way floating and peer-to-peer (P2P).

At least nine states have passed legislation relating to peer-to-peer car sharing since 2010. Peer-to-peer car sharing legislation passed so far generally addresses: 1) insurance requirements and liability for peer-to-peer programs; 2) consumer disclosure agreements; 3) safety recalls and consumer protection; and 4) concession agreements with airport authorities. At least Maryland, Florida and Hawaii have introduced legislation in 2021 to address the taxation of peer-to-peer car sharing programs. Maryland originally passed legislation in 2018 that sunset on July 1, 2020 that, in part, required the Maryland Motor Vehicle Division and the Maryland Office of the Comptroller to compile certain information that could assist the Maryland Legislature in determining fair and equitable taxation on peer-to-peer transactions. (NCSL).

Provisions

Peer-to-Peer Car Sharing (Sec. 1)
Insurance

1. Requires a peer-to-peer car sharing program (Program) to assume certain liabilities in an amount as stated in the car sharing program but not less than statutorily prescribed minimum amounts (25/50/15).
2. Provides circumstances in which the Program is not liable for bodily injury or property damage to a third party in an amount that is greater than minimum amount of coverage as required by statute.

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

3. Specifies that the assumption of liability applies to bodily injury and property damage to third parties.
4. Requires a Program to ensure that an owner and driver of the shared vehicle have insurance policies that provide insurance coverage during a car sharing period in statutorily prescribed minimum amounts.
   a) Outlines requirements for the insurance policies.
5. Allows insurance requirements to be met by an owner or driver of a shared vehicle or a Program, or a combination of all three.
6. Asserts the insurance required during a car sharing period is primary during each sharing period.
7. Requires a Program to assume primary liability for a claim if:
   a) The Program provides the required insurance in whole or in part;
   b) A dispute exists as to who was in control of the shared vehicle at the time of the loss; and
   c) The Program for any reason fails to provide information related to a shared vehicle transaction that are required to be retained as specified.
8. Provides requirements for a Program and insurance that is maintained by a Program in the event the insurance that is maintained by shared vehicle owner or driver lapses or does not provide the required coverage.
9. Requires a shared vehicle's insurer to indemnify a Program to the extent of the Program's obligation if the shared vehicle owner was in control of a shared vehicle at the time of a loss.
10. Specifies that insurance policy maintained by a Program is not dependent on a motor vehicle liability insurer first denying a claim under any other motor vehicle insurance policy.
11. Prohibits a Program from:
   a) Offering or selling insurance except in conjunction with and incidental to car sharing program agreements;
   b) Advertising, representing or otherwise portraying itself or any of its employees or agents as licensed insurers or insurance producers, unless the Program is a licensed insurer or insurance producer;
   c) Paying a person any compensation, fee or commission that is dependent on the placement of insurance under a Program's license; and
   d) Making a car sharing program agreement contingent on the shared vehicle driver purchasing insurance through the Program.
12. Specifies a Program is not prohibited from recovering its insurance costs incurred in satisfying its obligations from a shared vehicle owner or driver.
13. Specifies the prohibitions on a Program does not prevent production or incentive payments to an employee if the payments are not dependent on the sale of insurance.
14. Asserts the laws governing Peer-to-Peer Car Sharing do not limit:
   a) The liability of a Program for any act or omission resulting in injury to any person as a result of the use of a shared vehicle; and
   b) The ability of a Program to seek indemnification from a shared vehicle owner or driver for economic losses due to a breach in a program agreement.

Vehicles with a Lien

15. Requires a Program to notify a shared vehicle owner who registers a vehicle with a lien on a Program, prior to the vehicle becoming available, both of the following:
   a) That sharing a vehicle may violate the terms of the contract with the lienholder; and

b) That the contract with the lienholder may impose specific requirements for physical damage coverage.

Authorized Insurer Exclusions

16. Permits an authorized insurer to exclude any and all coverage and the duty to defend or indemnify any claim against a shared vehicle owner's personal liability insurance policy, including specified coverages.

17. Specifies exclusions in a motor vehicle liability insurance policy, including policies that exclude coverage for vehicles made available for rent, sharing, hire or for any business use, are not invalidated or limited by laws governing Peer-to-Peer Car Sharing.

Shared Vehicle Records Retention

18. Requires a Program to collect records relating to the use of a shared vehicle, including times used, fees paid by a shared vehicle driver and monies received by the shared vehicle owner, to be made available on request of the owner, owner's insurer or driver's insurer in order to facilitate a claim investigation.
    a) Requires such records to be retained for at least six years.

Vicarious Liability Exemption

19. Exempts a Program and a shared vehicle owner from vicarious liability consistent with federal law and under any state or local law that imposes liability solely based on vehicle ownership.

Insurance Indemnification

20. Permits an insurer to seek contribution or indemnification from the Program's insurer for a claim involving a shared vehicle excluded from the insurer's policy if the claim is:
    a) Made against the shared vehicle owner or driver for loss or injury that occurs during the car sharing period; and
    b) Excluded under the terms of the insurer's policy.

Insurable Interests

21. Stipulates a Program has an insurable interest in a shared vehicle during the car sharing period, but a Program is not required to maintain mandated insurance coverage.

22. Allows a Program to purchase one or more motor vehicle insurance policies that provide coverage for:
    a) Liabilities assumed by the P2P Program under a program agreement;
    b) Any liability of the shared vehicle owner; or
    c) Damage or loss to the shared vehicle or for any liability of the shared vehicle driver.

Car Sharing Program Agreements

23. Requires a program agreement to disclose to the shared vehicle owner and driver the following:
    a) That the Program has a right to seek indemnification from the shared vehicle owner or driver for economic loss sustained resulting from a breach in a program agreement;
    b) That a motor vehicle liability insurance policy issued to the shared vehicle owner or driver does not provide a defense or indemnification for any claim asserted by the Program;
    c) That the Program's insurance coverage on a shared vehicle owner or driver only applies during a car sharing period and that the owner or driver may not have insurance when operating a shared vehicle after the car sharing termination time;
    d) The daily rate, fees and insurance or protection package costs that are charged to a shared vehicle owner or driver;
    e) That the shared vehicle owner's motor vehicle liability insurance policy may not provide coverage for a shared vehicle;

f) An emergency telephone number for roadside assistance and other customer service inquiries;
g) Whether there are conditions that require a person to maintain a personal motor vehicle liability insurance policy with certain minimum coverage limits on a primary basis in order for the person to become a shared vehicle driver; and
h) That the shared vehicle owner's or driver's motor vehicle liability insurance may already provide coverage as required.

24. Permits a Program to enter into a program agreement with a driver operating a shared vehicle, provided the driver meets specified criteria.

25. Requires a Program to keep record of:
    a) The name, address and driver license number of each shared vehicle driver; and
    b) The date and place of issuance of the shared vehicle driver's driver license.

26. Stipulates if the shared vehicle is an individual-owned shared vehicle, a Program is not:
    a) In the business of leasing or renting for less than one-year motor vehicles for hire without a driver; and
    b) Subject to certain car rental surcharges.

Equipment Responsibility

27. Asserts a Program has sole responsibility for any equipment that is put in or on a shared vehicle to monitor or facilitate the shared vehicle transaction.

28. Requires a Program to indemnify and hold a shared vehicle owner harmless for damage to or theft of equipment during the car sharing period if the owner is not the cause of damage or theft.

29. Allows a Program to seek indemnity from the shared vehicle driver for any loss or damage to the equipment that occurs during the car sharing period.

Safety Recall

30. Requires a Program, before the shared vehicle is made available on the Program, to:
    a) Verify that the shared vehicle does not have unrepaired safety recalls; and
    b) Notify the shared vehicle owner of requirements related to safety and recall and removal of a vehicle from the Program.

31. Prohibits the vehicle owner from making a vehicle available for rent on a Program if any safety recalls have received by the owner until the safety recall repairs have been made.

32. Instructs the shared vehicle owner who receives a safety recall notice while the vehicle is currently available on a Program to remove the vehicle from the Program as soon as practicable.
    a) Prohibits an owner from making the vehicle available on the Program again until the safety recall repair is made.

33. Instructs a shared vehicle owner who receives a safety recall notice while the vehicle is in possession of a shared vehicle driver to notify the Program about the safety recall so that the owner may make the safety recall repair.

Airports

34. Asserts a public airport is not prohibited or restricted from implementing rules or licensing requirements or from assessing fees or charges to shared vehicle transactions that either:
    a) Are conducted at a pubic airport; or
    b) Use an off-airport shuttle service provider contracted with the public airport to access a shared vehicle off the public airport premises.

Vehicle Manufacturers and Dealers

35. Specifies laws governing Peer-to-Peer Car Sharing do not expand or restrict the respective rights, obligations and limitations of motor vehicle manufacturers and licensed motor vehicle dealers set forth in statute relating to franchise regulation.

Transaction Privilege Tax and Surcharges

36. Subjects a shared vehicle transaction to Transaction Privilege Tax (TPT) and affiliated excise taxes.

37. Exempts a shared vehicle transaction from the vehicle license rental surcharge.

38. Exempts a shared vehicle transaction from the AZSTA surcharge and the stadium district surcharge if the shared vehicle owner certifies to the Arizona Department of Revenue (ADOR) that the vehicle is an individual-owned shared vehicle.
    a) Specifies that an owner's certification is required only once for the duration of the time that the owner owns the shared vehicle.
    b) Directs ADOR to verify that the vehicle is an individual-owned shared vehicle.

39. Specifies a Program that accepts payment for a shared vehicle transaction in Arizona is subject to TPT and affiliated excise taxes.

40. Allows a Program to rely in good faith on the shared vehicle owner's representation that the shared vehicle is an individual-owned shared vehicle certified with ADOR.

41. Exempts a Program from liability for any tax, penalty, fee or other sanction imposed on the shared vehicle owner if a Program relied in good faith on an owner's representation that the vehicle is a certified individual-owned shared vehicle.

42. Prohibits a local government or political subdivision of Arizona from imposing any additional taxes, fees or charges on the gross proceeds or gross income of a shared vehicle transaction that are not imposed by a jurisdiction on every other transaction involving motor vehicles for hire without drivers.

Miscellaneous

43. Requires a Program to register with ADOR for a license to pay taxes levied in Arizona and one or more counties, cities, towns or special taxing districts that are due from a shared vehicle transaction, subject to outlined limitations. (Sec. 2)

44. Directs a Program to remit AZSTA and stadium district surcharges for shared vehicle transactions that involve noncertified individual-owned shared vehicles. (Sec. 2)

45. Entitles a shared vehicle owner with an exclusion from any applicable taxes levied on shared vehicle transactions for which the Program has collected and remitted the applicable taxes. (Sec. 3)

46. Requires a Program licensed by ADOR to:
    a) Electronically remit applicable TPT and local excise taxes to ADOR as well as any surcharges due for transactions involving vehicles that are not individual-owned shared vehicles; and
    b) Electronically report the taxes monthly and remit the aggregate total amounts for each respective taxing jurisdiction. (Sec. 4)

47. Specifies a Program is not required to list or otherwise identify an individual-owned shared vehicle on any return or any attachment to a return. (Sec. 4)

48. Instructs a Program to retain surcharge and tax information for each vehicle sharing transaction and provide the information to ADOT upon request. (Sec. 4)

49. Specifies the remittance of TPT or any other tax applicable to shared vehicle transactions by a Program fully satisfies any obligation of a shared vehicle owner to remit taxes applicable to the transaction. (Sec. 4)

50. Requires a shared vehicle transaction to be sourced as follows:
    a) To the permanent address of the registered shared vehicle owner if the owner is registered in Arizona;
    b) To the street address in Arizona where the shared vehicle owner resides while in Arizona if the shared vehicle is registered in another state or country; or
    c) To the location of the shared vehicle at the car sharing start time if the shared vehicle owner does not reside in Arizona and the shared vehicle is registered in another state or country. (Sec. 5)

51. Includes peer-to-peer car sharing to the personal property rental tax classification. (Sec. 6)

52. Excludes, from the tax base of the personal property rental classification, the gross proceeds or gross income received by a shared vehicle owner from a Program. (Sec. 6)

53. Defines pertinent terms. (Sec. 1-6)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fifth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. SB 1720

DATE March 16, 2021 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Chaplik		✓			
Cook		✓			
Espinoza		✓			
Fernandez		✓			
Meza		✓			
Nutt		✓			
Powers Hannley			✓		
Wilmeth		✓			
Kaiser, Vice-Chairman		✓			
Weninger, Chairman		✓			
		9	1	0	0

Iris McMahon
COMMITTEE SECRETARY

APPROVED:
Jeff Weninger
JEFF WENINGER, Chairman
STEVE KAISER, Vice-Chairman

ATTACHMENT 14