ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

COMMITTEE ON RURAL ECONOMIC DEVELOPMENT

Report of Regular Meeting
Thursday, March 26, 2026
House Hearing Room 4 -- 9:00 A.M.

RECEIVED
CHIEF CLERKS OFFICE

MAR 30 2026

Convened 9:04 A.M.
Recessed **9:29 A.M.**
Reconvened **9:32 A.M.**
Adjourned 10:06 A.M.

Members Present
Representative Blackman
Representative Bliss
Representative Peshlakai
Representative Volk
Representative Lopez, Vice-Chairman
Representative Martinez, Chairman

Members Not Present
Representative Hernandez

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Presentations

Name	Organization	Attachments (Handouts)
Legislative District 6	Representative Peshlakai	0
Tribal Community	Representatives Martinez, Tsosie & Garcia	0

Committee Action

Bill	Action	Vote	Attachments
SB1016	DPA/SE	5-0-1-1	4,5,6
SB1401	DPA/SE	5-1-0-1	7,8,9

Veronica L. Graham
Veronica Graham, Committee Secretary
March 27, 2026

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

REVISED - 3/25/26 **REVISED - 3/25/26** **REVISED - 3/25/26**

Convened 9:04
Adjourned 10:06

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON RURAL ECONOMIC DEVELOPMENT

DATE Thursday, March 26, 2026 ROOM HHR 4 TIME 9:00 A.M.

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026031138

Members:

~~Representative Biasiucci~~	Representative Hernandez C	Representative Lopez, Vice-Chairman
Representative Blackman	Representative Peshlakai	Representative Martinez, Chairman
Representative Bliss	Representative Volk	

- Presentations:
  - Legislative District 6 - Representative Peshlakai
  - Tribal Community - Representatives Martinez, Tsosie & Garcia

Bills	Short Title	Strike Everything Title
SB1016 DPA/SE	employers; medical products; religious exemption (Shamp)	**S/E: municipal improvement districts; petitions**
5-0-1-1	COM w/d, RED, RULES	
SB1401 DPA/SE	special plate; golf tournament charity (Payne)	**S/E: housing; contractors; bonds; taxes**
5-1-0-1	TI w/d, RED, RULES	

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

~~VC~~
RA
~~03/19/2026~~
~~03/20/2026~~
03/25/2026

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

Information Registered on the Request to Speak System

House Rural Economic Development (3/26/2026)

SB1016, employers; medical products; religious exemption

Support:

Mayor Robyn Prud'homme-Bauer, Clarkdale, representing self; Camp Verde Mayor Marie Moore, representing self; Susan Bolt, representing self; Marshall Pimentel, LEAGUE OF ARIZONA CITIES & TOWNS; Zach Sakas, representing self

Oppose:

Shirley Dye, representing self; Judith Simons, representing self; Shirley Lamonna, representing self; Dianne Post, AZ NATIONAL ORGANIZATION FOR WOMEN (NOW), Self; Carol Maas, representing self; Dee Romesburg, representing self; Anna Arnold, representing self; Stephen Harris, representing self; Michiko Price, representing self; Rhiannon Ford, representing self; Buffalo Rick Galeener, representing self; Roger Blain, representing self; James McFadzean, representing self; Julian Donahue, representing self; Charlyce Knight, representing self; J Holmes, representing self; Cheryl McCutcheon, representing self; Rivko Knox, representing self; Ruth Carter, representing self; Ryan Larson, representing self; Michelle Carter, representing self; Valerie Starr, representing self; Adam Bloomer, representing self; Jeri McDaniel, representing self

All Comments:

Marshall Pimentel, LEAGUE OF ARIZONA CITIES & TOWNS: Supporting the striker.; Zach Sakas, Self: I am a bond lawyer and can speak if necessary on municipal improvement districts and the proposed statutory amendments.; Shirley Dye, Self: Since this really isn't a bill about medical mandates. but a special taxing districts which I am against anyway, NO; Judith Simons, Self: Rules that impact public health must be based on sound scientific evidence. Personal religious beliefs must not be allowed to jeopardize the health & safety of the broader population. It's too great a risk!; Stephen Harris, Self: Strike Everything Amendment: This bill has a proposed amendment dealing with Special Taxing Districts, which has absolutely nothing to do with employers, medical products, or religion.; J Holmes, Self: No special taxing districts please.; Cheryl McCutcheon, Self: Expanding religious exemptions pits religious dogma against proven, effective science. Don't put my health at risk!

SB1401, special plate; golf tournament charity

Support:

Steve Kaiser, HABITAT FOR HUMANITY OF CENTRAL ARIZONA; Dominic Rodgers, representing self; Dianne McCallister, Dominium

All Comments:

Dianne McCallister, Dominium: Support the strike everything amendment

Attachment 2

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD

HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on RED Bill Number SB 1016

Date 3/26/26 ☒ Support ☐ Oppose ☐ Neutral

Name Mike Robson Need to Speak? ☒ Yes ☐ No

Representing Robson Communities Are you a registered lobbyist? No

Complete Address 3412 E Pasadena Ave

E-mail Address michael.robson@robson.com Phone Number 602 363 6356

Comments:

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD

HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on R&D Bill Number 1481

Date 3/26/26. ☒ Support ☐ Oppose ☐ Neutral

Name Dusty Parsons Need to Speak? ☒ Yes ☐ No

Representing Habitat for Hum... Are you a registered lobbyist? No

Complete Address

E-mail Address Phone Number

Comments:

FIVE-MINUTE SPEAKING LIMIT

ARIZONA STATE LEGISLATURE

Fifty-seventh Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON **RURAL ECONOMIC DEVELOPMENT**

CHAIRMAN: Teresa Martinez VICE-CHAIRMAN: Chris Lopez

DATE	03/26/26	
CONVENED	9:04	
RECESSED	9:29	
RECONVENED	9:32	
ADJOURNED	10:06	
MEMBERS	PRESENT	NOT PRESENT
Blackman	✓	
Bliss	✓	
Hernandez C		✓
Peshlakai	✓	
Volk	✓	
Lopez, Vice-Chairman	✓	
Martinez, Chairman	✓	
TOTAL	6	1

Attachment 3

ARIZONA HOUSE OF REPRESENTATIVES

57th Legislature, 2nd Regular Session
Majority Research Staff
Senate: HHS DP 4-3-0-0 | Third Read 17-9-4-0

SB1016: employers; medical products; religious exemption
S/E: municipal improvement districts; petitions
Sponsor: Senator Shamp, LD 29
Committee on Rural Economic Development

Summary of the Strike-Everything Amendment to SB 1016

Overview
Outlines requirements and procedures for a municipality to pass an ordinance for an improvement district.

History
Before ordering an authorized improvement, the governing body of a municipality must adopt a resolution or ordinance of intention that briefly describes the improvement. The resolution or ordinance may provide for one or more improvements on one or more streets as a single improvement under one or more contracts, may be combined with certain actions relating to public streets or off-street parking areas, and must exempt a lot from assessment to the extent the proposed work has already been completed.

If the governing body determines to form an improvement district after the final resolution of protests, it must submit, within 120 days, a petition signed by owners of more than one-half of the taxable property units and more than one-half of the assessed valuation within the proposed district. Property that is tax-exempt is excluded from the valuation calculation, owners of nontaxable property may not sign the petition, and on verification of the petition signatures, the governing body may form the district and order the improvement as provided by law.

When the proposed improvement, in the opinion of the governing body, is of more than local or ordinary public benefit, it may order the expense of the improvement chargeable upon another district. The governing body of a municipality is prohibited from assessing the costs of an improvement for general public benefit against land in a district. If a portion of the expense of an improvement is for general public benefit, the city or town must assess the district only for the portion of the expense that benefits the property in the district (A.R.S. § 48-576).

Provisions
1. Requires, when passing a resolution or ordinance for an improvement district, a municipal governing body to:
   a. provide an estimate of the assessment, except that the assessment cannot exceed the amount prescribed in the petition; and

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

Attachment 4

b. receive a petition prior to passing the resolution or ordinance. (Sec. 4, 5)

2. Instructs the municipal governing body, before passing a resolution or ordinance, to receive a petition filed with the clerk and signed by the owners of real property in the proposed improvement district. (Sec. 4)

3. Requires the petition for improvement districts, that will levy and collect ad valorem taxes, to be signed by:
   a. a majority of the individuals owning taxable property within the proposed area; and
   b. the owners of 51% or more of the assessed valuation of the property within the proposed district. (Sec. 4)

4. Maintains that petitions for improvement districts, other than tax levying improvement districts, must be signed by:
   a. a majority of the individuals owning real property within the proposed district; and
   b. the owners of 51% or more of the real property, determined by acreage, within the proposed district. (Sec. 4)

5. Allows a municipal governing body and other individuals to rely on the taxable property units determined by the county assessor to determine a majority of the individuals owning real or taxable property within the proposed improvement districts. (Sec. 4)

6. Restricts property that is exempt from property taxes from being included in the determination for an improvement district that will levy and collect ad valorem taxes. (Sec. 4)

7. Requires property that is exempt from property taxes to be included in the determination of a majority of the individuals owning real property, except the owners of public property or rights-of-way owned by public property owners. (Sec. 4)

8. Stipulates that, in determining acreage within the area of a proposed district, public property and rights-of-way must be excluded, with the exception of the municipal governing body declaring in the resolution or ordinance of the intention to do so. (Sec. 4)

9. Exempts a community facilities district issuing special assessment bonds from real or taxable property determination requirements. (Sec. 4)

10. Permits the municipality and specified owners to enter into a written agreement waiving any or all posting requirements and protest and objections if the outlined requirements are met. (Sec. 4)

11. Allows a municipal governing body, on receipt of a petition signed by real property owners, to adopt a resolution or ordinance of intention to order an improvement district, have immediate jurisdiction to adopt the resolution and combine two or more improvement projects into the resolution. (Sec. 4)

12. Requires the petition to include all of the following:
   a. the name of the proposed improvement district;
   b. the necessity for the proposed improvement district;
   c. that the public convenience, necessity or welfare will be promoted by establishing the improvement district and that the property to be included in the improvement district will be benefited;
   d. a legal description of the boundaries and a map that shows generally the location of the proposed improvement district;
   e. a maximum amount of the assessment;

f. that the petitioners consent to the assessment with the municipal governing body's compliance with specified requirements;
g. the county assessor's parcel number for each lot;
h. each petition signer indicates that the applicable county assessor's parcel number corresponds to their lot; and
i. any other matters required by statute. (Sec. 4)

13. Allows a municipality's governing body to adopt a resolution to include adjacent territory in an improvement district without requiring a petition. (Sec. 2, 3)

14. Prohibits a municipality's governing body from forming improvement districts for areas that will provide outlined public services until the governing body receives the prescribed petition. (Sec. 3)

15. Removes the provision requiring the governing body of the municipality, before ordering an improvement, to submit a specified petition to the city or town clerk. (Sec. 4)

16. Expands the definition of street to include on-street parking. (Sec. 1)

17. Makes technical changes. (Sec. 1-4)

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1016
(Reference to Senate engrossed bill)

Strike everything after the enacting clause and insert:

"Section 1. Section 48-571, Arizona Revised Statutes, is amended to read:

48-571. Definitions; appointment of officer

A. In this article and article 1 of this chapter, unless the context otherwise requires:

1. "Assessment" or "assessment roll" means a special assessment made under the provisions of this article.

2. "Block" means any parcel of ground, whether regular or irregular, ~~which~~ THAT is bounded by streets, or by one or more streets and by one or more boundary lines of the city or town.

3. "Clerk" includes any person or official who performs the duties of clerk of the city or town.

4. "Contractor" includes the contractor's personal representative or assignee.

5. "Council" or "governing body" ~~includes and~~ means the body or board ~~which~~ THAT by law is constituted the legislative department of an incorporated city or town.

6. "Delinquency" means delinquency in the payment of an assessment made under the provisions of this article.

7. "Designated area" means an area of the municipality ~~which~~ THAT is either designated pursuant to section 36-1479 as a slum or blighted area or designated as a pocket of poverty or a neighborhood strategy area by the United States department of housing and urban development, pursuant to title I of the housing and community development act of 1977, as amended (P.L. 95-128; 42 United States Code sections 5301 through 5320) and the department of housing and urban development act (P.L. 89-174; 42 United States Code section 3535(d)).

8. "Engineer" includes any person who, under whatever official name, is the civil engineer or surveyor of the city or town, and where there is no elected or appointed official, then the engineer is the person who may be appointed or employed by the council to perform the duties required of an engineer under the provisions of this article.

9. "Improvement bond" means a bond issue under the provisions of this article.

10. "Lighting plants" includes electric light plants, electric power plants, gas plants, distribution systems, poles, parts, pipes, conduits, wires, tanks, reservoirs, generators for gas or electricity, transmission lines, towers, lamps, transformers of every character, machinery,

Attachment 5

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

apparatus, equipment and all appliances and structures necessary or incidental to the construction, installation or operation of a complete municipal electric light, power and gas plant and distribution system, placed on the streets improved, though extended beyond.

11. "Lot" includes any portion, piece, parcel or subdivision of land, and includes property owned or controlled by any person as a railroad right-of-way.

12. "Mayor" includes the chairman or president of the governing body.

13. "Municipality" or "city" includes incorporated cities and towns.

14. "Owner" means the person in whom, on the day the action or proceeding is commenced, appears the legal title to the lot by deed recorded in the recorder's office, or the person in possession of the lot under claim of title, or exercising acts of ownership over the lot for the person, or as the personal representative of the owner.

15. "Railroad" includes street railroad and interurban railroad.

16. "Sewers" includes tunnels, excavations, ditches, drains, conduits, channels, outlets, outfalls, cesspools, manholes, catch basins, flush tanks, septic tanks, connecting sewers of every character, machinery, apparatus, equipment and all appliances and structures necessary or incidental to the construction, installation or operation of a complete sewer system, for either sanitary or drainage purposes.

17. "Street" includes avenues, alleys, highways, lanes, crossings, intersections, courts, places and grounds now open or dedicated or hereafter opened or dedicated to public use, INCLUDING ON-STREET PARKING, and public ways.

18. "Street superintendent" or "superintendent" includes any person who, under whatever official name, is charged with the care or supervision of the streets of the city or town.

19. "Time of delinquency" means the time fixed when assessments become delinquent.

20. "Treasurer" includes any person who, under whatever official name, is the custodian of the funds of the city or town.

21. "Waterworks" includes pipes, hydrants, reservoirs, wells, pumps, pumping plants, conduits, settling basins, filtering plants of every character, machinery, apparatus, equipment and all appliances and structures necessary or incidental to the construction, installation or operation of a complete municipal waterworks system, for fire protection, or for domestic irrigation, mechanical or power purposes, placed on the streets improved, though extended beyond.

22. "Work" or "improvement" includes any or all of the improvements mentioned and authorized to be made in this ARTICLE and article 1 of this chapter and the construction, reconstruction and repair of all or any portion of the improvements, and all labor, services, incidental expenses and material necessary or incidental to the construction, reconstruction or repair.

B. In any city or town having no officer in this article designated, or performing like duties, the governing body may appoint a suitable person to discharge the duties.

Sec. 2. Section 48-574, Arizona Revised Statutes, is amended to read:

48-574. Improvement districts for operation, maintenance, repair and improvement of pedestrian malls, off-street parking facilities, retention and detention basins and parkings and parkways

A. In addition to the purposes for which an improvement district may be formed under ~~the provisions of~~ section 48-572, an improvement district may be formed for the sole purpose of the operation, maintenance, repair and improvements of pedestrian malls, off-street parking facilities, retention and detention basins and parkings and parkways.

B. Subject to the powers granted and the limitations contained in this section, the powers and duties of the governing body of the municipality and the procedure to be followed shall be as provided in this article for other types of special improvement districts.

C. If a petition for the formation of an improvement district under ~~the provisions of~~ this section is presented to the governing body purporting to be signed by all of the real property owners in the proposed district, exclusive of mortgagees and other lienholders, the governing body, after verifying the property ownership and making a finding of that fact, shall adopt a resolution of intention to order the improvement pursuant to ~~the provisions of~~ section 48-576 and shall have immediate jurisdiction to adopt the resolution ordering the improvement pursuant to ~~the provisions of~~ section 48-581, without the necessity of the publication and posting of the resolution of intention provided for in section 48-578.

D. The governing body shall make annual statements and estimates of the expenses of the district, which shall be provided for either:

1. By the levy and collection of ad valorem taxes ~~upon~~ ON the assessed value of all the real and personal property in the district.

2. By assessment of the total sum ~~upon~~ ON the several lots, each respectively in proportion to the benefits to be received by each lot.

E. If the expenses of the district are provided for by ad valorem taxes, the governing body shall publish notice, have hearings and adopt the taxes at the times and in the manners provided for incorporated cities and towns by the applicable portions of title 42, chapter 17, article 3. The governing body, on or before the third Monday in August of each year, shall fix, levy and assess the amount to be raised by ad valorem taxes ~~upon~~ ON all of the property of the district. If the expenses of the district are assessed ~~upon~~ ON the several lots in proportion to the benefits received by each lot, the governing body shall follow the procedures established in section 48-575 for the assessment and collection of the assessments. All statutes providing for the levy and collection of general county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, shall be applicable to the district taxes provided for under this section.

F. An improvement district formed under ~~the provisions of~~ this section shall not be authorized to issue improvement bonds.

G. No improvement district formed under ~~the provisions of~~ this section shall be authorized to engage in any activity other than as

provided in subsection A of this section. If the municipality is willing to participate in the cost of the district, the governing body ~~may~~, by resolution, MAY summarily order such participation.

H. The formation of an improvement district under ~~the provisions of~~ this section shall not prevent the subsequent establishment of improvement districts for any other purpose authorized by law.

I. If, in the opinion of the governing body, any portion of the territory of a district formed under this section is no longer benefited by being a part of the district, the governing body ~~may~~, by resolution, MAY summarily delete from the district formed under this section any area and may form a new district from the balance of the original district formed under this section.

J. If, in the opinion of the governing body, territory adjacent to a district formed under this section would benefit from being a part of the district, the governing body, by resolution, may include the territory in the district formed under this section if the following conditions are met:

1. Improvements that meet the standards and specifications established by the governing body have been constructed in the territory and will be used for the purposes of the district.

2. Any required public dedications of property have been made or will be made before the inclusion of the territory in the district.

3. Including the territory in the district will not adversely affect the district.

4. Notice of the proposed inclusion of the territory in the district has been published in five consecutive issues of a daily newspaper or two consecutive issues of a weekly or semiweekly newspaper of general circulation published in the municipality and a public hearing has been held to consider the inclusion of the territory in the district.

5. Notice has been sent by first class mail at least ten days ~~prior to~~ BEFORE the hearing specified in paragraph 4 of this subsection with an accurate map of the territory proposed for inclusion in the district to each owner of real and personal property within the district and in the proposed area of inclusion as shown on the statement furnished pursuant to subsection K of this section that is now or would be subject to taxation by the district in the event of inclusion of the proposed area.

K. The county assessor and the department of revenue, respectively, shall furnish to the district within thirty days after a request a statement in writing showing the name and the address of each owner of real and personal property within the district and in the proposed area of inclusion that is now or that would be subject to taxation by the district in the event of inclusion of the proposed area.

L. Within ten days after the governing body adopts a resolution pursuant to subsection J of this section, the municipality shall record the resolution in the office of the county recorder in the county in which the district is located to give notice of the inclusion of the territory in the district to all property owners in the district. If, before the governing body adopts the resolution pursuant to subsection J of this section, a majority of the property owners, by area, of either the

original district formed under this section or the territory proposed to be included in the district files with the governing board written objections to the proposed inclusion of the territory, the territory shall not be included in the district. THE GOVERNING BODY MAY ADOPT A RESOLUTION PURSUANT TO SUBSECTION J OF THIS SECTION WITHOUT REQUIRING A PETITION TO BE FILED PURSUANT TO SECTION 48-576, SUBSECTION A.

M. Within ten days after adoption of the resolution of intention to order the improvement pursuant to section 48-576, the municipality shall record the resolution in the office of the county recorder in the county in which the district is located to give notice of formation of the district to all property owners within the district.

N. For the purposes of this subsection, a property owner is an owner of real property, exclusive of mortgagees and other lienholders, that is within an improvement district that was formed as prescribed by this section. A property owner may petition the governing body to dissolve the district pursuant to the following procedures:

1. A property owner shall file with the clerk of the governing body in which the district is located a written notice of the property owner's intent to circulate a petition to dissolve the district. The notice shall include the name, address and telephone number of at least one property owner living within the district who intends to circulate the petition, the name, location and general purpose of the district ~~which~~ THAT is to be dissolved and a true and concise statement of two hundred words or less explaining the advantages of dissolving the district. A petition shall not be circulated for thirty days after the property owner files with the governing body the notice of intent to circulate a dissolution petition.

2. The governing body may provide a form of petition to be used to dissolve the district. Any petition shall include the statement provided in the notice of intent to circulate a petition regarding the advantages of dissolving the district.

3. The governing body may provide a true and concise written statement of two hundred words or less regarding the petition or dissolution of the district. If so provided, the property owner must circulate this statement affixed to the petition.

4. Property owners shall submit to the clerk of the governing body a petition for the dissolution of an improvement district formed under this section that purports to be signed by more than fifty ~~per cent~~ PERCENT of the property owners in the district.

5. Within twenty days ~~of~~ AFTER receipt of the signed petition, the governing body shall verify that the petition is signed by more than fifty ~~per cent~~ PERCENT of the property owners as set forth in paragraph 4 of this subsection.

6. If the governing body finds the petition contains valid signatures of more than fifty ~~per cent~~ PERCENT of the property owners, the governing body shall set the date for dissolution of the district within ninety days. The district may continue to operate after dissolution only as needed to collect money and make payments on any outstanding district obligations.

7. Each property in the district with outstanding assessments or liens attached shall remain subject to those assessments or liens for payment of the existing obligations of the district, notwithstanding dissolution of the district.

8. If a district formed under this section subsequently dissolves as prescribed in this subsection, the governing body may not attempt to form any district for the same purpose for at least two years after the date the district is dissolved if the proposed district includes lands formerly located within the dissolved district.

O. Districts that are located in slum or blighted areas as defined in section 36-1471 are exempt from subsection N of this section.

Sec. 3. Section 48-575, Arizona Revised Statutes, is amended to read:

48-575. Improvement districts for enhanced municipal services

A. In addition to the purposes for which an improvement district may be formed under ~~the provisions of~~ section 48-572, an improvement district may be formed within a designated area to provide public service within the district at a higher level or greater degree than provided in the remainder of the community, including such services as public safety, fire protection, refuse collection, street or sidewalk cleaning or landscape maintenance in public areas, planning, promotion, transportation and public parking.

B. The powers and duties of the governing body of the municipality and the procedure to be followed shall be as provided in this article for other types of special improvement districts.

C. If a petition for the formation of an improvement district under ~~the provisions of~~ this section is presented to the governing body purporting to be signed by all of the real property owners in the proposed district, exclusive of mortgagees and other lienholders, the governing body, after verifying such ownership and making a finding of such fact, shall adopt a resolution of intention to order the improvement pursuant to ~~the provisions of~~ section 48-576 and shall have immediate jurisdiction to adopt the resolution ordering the improvement pursuant to ~~the provisions of~~ section 48-581, without the necessity of the publication and posting of the resolution of intention provided for in section 48-578. FOR IMPROVEMENT DISTRICTS FORMED PURSUANT TO THIS SECTION AFTER THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION, THE GOVERNING BODY MAY NOT ORDER THE IMPROVEMENTS PRESCRIBED BY SUBSECTION A OF THIS SECTION UNTIL AFTER THE GOVERNING BODY HAS RECEIVED A PETITION PRESCRIBED BY SECTION 48-576, SUBSECTION A.

D. The engineer shall make duplicate diagrams of the property contained within the improvement district. The diagram shall show each separate lot numbered consecutively, the area in square feet of each lot, and the area in square feet of any building or buildings located on each lot. ~~Prior to~~ BEFORE making any assessment ~~upon~~ ON the district, the diagram shall be approved by the governing body.

E. The governing body shall make annual statements and estimates of the expenses of the district, and shall assess the total sum ~~upon~~ ON the several lots, each respectively in proportion to the benefits to be

received by each lot. When the assessments have been completed, the governing body shall fix a time when it will hear and pass ~~upon~~ ON the assessments and the prior proceedings relating thereto, which shall not be less than twenty days ~~from~~ AFTER the date of the notice. Notice of hearing shall be given in the manner provided by section 48-590, subsection E. Any person owning real property affected by the assessment who has any objection to the legality of the assessment, or to any of the previous proceedings connected therewith, ~~may prior to~~ BEFORE the time fixed for the hearing MAY file a written notice briefly specifying the grounds of the objection. At the time fixed for the hearing or at any time not later than ten days thereafter to which the hearing may be postponed, the governing body shall hear and pass ~~upon~~ ON the objections. The decision of the governing body shall be final and conclusive ~~upon~~ ON all persons entitled to object as to all errors, informalities and irregularities ~~which~~ THAT the governing body might have remedied or avoided any time during the progress of the proceedings.

F. The assessments for the annual expenses shall be collectible in the manner and by the officers provided by law for the collection and enforcement of general taxes the municipality is authorized to levy. All statutes providing for the levy and collection of county and city taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, shall be applicable to the district assessments provided for under this section.

G. An improvement district formed under ~~the provisions of~~ this section shall not be authorized to issue improvement bonds.

H. No improvement district formed under ~~the provisions of~~ this section shall be authorized to engage in any activity other than as provided in subsection A of this section. If the municipality is willing to participate in the cost of the district, the governing body ~~may~~, by resolution, MAY summarily order such participation.

I. The formation of an improvement district under ~~the provisions of~~ this section shall not prevent the subsequent establishment of improvement districts for any other purpose authorized by law.

J. If, in the opinion of the governing body, any territory of a district formed under this section is not benefited by being a part of the district, the governing body ~~may~~, by resolution, MAY exempt such territory from assessment under this chapter, or if any portion of the territory of a district formed under this section is no longer benefited by being a part of the district, the governing body ~~may~~, by resolution, MAY summarily delete from the district formed under this section any such area and may form a new district from the balance of the original district formed under this section.

K. Any real property that is within the boundaries of the district, that is ~~utilized~~ USED for residential purposes and that is not specifically benefited by the public services at a higher level or greater degree shall be exempt from assessment pursuant to this section for that year. Existing improved real property ~~utilized~~ USED for residential purposes with four units or less per building at the time of formation of

the district is presumed to not be specifically benefited by a public service at a higher level or greater degree.

L. Within ten days after adoption of the resolution of intention to order the improvement, the municipality shall record the resolution in the office of the county recorder in the county in which the district is located in such a way as to give notice of formation of the district to all property owners within the district.

M. If, in the opinion of the governing body of the municipality, territory adjacent to a district formed under this section would benefit from being a part of the district, the governing body, by resolution, may include the territory in the district formed under this section if all of the following conditions are met:

1. Including the territory in the district will not adversely affect the district.

2. Notice of the proposed inclusion of the territory in the district has been published in five consecutive issues of a daily newspaper or two consecutive issues of a weekly or semiweekly newspaper of general circulation published in the municipality and a public hearing has been held to consider the inclusion of the territory in the district.

3. Notice, including an accurate map of the territory proposed for inclusion in the district, has been sent by first class mail at least ten days before the hearing prescribed in paragraph 2 to each owner of property listed on the tax roll within the district and in territory that is now or would be subject to taxation by the district in the event of inclusion of the territory.

N. Within ten days after the governing body of the municipality adopts a resolution pursuant to subsection M of this section, the municipality shall record the resolution in the office of the county recorder in the county in which the district is located to give notice of the inclusion of the territory in the district to all property owners in the district. If, before the governing body of the municipality adopts the resolution pursuant to subsection M of this section, a majority of the property owners, by area, of either the original district formed under this section or the territory proposed to be included in the district files with the governing body of the municipality written objections to the proposed inclusion of the territory, the territory shall not be included in the district. THE GOVERNING BODY MAY ADOPT A RESOLUTION PURSUANT TO SUBSECTION M OF THIS SECTION WITHOUT REQUIRING A PETITION TO BE FILED PURSUANT TO SECTION 48-576, SUBSECTION A.

O. An improvement district to provide enhanced municipal services may continue to exist in an area that is no longer in a designated area as defined in section 48-571, if at the time of district formation all of the following apply:

1. The area contained in the improvement district has been in a designated area for five or more years.

2. Not more than ten ~~per cent~~ PERCENT of the frontage of the property fronting on the proposed improvement, or if the cost of the improvement is to be made chargeable on a district, not more than ten ~~per~~

~~cent~~ PERCENT of the frontage of the property contained within the limits of the improvement district, is owned by the same person.

3. Not more than one-third of the property owners by frontage of the area contained in the improvement district files with the governing body of the municipality written objections to the improvement district.

4. The municipality otherwise complies with ~~the provisions of~~ this article for the process of forming the improvement district.

Sec. 4. Section 48-576, Arizona Revised Statutes, is amended to read:

48-576. Resolution or ordinance of intention to order improvement; petition

A. Before ordering an improvement authorized by this article, the governing body of the municipality shall comply with both of the following:

1. Pass a resolution or ordinance of intention ~~so~~ to ~~do~~ MAKE AN IMPROVEMENT, briefly describing the improvement AND PROVIDING AN ESTIMATE OF THE ASSESSMENT, EXCEPT THAT THE ASSESSMENT ESTIMATE MAY NOT EXCEED THE MAXIMUM ASSESSMENT AMOUNT THAT IS INCLUDED IN THE PETITION AS PRESCRIBED BY THIS SECTION. By the resolution or ordinance and the proceedings subsequent thereto, one or more improvements may be made on one or more streets and shall constitute one improvement and be constructed under one or more contracts. The resolution or ordinance of intention may be combined in a single resolution or ordinance of intention to open, extend, widen, straighten or close public streets or off-street parking areas pursuant to section 48-505. If the work proposed is already done for a lot, the lot shall be excepted from the assessment therefor to the extent of the work done.

~~2. If the governing body determines that the district should be formed after the final resolution of any protests made pursuant to section 48-579, the governing body shall submit within one hundred twenty days to the city or town clerk a petition to form the district that is signed by owners of more than one-half of the taxable property units within the area of the proposed district and that is signed by persons owning collectively more than one-half of the assessed valuation of the property within the area of the proposed district. Property that is exempt pursuant to title 42, chapter 11, article 3 is not considered in determining the total assessed valuation of the proposed district and owners of property that is not subject to taxation are not eligible to sign the petition. On verification of the petition signatures, the governing body may form the improvement district and order the improvement as otherwise provided by law.~~

2. BEGINNING ON THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION, BEFORE PASSING A RESOLUTION OR ORDINANCE OF INTENTION PRESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION, THE GOVERNING BODY MUST RECEIVE A PETITION THAT IS FILED WITH THE CLERK AND SIGNED BY THE OWNERS OF REAL PROPERTY IN THE PROPOSED IMPROVEMENT DISTRICT AS FOLLOWS:

(a) FOR IMPROVEMENT DISTRICTS THAT ARE FORMED UNDER SECTION 48-574 THAT WILL LEVY AND COLLECT AD VALOREM TAXES, THE PETITION SHALL BE SIGNED BY BOTH OF THE FOLLOWING:

(i) A MAJORITY OF THE PERSONS OWNING TAXABLE PROPERTY WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT.

(ii) THE OWNERS OF FIFTY-ONE PERCENT OR MORE OF THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT. PROPERTY THAT IS EXEMPT PURSUANT TO TITLE 42, CHAPTER 11, ARTICLE 3 IS NOT CONSIDERED IN DETERMINING THE TOTAL ASSESSED VALUATION OF THE PROPOSED IMPROVEMENT DISTRICT AND OWNERS OF PROPERTY THAT IS NOT SUBJECT TO TAXATION ARE NOT ELIGIBLE TO SIGN THE PETITION REQUIRED BY THIS SUBDIVISION.

(b) FOR IMPROVEMENT DISTRICTS THAT ARE AUTHORIZED UNDER THIS CHAPTER OTHER THAN TAX LEVYING IMPROVEMENT DISTRICTS FORMED UNDER SECTION 48-574, THE PETITION SHALL BE SIGNED BY BOTH OF THE FOLLOWING:

(i) A MAJORITY OF THE PERSONS OWNING REAL PROPERTY WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT.

(ii) THE OWNERS OF FIFTY-ONE PERCENT OR MORE OF THE REAL PROPERTY, DETERMINED BY ACREAGE, WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT.

(c) FOR THE PURPOSES OF THIS PARAGRAPH:

(i) TO DETERMINE A MAJORITY OF THE PERSONS OWNING TAXABLE PROPERTY WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT PURSUANT TO SUBDIVISION (a), ITEM (i), OF THIS PARAGRAPH, THE GOVERNING BODY AND OTHER PERSONS MAY RELY ON THE TAXABLE PROPERTY UNITS AS DETERMINED BY THE COUNTY ASSESSOR AS OF THE DATE OF THE PETITION. THIS DETERMINATION OF A MAJORITY OF THE PERSONS OWNING TAXABLE PROPERTY MAY NOT INCLUDE PROPERTY THAT IS EXEMPT PURSUANT TO TITLE 42, CHAPTER 11, ARTICLE 3.

(ii) TO DETERMINE A MAJORITY OF THE PERSONS OWNING REAL PROPERTY WITHIN THE AREA OF THE PROPOSED IMPROVEMENT DISTRICT PURSUANT TO SUBDIVISION (b), ITEM (i), OF THIS PARAGRAPH, THE GOVERNING BODY AND OTHER PERSONS MAY RELY ON THE TAXABLE PROPERTY UNITS AS DETERMINED BY THE COUNTY ASSESSOR AS OF THE DATE OF THE PETITION. THIS DETERMINATION OF A MAJORITY OF THE PERSONS OWNING REAL PROPERTY SHALL INCLUDE REAL PROPERTY THAT IS EXEMPT PURSUANT TO TITLE 42, CHAPTER 11, ARTICLE 3, BUT MAY NOT INCLUDE THE OWNERS OF PUBLIC PROPERTY PRESCRIBED BY SECTION 48-582 OR RIGHTS-OF-WAY OWNED BY THOSE OWNERS OF PUBLIC PROPERTY.

(d) FOR PURPOSES OF SUBDIVISION (b), ITEM (ii) OF THIS PARAGRAPH, TO DETERMINE THE ACREAGE WITHIN THE AREA OF THE PROPOSED DISTRICT, PUBLIC PROPERTY AND RIGHTS-OF-WAY SHALL BE EXCLUDED. PUBLIC PROPERTY MAY BE INCLUDED WITHIN THE PROPOSED IMPROVEMENT DISTRICT SUBJECT TO THE DECLARATION OF THE GOVERNING BODY IN THE RESOLUTION OR ORDINANCE OF INTENTION PURSUANT TO THIS SECTION.

(e) THIS PARAGRAPH DOES NOT APPLY TO A COMMUNITY FACILITIES DISTRICT ISSUING SPECIAL ASSESSMENT BONDS PURSUANT TO SECTION 48-721.

B. When the proposed improvement, in the opinion of the governing body, is of more than local or ordinary public benefit, it may order the expense of the improvement chargeable ~~upon~~ ON a district, and shall describe the extent of the district in general terms in its resolution or ordinance of intention, either by reference to street lines or block numbers, or by designating its exterior boundaries by their courses and distances from the street or streets the improvement of which is

contemplated, and may refer for a more particular description thereof to a map on file with the city or town engineer, showing the exterior boundary lines of the district, and delineating block and lot numbers or containing such details as will show the location of the lines. A city or town shall not assess the costs of an improvement ~~which~~ THAT is for the general public benefit against land in an assessment district. If a portion of the expense of an improvement is for general public benefit, the city or town shall assess the district only that portion of the expense ~~which~~ THAT benefits the property within the district.

C. The governing body, in the resolution or ordinance of intention, may provide that the improvement described therein may be made according to any of several alternative plans and specifications, or methods, classes or kinds of construction, or classes and kinds of material to be thereafter determined by the legislative body.

D. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, IF THE PETITION PRESCRIBED BY SUBSECTION A, PARAGRAPH 2 OF THIS SECTION IS SIGNED BY THE OWNERS OF ALL OF THE REAL PROPERTY WITHIN THE PROPOSED IMPROVEMENT DISTRICT, OTHER THAN PUBLIC PROPERTY AS PRESCRIBED BY SECTION 48-582, AND IS APPROVED BY THE GOVERNING BODY, THE MUNICIPALITY AND THOSE OWNERS MAY ENTER INTO A WRITTEN AGREEMENT WAIVING ANY OR ALL REQUIREMENTS RELATING TO POSTING, PUBLICATION, MAILING, NOTICE, FRONTAGE OWNER WRITTEN REQUIREMENTS AND DIRECTIONS, AND PROTEST AND OBJECTION, INCLUDING THE PROVISIONS OF SECTIONS 48-578, 48-579 AND 48-580. ON RECEIPT OF A PETITION SIGNED BY THE OWNERS OF ALL THE REAL PROPERTY WITHIN THE PROPOSED IMPROVEMENT DISTRICT, THE GOVERNING BODY MAY ADOPT A RESOLUTION OR ORDINANCE OF INTENTION TO ORDER THE IMPROVEMENT PURSUANT TO SUBSECTION A, PARAGRAPH 1 OF THIS SECTION, SHALL HAVE IMMEDIATE JURISDICTION TO ADOPT THE RESOLUTION ORDERING THE IMPROVEMENT PURSUANT TO SECTION 48-581, AND MAY COMBINE THOSE RESOLUTIONS INTO ONE RESOLUTION.

E. THE PETITION REQUIRED BY SUBSECTION A, PARAGRAPH 2 OF THIS SECTION SHALL SET FORTH ALL OF THE FOLLOWING:

1. THE NAME OF THE PROPOSED IMPROVEMENT DISTRICT.
2. THE NECESSITY FOR THE PROPOSED IMPROVEMENT DISTRICT.
3. THAT THE PUBLIC CONVENIENCE, NECESSITY OR WELFARE WILL BE PROMOTED BY ESTABLISHING THE IMPROVEMENT DISTRICT AND THAT THE PROPERTY TO BE INCLUDED IN THE IMPROVEMENT DISTRICT WILL BE BENEFITED.
4. A LEGAL DESCRIPTION OF THE BOUNDARIES OF THE PROPOSED IMPROVEMENT DISTRICT AND A MAP THAT SHOWS GENERALLY THE LOCATION OF THE PROPOSED IMPROVEMENT DISTRICT.
5. A GENERAL DESCRIPTION OF THE PROPOSED IMPROVEMENT.
6. A MAXIMUM AMOUNT OF THE ASSESSMENT.
7. THAT THE PETITIONERS CONSENT TO THE ASSESSMENT, EXCEPT THAT AN ASSESSMENT WILL NOT BE LEVIED WITHOUT THE GOVERNING BODY'S COMPLIANCE WITH SECTIONS 48-577, 48-578, 48-579, 48-580, 48-581, 48-582, 48-583, 48-584, 48-585, 48-586, 48-587, 48-588, 48-589, 48-590, 48-591, 48-592, 48-593 AND 48-594.
8. THE ASSESSOR'S PARCEL NUMBER FOR EACH LOT TO BE INCLUDED IN THE PROPOSED IMPROVEMENT DISTRICT. EACH PETITION SIGNER SHALL INDICATE THE

APPLICABLE ASSESSOR'S PARCEL NUMBER THAT CORRESPONDS TO THE LOT OWNED BY THE SIGNER.

9. ANY OTHER MATTERS REQUIRED BY THIS ARTICLE.

Sec. 5. Section 48-577, Arizona Revised Statutes, is amended to read:

48-577. Plans; estimate of cost; limitation on assessment

Before passing the resolution of intention, preliminary plans that show the location and the type and character of the proposed improvements and estimates of the cost and expenses of the proposed improvements shall be prepared and filed with the clerk. The ASSESSMENT SHALL NOT EXCEED THE MAXIMUM AMOUNT OF THE ASSESSMENT INCLUDED IN THE PETITION REQUIRED BY SECTION 48-576, AND THE assessment for any lot shall not exceed its proportion of the estimate."

Amend title to conform

TERESA MARTINEZ

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Rural Economic Development BILL NO. SB 1016

DATE March 26, 2026 MOTION: DPA/SE

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Bliss		✓			
Hernandez C					✓
Peshlakai				✓	
Volk		✓			
Lopez, Vice-Chairman		✓			
Martinez, Chairman		✓			
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Veronica Graham
COMMITTEE SECRETARY

APPROVED:

TERESA MARTINEZ, Chairman
CHRIS LOPEZ, Vice-Chairman

ATTACHMENT 6

ARIZONA HOUSE OF REPRESENTATIVES

57th Legislature, 2nd Regular Session
Majority Research Staff
Senate: PS 7-0-0-0 | Third Read 23-4-3-0

SB1401: special plate; golf tournament charity
S/E: housing; contractors; bonds; taxes
Sponsor: Senator Payne, LD 27
Committee on Rural Economic Development

Summary of the Strike-Everything Amendment to SB 1401

Overview
Allows municipalities to administer a workforce housing project expedited plan and permitting process and exempts such projects from the State's portion of the prime contracting sales tax.

History
Established in 2001 and housed in the Arizona Office of Economic Opportunity, the Arizona Finance Authority (AFA) serves as the State's bonding authority and supports affordable housing programs. AFA is governed by a 7-member board of directors, appointed by the Governor to 7-year terms. AFA's main responsibilities include: 1) administering funds or property from federal agencies or others; 2) entering into agreements, contracting with, or acting as a guarantor with any federal, state, or local government agency in connection with its responsibilities related to housing; and 3) inspecting housing facility financed through its resources (Arizona State Library).

Furthermore, the AFA must authorize any corporation that seeks to act as an authority in the issuance of bonds and is responsible for overseeing the greater Arizona development authority. Bonds are issued mainly by the Arizona Industrial Development Authority (IDA), with uses for bonds ranging from residential rental to manufacturing and infrastructure projects (Title 41, Chapter 53; Title 35, Chapter 5, Art. 1 & 2 A.R.S).

Provisions

Workforce Housing Authorization

1. Allows municipalities to establish and maintain a workforce housing project expedited plan review and permitting process. (Sec. 1)
2. Requires the following information and objectives to be included in a workforce housing project expedited plan review and permitting process:
   a. a dedicated point of contact for affordable housing applicants;
   b. initial plan review within twenty business days after the submission of the plan application; and
   c. inspections being given priority scheduling or being scheduled within 72 hours. (Sec. 1)

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

Attachment 7

3. Defines *workforce housing* and *workforce housing project.* (Sec. 1)

IDA Bond Issuance

4. Lowers the minimum population threshold, from 7% to 3% of the total state population, that a governing body of a county or municipality must have in order to issue bonds to finance a qualified project. (Sec. 2)

5. Expands one of the types of qualified projects that can receive a bond issuance from an IDA, to include all residential rental projects instead of solely multifamily residential rental projects. (Sec. 2)

Tax Exemption

6. Exempts the gross proceeds of sales or gross income attributable to the development of workforce housing projects from the State's portion of the prime contracting sales tax regardless of whether services are provided sequential to or concurrent with prime contracting activities that are subject to tax. (Sec. 3)

Miscellaneous

7. Establishes the effective date of this act to be 12 months after the general effective date. (Sec. 7)

8. Cites the act as the *Workforce Housing Incentive Act.* (Sec. 8)

9. Makes technical and conforming changes. (Sec. 1, 2, 3)

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1401
(Reference to Senate engrossed bill)

Strike everything after the enacting clause and insert:

"Section 1. Title 9, chapter 4, article 6, Arizona Revised Statutes, is amended by adding section 9-461.21, to read:

9-461.21. Workforce housing projects; residential structures; plan review and permitting process; definitions

A. EACH MUNICIPALITY MAY ESTABLISH AND MAINTAIN A WORKFORCE HOUSING PROJECT EXPEDITED PLAN REVIEW AND PERMITTING PROCESS. THE WORKFORCE HOUSING PROJECT EXPEDITED PLAN REVIEW AND PERMITTING PROCESS SHALL INCLUDE ALL OF THE FOLLOWING:

1. A DEDICATED POINT OF CONTACT FOR AFFORDABLE HOUSING APPLICANTS.

2. INITIAL PLAN REVIEW WITHIN TWENTY BUSINESS DAYS AFTER THE SUBMISSION OF THE PLAN APPLICATION.

3. INSPECTIONS BEING GIVEN PRIORITY SCHEDULING OR BEING SCHEDULED WITHIN SEVENTY-TWO HOURS.

B. FOR THE PURPOSES OF THIS SECTION:

1. "WORKFORCE HOUSING" MEANS NEW DWELLING UNITS THAT ARE:

(a) FOR SALE OR RENT AT A SALES OR RENTAL PRICE THAT IS AFFORDABLE TO HOUSEHOLDS EARNING NOT MORE THAN ONE HUNDRED FIFTY PERCENT OF THE AREA MEDIAN INCOME AS DETERMINED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

(b) SUBJECT TO A RECORDED AFFORDABILITY COVENANT OR OTHER BINDING RESTRICTION THAT ENSURES THAT THE SALES OR RENTAL PRICE OF THE DWELLING UNIT IS AFFORDABLE AS PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH FOR AT LEAST TWENTY YEARS.

2. "WORKFORCE HOUSING PROJECT" MEANS A RESIDENTIAL PROJECT THAT DOES ALL OF THE FOLLOWING:

(a) CONSTRUCTS NEW DWELLING UNITS FOR SALE OR RENT AT A SALES OR RENTAL PRICE THAT IS AFFORDABLE TO HOUSEHOLDS EARNING NOT MORE THAN ONE HUNDRED FIFTY PERCENT OF THE AREA MEDIAN INCOME AS DETERMINED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

(b) RECORDS AN AFFORDABILITY COVENANT OR OTHER BINDING RESTRICTION THAT ENSURES THAT THE SALES OR RENTAL PRICE OF THE DWELLING UNIT IS AFFORDABLE AS PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH FOR AT LEAST TWENTY YEARS FOR WORKFORCE HOUSING RENTAL PROJECTS OR INITIAL SALE PRICE AFFORDABILITY FOR OWNERSHIP UNITS.

(c) OFFERS ONE HUNDRED PERCENT OF THE NEW DWELLING UNITS IN THE PROJECT FOR SALE OR RENT AT A SALES OR RENTAL PRICE THAT IS AFFORDABLE TO HOUSEHOLDS EARNING NOT MORE THAN ONE HUNDRED FIFTY PERCENT OF THE AREA MEDIAN INCOME AS DETERMINED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

Attachment 8

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

Sec. 2. Section 35-726, Arizona Revised Statutes, is amended to read:

35-726. Approval of general plan before issuing bonds; fee; exceptions; definition

A. Bonds shall not be issued by a corporation ~~for the purpose of financing~~ TO FINANCE single family dwelling units pursuant to section 35-706, subsection A, paragraph 11 or 12 without approval of a general plan by its governing body. The corporation shall submit TO THE GOVERNING BODY a general plan for each respective series of bonds ~~to its governing body~~. The general plan shall briefly describe:

1. The amount of the proposed bonds.
2. The maximum term of the bonds.
3. The maximum interest rate on the bonds.
4. The need for the bond issue.
5. The terms and conditions for originating or purchasing mortgage loans or making loans to lenders.
6. The area in which the single family dwelling units to be financed may be located.
7. The proposed fees, charges and expenditures to be paid for originators, servicers, trustees, custodians, mortgage administrators and others.
8. All insurance requirements with respect to mortgage loans, mortgaged property, mortgagors, originators, servicers and trustees.
9. The anticipated date of issuance of the bonds.

B. The governing body shall review general plans submitted by corporations pursuant to subsection A of this section. In reviewing the plans the governing body shall consider:

1. Whether the amount of the mortgage monies proposed to be made available is reasonably related to the demand for the mortgage monies.
2. Whether the terms of the general plan are justifiable in the context of the transaction and in the context of similar transactions.
3. Whether the fees, costs and expenditures as set forth in the general plan are reasonably related to the services provided.
4. For projects of owner-occupied single family dwelling units to be occupied by persons of low and moderate income and financed pursuant to section 35-706, subsection A, paragraphs 11 and 12, whether the proposed mortgage monies to be made available will fulfill a public purpose by providing housing for persons of low and moderate income or by encouraging single family developments in all participating jurisdictions, including such jurisdictions' slum or blighted areas as defined in section 36-1471.

C. The governing body shall approve or disapprove the general plan not later than thirty days after receipt of the plan. If the governing body does not act on the general plan within thirty days after the date of receipt, the general plan shall be deemed approved. If a general plan is approved, the corporation may issue the series of bonds covered by the general plan with a total principal amount, maximum term and maximum interest rate ~~no~~ NOT greater than that which is set forth in the general plan. The origination and servicing fees pertaining to mortgage loans to be financed in accordance with the general plan shall not exceed those proposed in the general plan. The corporation may vary other items in the

general plan on a finding that the variation is minor and that the variations will not impair the security for the bonds or substantially increase the cost of financing the single family dwelling units and the findings of the corporation shall be conclusive.

D. The governing body may charge any corporation submitting a general plan for review a fee of not ~~to exceed ten thousand dollars~~ MORE THAN $10,000 together with reimbursement of its actual costs and expenses incurred in reviewing the general plan.

E. Except for a corporation THAT IS approved by the Arizona finance authority or a governing body of a county or a municipality having a population of more than ~~seven~~ THREE percent of the total state population, a corporation shall not issue bonds, other than refunding bonds the proceeds of which are used exclusively to refund a prior bond issue, to finance a ~~multifamily~~ residential rental project, sanitarium, clinic, medical hotel, rest home, nursing home, skilled nursing facility or life care facility as prescribed in section 20-1801, unless the department approves the project. The department, with or without a hearing, shall review the project and consider at least the following factors:

1. The demand for and feasibility of the project in the area set forth in the application to the corporation.
2. The terms and conditions of the proposed bonds.
3. The proposed use of bond proceeds.
4. The benefit to the public if the project provides rental housing for persons of low and moderate income or encourages rental housing in slum or blighted areas as defined in section 36-1471.
5. If the project consists of a nursing home, or a life care facility as prescribed in section 20-1801, the benefit to the public of the project, including the proposed rent, fees and other charges of the project in relation to the level of services to be offered.

F. Subsection E of this section does not apply to bonds issued to finance:

1. A sanitarium, clinic, medical hotel, rest home, nursing home, skilled nursing facility, or life care facility as prescribed in section 20-1801, if the facility is to be owned and operated by this state or a political subdivision or agency of this state.
2. A nursing home, rest home, skilled nursing facility, life care facility or senior residential facility providing on-site medical and support services if the facility is owned and operated by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the United States internal revenue code.

G. Except for a corporation that is exempt under subsection E of this section, the department with or without a hearing shall approve or disapprove the project not later than thirty days after receipt of the request for approval. If the project is approved the corporation may issue the bonds described in the approval request with the total principal amount, maximum term and maximum interest rate ~~no~~ NOT greater than as set forth in the request. The department shall charge each applicant submitting a project approval request pursuant to this subsection a fee of not ~~to exceed five thousand dollars~~ MORE THAN $5,000 together with reimbursement of its actual costs and expenses incurred in reviewing the

project. The department shall remit the fees to the state treasurer for deposit in the Arizona department of housing program fund established by section 41-3957.

H. For the purposes of this section, "department" means the Arizona department of housing.

Sec. 3. Section 42-5075, Arizona Revised Statutes, is amended to read:

42-5075. Prime contracting classification; exemptions; definitions

A. The prime contracting classification is comprised of the business of prime contracting and the business of manufactured building dealer. Sales for resale to another manufactured building dealer are not subject to tax. Sales for resale do not include sales to a lessor of manufactured buildings. The sale of a used manufactured building is not taxable under this chapter. The prime contracting classification does not include any work or operation performed by a person that is not required to be licensed by the registrar of contractors pursuant to section 32-1121.

B. The tax base for the prime contracting classification is sixty-five percent of the gross proceeds of sales or gross income derived from the business. The following amounts shall be deducted from the gross proceeds of sales or gross income before computing the tax base:

1. The sales price of land, which shall not exceed the fair market value.

2. Sales and installation of groundwater measuring devices required under section 45-604 and groundwater monitoring wells required by law, including monitoring wells installed for acquiring information for a permit required by law.

3. The sales price of furniture, furnishings, fixtures, appliances and attachments that are not incorporated as component parts of or attached to a manufactured building or the setup site. The sale of such items may be subject to the taxes imposed by article 1 of this chapter separately and distinctly from the sale of the manufactured building.

4. The gross proceeds of sales or gross income received from a contract entered into for the modification of any building, highway, road, railroad, excavation, manufactured building or other structure, project, development or improvement located in a military reuse zone for providing aviation or aerospace services or for a manufacturer, assembler or fabricator of aviation or aerospace products within an active military reuse zone after the zone is initially established or renewed under section 42-1301. To be eligible to qualify for this deduction, before beginning work under the contract, the prime contractor must have applied for a letter of qualification from the department of revenue.

5. The gross proceeds of sales or gross income derived from a contract to construct a qualified environmental technology manufacturing, producing or processing facility, as described in section 41-1514.02, and from subsequent construction and installation contracts that begin within ten years after the start of initial construction. To qualify for this deduction, before beginning work under the contract, the prime contractor must obtain a letter of qualification from the department of revenue.

This paragraph shall apply for ten full consecutive calendar or fiscal years after the start of initial construction.

6. The gross proceeds of sales or gross income from a contract to provide for one or more of the following actions, or a contract for site preparation, constructing, furnishing or installing machinery, equipment or other tangible personal property, including structures necessary to protect exempt incorporated materials or installed machinery or equipment, and tangible personal property incorporated into the project, to perform one or more of the following actions in response to a release or suspected release of a hazardous substance, pollutant or contaminant from a facility to the environment, unless the release was authorized by a permit issued by a governmental authority:

(a) Actions to monitor, assess and evaluate such a release or a suspected release.

(b) Excavation, removal and transportation of contaminated soil and its treatment or disposal.

(c) Treatment of contaminated soil by vapor extraction, chemical or physical stabilization, soil washing or biological treatment to reduce the concentration, toxicity or mobility of a contaminant.

(d) Pumping and treatment or in situ treatment of contaminated groundwater or surface water to reduce the concentration or toxicity of a contaminant.

(e) The installation of structures, such as cutoff walls or caps, to contain contaminants present in groundwater or soil and prevent them from reaching a location where they could threaten human health or welfare or the environment.

This paragraph does not include asbestos removal or the construction or use of ancillary structures such as maintenance sheds, offices or storage facilities for unattached equipment, pollution control equipment, facilities or other control items required or to be used by a person to prevent or control contamination before it reaches the environment.

7. The gross proceeds of sales or gross income that is derived from a contract for the installation, assembly, repair or maintenance of machinery, equipment or other tangible personal property that is either deducted from the tax base of the retail classification under section 42-5061, subsection B or that is exempt from use tax under section 42-5159, subsection B and that has independent functional utility, pursuant to the following provisions:

(a) The deduction provided in this paragraph includes the gross proceeds of sales or gross income derived from all of the following:

(i) Any activity performed on machinery, equipment or other tangible personal property with independent functional utility.

(ii) Any activity performed on any tangible personal property relating to machinery, equipment or other tangible personal property with independent functional utility in furtherance of any of the purposes provided for under subdivision (d) of this paragraph.

(iii) Any activity that is related to the activities described in items (i) and (ii) of this subdivision, including inspecting the installation of or testing the machinery, equipment or other tangible personal property.

(b) The deduction provided in this paragraph does not include gross proceeds of sales or gross income from the portion of any contracting activity that consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of machinery, equipment or other tangible personal property that is either deducted from the tax base of the retail classification under section 42-5061, subsection B or exempt from use tax under section 42-5159, subsection B.

(c) The deduction provided in this paragraph shall be determined without regard to the size or useful life of the machinery, equipment or other tangible personal property.

(d) For the purposes of this paragraph, "independent functional utility" means that the machinery, equipment or other tangible personal property can independently perform its function without attachment to real property, other than attachment for any of the following purposes:

(i) Assembling the machinery, equipment or other tangible personal property.

(ii) Connecting items of machinery, equipment or other tangible personal property to each other.

(iii) Connecting the machinery, equipment or other tangible personal property, whether as an individual item or as a system of items, to water, power, gas, communication or other services.

(iv) Stabilizing or protecting the machinery, equipment or other tangible personal property during operation by bolting, burying or performing other similar nonpermanent connections to either real property or real property improvements.

8. The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from transaction privilege and use tax under:

(a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

(b) Section 42-5061, subsection B.

(c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

(d) Section 42-5159, subsection B.

9. The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, cooling and packaging of eggs.

10. The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the modification of any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.

11. The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of clean rooms that are deducted from the tax base of the retail classification pursuant to section 42-5061, subsection B, paragraph 17.

12. For taxable periods beginning from and after June 30, 2001, the gross proceeds of sales or gross income derived from a contract entered into for the construction of a residential apartment housing facility that qualifies for a federal housing subsidy for low-income persons over sixty-two years of age and that is owned by a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code.

13. For taxable periods beginning from and after December 31, 1996 and ending before January 1, 2017, the gross proceeds of sales or gross income derived from a contract to provide and install a solar energy device. The contractor shall register with the department as a solar energy contractor. By registering, the contractor acknowledges that it will make its books and records relating to sales of solar energy devices available to the department for examination.

14. The gross proceeds of sales or gross income derived from a contract entered into for the construction of a launch site, as defined in 14 Code of Federal Regulations section 401.5.

15. The gross proceeds of sales or gross income derived from a contract entered into for the construction of a domestic violence shelter that is owned and operated by a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code.

16. The gross proceeds of sales or gross income derived from contracts to perform postconstruction treatment of real property for termite and general pest control, including wood-destroying organisms.

17. The gross proceeds of sales or gross income received from contracts entered into before July 1, 2006 for constructing a state university research infrastructure project if the project has been reviewed by the joint committee on capital review before the university enters into the construction contract for the project. For the purposes of this paragraph, "research infrastructure" has the same meaning prescribed in section 15-1670.

18. The gross proceeds of sales or gross income received from a contract for the construction of any building, or other structure, project, development or improvement owned by a qualified business under section 41-1516 for harvesting or processing qualifying forest products removed from qualifying projects as defined in section 41-1516 if actual construction begins before January 1, 2024. To qualify for this deduction, the prime contractor must obtain a letter of qualification from the Arizona commerce authority before beginning work under the contract.

19. Any amount of the gross proceeds of sales or gross income attributable to development fees that are incurred in relation to a contract for construction, development or improvement of real property and that are paid by a prime contractor or subcontractor. For the purposes of this paragraph:

(a) The attributable amount shall not exceed the value of the development fees actually imposed.

(b) The attributable amount is equal to the total amount of development fees paid by the prime contractor or subcontractor, and the total development fees credited in exchange for the construction of, contribution to or dedication of real property for providing public

infrastructure, public safety or other public services necessary to the development. The real property must be the subject of the development fees.

(c) "Development fees" means fees imposed to offset capital costs of providing public infrastructure, public safety or other public services to a development and authorized pursuant to section 9-463.05, section 11-1102 or title 48 regardless of the jurisdiction to which the fees are paid.

20. The gross proceeds of sales or gross income derived from a contract entered into for the construction of a mixed waste processing facility that is located on a municipal solid waste landfill and that is constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste. For the purposes of this paragraph:

(a) "Mixed waste processing facility" means a solid waste facility that is owned, operated or used for the treatment, processing or disposal of solid waste, recyclable solid waste, very small quantity generator waste or household hazardous waste. For the purposes of this subdivision, "very small quantity generator waste", "household hazardous waste" and "solid waste facility" have the same meanings prescribed in section 49-701, except that solid waste facility does include a site that stores, treats or processes paper, glass, wood, cardboard, household textiles, scrap metal, plastic, vegetative waste, aluminum, steel or other recyclable material.

(b) "Municipal solid waste landfill" has the same meaning prescribed in section 49-701.

(c) "Recycling" means collecting, separating, cleansing, treating and reconstituting recyclable solid waste that would otherwise become solid waste, but does not include incineration or other similar processes.

(d) "Renewable energy" means usable energy, including electricity, fuels, gas and heat, produced through the conversion of energy provided by sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or another nonfossil renewable resource.

21. The gross proceeds of sales or gross income derived from a contract to install containment structures. For the purposes of this paragraph, "containment structure" means a structure that prevents, monitors, controls or reduces noxious or harmful discharge into the environment.

C. Entitlement to the deduction pursuant to subsection B, paragraph 7 of this section is subject to the following provisions:

1. A prime contractor may establish entitlement to the deduction by both:

(a) Marking the invoice for the transaction to indicate that the gross proceeds of sales or gross income derived from the transaction was deducted from the base.

(b) Obtaining a certificate executed by the purchaser indicating the name and address of the purchaser, the precise nature of the business of the purchaser, the purpose for which the purchase was made, the necessary facts to establish the deductibility of the property under section 42-5061, subsection B, and a certification that the person executing the certificate is authorized to do so on behalf of the

purchaser. The certificate may be disregarded if the prime contractor has reason to believe that the information contained in the certificate is not accurate or complete.

2. A person who does not comply with paragraph 1 of this subsection may establish entitlement to the deduction by presenting facts necessary to support the entitlement, but the burden of proof is on that person.

3. The department may prescribe a form for the certificate described in paragraph 1, subdivision (b) of this subsection. The department may also adopt rules that describe the transactions with respect to which a person is not entitled to rely solely on the information contained in the certificate provided in paragraph 1, subdivision (b) of this subsection but must instead obtain such additional information as required in order to be entitled to the deduction.

4. If a prime contractor is entitled to a deduction by complying with paragraph 1 of this subsection, the department may require the purchaser who caused the execution of the certificate to establish the accuracy and completeness of the information required to be contained in the certificate that would entitle the prime contractor to the deduction. If the purchaser cannot establish the accuracy and completeness of the information, the purchaser is liable in an amount equal to any tax, penalty and interest that the prime contractor would have been required to pay under article 1 of this chapter if the prime contractor had not complied with paragraph 1 of this subsection. Payment of the amount under this paragraph exempts the purchaser from liability for any tax imposed under article 4 of this chapter. The amount shall be treated as a transaction privilege tax to the purchaser and as tax revenues collected from the prime contractor in order to designate the distribution base for purposes of section 42-5029.

D. Subcontractors or others who perform modification activities are not subject to tax if they can demonstrate that the job was within the control of a prime contractor or contractors or a dealership of manufactured buildings and that the prime contractor or dealership is liable for the tax on the gross income, gross proceeds of sales or gross receipts attributable to the job and from which the subcontractors or others were paid.

E. Amounts received by a contractor for a project are excluded from the contractor's gross proceeds of sales or gross income derived from the business if the person who hired the contractor executes and provides a certificate to the contractor stating that the person providing the certificate is a prime contractor and is liable for the tax under article 1 of this chapter. The department shall prescribe the form of the certificate. If the contractor has reason to believe that the information contained on the certificate is erroneous or incomplete, the department may disregard the certificate. If the person who provides the certificate is not liable for the tax as a prime contractor, that person is nevertheless deemed to be the prime contractor in lieu of the contractor and is subject to the tax under this section on the gross receipts or gross proceeds received by the contractor.

F. Every person engaging or continuing in this state in the business of prime contracting or dealership of manufactured buildings shall present to the purchaser of such prime contracting or manufactured building a written receipt of the gross income or gross proceeds of sales from such activity and shall separately state the taxes to be paid pursuant to this section.

G. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the prime contracting classification from any prime contractor engaged in the preparation or construction of a multipurpose facility, and related infrastructure, that is owned, operated or leased by the tourism and sports authority pursuant to title 5, chapter 8.

H. For the purposes of section 42-5032.02, from and after September 30, 2013, the department shall separately account for revenues reported and collected under the prime contracting classification from any prime contractor engaged in the construction of any buildings and associated improvements that are for the benefit of a manufacturing facility. For the purposes of this subsection, "associated improvements" and "manufacturing facility" have the same meanings prescribed in section 42-5032.02.

I. For the purposes of section 42-5032.03 and subject to section 48-4238, beginning October 1, 2025 and each month thereafter through December 31, 2055, the department shall separately account for revenues reported and collected under the prime contracting classification from any prime contractor engaged in the construction of any buildings and associated improvements that are for the benefit of a major league baseball facility or an adjacent building that is owned by a county stadium district pursuant to title 48, chapter 26 and operated by the county stadium district or the professional baseball franchise organization that occupies the major league baseball facility or adjacent building. For the purposes of this subsection, "adjacent building" and "major league baseball facility" have the same meanings prescribed in section 48-4201.

J. The gross proceeds of sales or gross income derived from a contract for lawn maintenance services is not subject to tax under this section if the contract does not include landscaping activities. Lawn maintenance service is a service pursuant to section 42-5061, subsection A, paragraph 1, and includes lawn mowing and edging, weeding, repairing sprinkler heads or drip irrigation heads, seasonal replacement of flowers, refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris collection and removal, tree or shrub pruning or clipping, garden and gravel raking and applying pesticides, as defined in section 3-361, and fertilizer materials, as defined in section 3-262.

K. Except as provided in subsection P of this section, the gross proceeds of sales or gross income derived from landscaping activities is subject to tax under this section. Landscaping includes installing lawns, grading or leveling ground, installing gravel or boulders, planting trees and other plants, felling trees, removing or mulching tree stumps, removing other imbedded plants, building irrigation berms, installing railroad ties and installing underground sprinkler or watering systems.

L. The portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contract is not subject to tax under this section. For the purposes of this subsection, "direct costs" means the portion of the actual costs that are directly expended in providing architectural or engineering services.

M. Operating a landfill or a solid waste disposal facility is not subject to taxation under this section, including filling, compacting and creating vehicle access to and from cell sites within the landfill. Constructing roads to a landfill or solid waste disposal facility and constructing cells within a landfill or solid waste disposal facility may be deemed prime contracting under this section.

N. The following apply in determining the taxable situs of sales of manufactured buildings:

1. For sales in this state where the manufactured building dealer contracts to deliver the building to a setup site or to perform the setup in this state, the taxable situs is the setup site.

2. For sales in this state where the manufactured building dealer does not contract to deliver the building to a setup site or does not perform the setup, the taxable situs is the location of the dealership where the building is delivered to the buyer.

3. For sales in this state where the manufactured building dealer contracts to deliver the building to a setup site that is outside this state, the situs is outside this state and the transaction is excluded from tax.

O. The gross proceeds of sales or gross income attributable to a written contract for design phase services or professional services, executed before modification begins and with terms, conditions and pricing of all of these services separately stated in the contract from those for construction phase services, is not subject to tax under this section, regardless of whether the services are provided sequential to or concurrent with prime contracting activities that are subject to tax under this section. This subsection does not include the gross proceeds of sales or gross income attributable to construction phase services. For the purposes of this subsection:

1. "Construction phase services" means services for the execution and completion of any modification, including the following:

(a) Administration or supervision of any modification performed on the project, including team management and coordination, scheduling, cost controls, submittal process management, field management, safety program, close-out process and warranty period services.

(b) Administration or supervision of any modification performed pursuant to a punch list. For the purposes of this subdivision, "punch

list" means minor items of modification work performed after substantial completion and before final completion of the project.

(c) Administration or supervision of any modification performed pursuant to change orders. For the purposes of this subdivision, "change order" means a written instrument issued after execution of a contract for modification work, providing for all of the following:

(i) The scope of a change in the modification work, contract for modification work or other contract documents.

(ii) The amount of an adjustment, if any, to the guaranteed maximum price as set in the contract for modification work. For the purposes of this item, "guaranteed maximum price" means the amount guaranteed to be the maximum amount due to a prime contractor for the performance of all modification work for the project.

(iii) The extent of an adjustment, if any, to the contract time of performance set forth in the contract.

(d) Administration or supervision of any modification performed pursuant to change directives. For the purposes of this subdivision, "change directive" means a written order directing a change in modification work before agreement on an adjustment of the guaranteed maximum price or contract time.

(e) Inspection to determine the dates of substantial completion or final completion.

(f) Preparation of any manuals, warranties, as-built drawings, spares or other items the prime contractor must furnish pursuant to the contract for modification work. For the purposes of this subdivision, "as-built drawing" means a drawing that indicates field changes made to adapt to field conditions, field changes resulting from change orders or buried and concealed installation of piping, conduit and utility services.

(g) Preparation of status reports after modification work has begun detailing the progress of work performed, including preparation of any of the following:

(i) Master schedule updates.

(ii) Modification work cash flow projection updates.

(iii) Site reports made on a periodic basis.

(iv) Identification of discrepancies, conflicts or ambiguities in modification work documents that require resolution.

(v) Identification of any health and safety issues that have arisen in connection with the modification work.

(h) Preparation of daily logs of modification work, including documentation of personnel, weather conditions and on-site occurrences.

(i) Preparation of any submittals or shop drawings used by the prime contractor to illustrate details of the modification work performed.

(j) Administration or supervision of any other activities for which a prime contractor receives a certificate for payment or certificate for final payment based on the progress of modification work performed on the project.

2. "Design phase services" means services for developing and completing a design for a project that are not construction phase services, including the following:

(a) Evaluating surveys, reports, test results or any other information on-site conditions for the project, including physical characteristics, legal limitations and utility locations for the site.

(b) Evaluating any criteria or programming objectives for the project to ascertain requirements for the project, such as physical requirements affecting cost or projected utilization of the project.

(c) Preparing drawings and specifications for architectural program documents, schematic design documents, design development documents, modification work documents or documents that identify the scope of or materials for the project.

(d) Preparing an initial schedule for the project, excluding the preparation of updates to the master schedule after modification work has begun.

(e) Preparing preliminary estimates of costs of modification work before completion of the final design of the project, including an estimate or schedule of values for any of the following:

(i) Labor, materials, machinery and equipment, tools, water, heat, utilities, transportation and other facilities and services used in the execution and completion of modification work, regardless of whether they are temporary or permanent or whether they are incorporated in the modifications.

(ii) The cost of labor and materials to be furnished by the owner of the real property.

(iii) The cost of any equipment of the owner of the real property to be assigned by the owner to the prime contractor.

(iv) The cost of any labor for installation of equipment separately provided by the owner of the real property that has been designed, specified, selected or specifically provided for in any design document for the project.

(v) Any fee paid by the owner of the real property to the prime contractor pursuant to the contract for modification work.

(vi) Any bond and insurance premiums.

(vii) Any applicable taxes.

(viii) Any contingency fees for the prime contractor that may be used before final completion of the project.

(f) Reviewing and evaluating cost estimates and project documents to prepare recommendations on site use, site improvements, selection of materials, building systems and equipment, modification feasibility, availability of materials and labor, local modification activity as related to schedules and time requirements for modification work.

(g) Preparing the plan and procedures for selection of subcontractors, including any prequalification of subcontractor candidates.

3. "Professional services" means architect services, engineer services, geologist services, land surveying services or landscape architect services that are within the scope of those services as provided in title 32, chapter 1 and for which gross proceeds of sales or gross income has not otherwise been deducted under subsection L of this section.

P. The gross proceeds of sales or gross income derived from a contract with the owner of real property or improvements to real property

for the maintenance, repair, replacement or alteration of existing property is not subject to tax under this section if the contract does not include modification activities, except as specified in this subsection. The gross proceeds of sales or gross income derived from a de minimis amount of modification activity does not subject the contract or any part of the contract to tax under this section. For the purposes of this subsection:

1. Tangible personal property that is incorporated or fabricated into a project described in this subsection may be subject to the amount prescribed in section 42-5008.01.

2. Each contract is independent of any other contract, except that any change order that directly relates to the scope of work of the original contract shall be treated the same as the original contract under this chapter, regardless of the amount of modification activities included in the change order. If a change order does not directly relate to the scope of work of the original contract, the change order shall be treated as a new contract, with the tax treatment of any subsequent change order to follow the tax treatment of the contract to which the scope of work of the subsequent change order directly relates.

Q. Notwithstanding subsection P of this section, a contract that primarily involves surface or subsurface improvements to land and that is subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is taxable under this section, even if the contract also includes vertical improvements. Agencies that are subject to procurement processes under those provisions shall include in the request for proposals a notice to bidders when those projects are subject to this section. This subsection does not apply to contracts with:

1. Community facilities districts, fire districts, county television improvement districts, community park maintenance districts, cotton pest control districts, hospital districts, pest abatement districts, health service districts, agricultural improvement districts, county free library districts, county jail districts, county stadium districts, special health care districts, public health services districts, theme park districts or revitalization districts.

2. Any special taxing district not specified in paragraph 1 of this subsection if the district does not substantially engage in the modification, maintenance, repair, replacement or alteration of surface or subsurface improvements to land.

R. THE GROSS PROCEEDS OF SALES OR GROSS INCOME ATTRIBUTABLE TO THE DEVELOPMENT OF WORKFORCE HOUSING PROJECTS AS DEFINED IN SECTION 9-461.21 IF THE WORKFORCE HOUSING PROJECT IS NOT SUBJECT TO THE STATE'S PORTION OF THE PRIME CONTRACTING SALES TAX UNDER THIS SECTION, REGARDLESS OF WHETHER THE SERVICES ARE PROVIDED SEQUENTIAL TO OR CONCURRENT WITH PRIME CONTRACTING ACTIVITIES THAT ARE SUBJECT TO TAX UNDER THIS SECTION.

~~R.~~ S. Notwithstanding subsection ~~S~~ T, paragraph 10 of this section, a person owning real property who enters into a contract for sale of the real property, who is responsible to the new owner of the property for modifications made to the property in the period subsequent to the transfer of title and who receives a consideration for the modifications is considered a prime contractor solely for purposes of taxing the gross

proceeds of sale or gross income received for the modifications made subsequent to the transfer of title. The original owner's gross proceeds of sale or gross income received for the modifications shall be determined according to the following methodology:

1. If any part of the contract for sale of the property specifies amounts to be paid to the original owner for the modifications to be made in the period subsequent to the transfer of title, the amounts are included in the original owner's gross proceeds of sale or gross income under this section. Proceeds from the sale of the property that are received after transfer of title and that are unrelated to the modifications made subsequent to the transfer of title are not considered gross proceeds of sale or gross income from the modifications.

2. If the original owner enters into an agreement separate from the contract for sale of the real property providing for amounts to be paid to the original owner for the modifications to be made in the period subsequent to the transfer of title to the property, the amounts are included in the original owner's gross proceeds of sale or gross income received for the modifications made subsequent to the transfer of title.

3. If the original owner is responsible to the new owner for modifications made to the property in the period subsequent to the transfer of title and derives any gross proceeds of sale or gross income from the project subsequent to the transfer of title other than a delayed disbursement from escrow unrelated to the modifications, it is presumed that the amounts are received for the modifications made subsequent to the transfer of title unless the contrary is established by the owner through its books, records and papers kept in the regular course of business.

4. The tax base of the original owner is computed in the same manner as a prime contractor under this section.

~~S.~~ T. For the purposes of this section:

1. "Alteration" means an activity or action that causes a direct physical change to existing property. For the purposes of this paragraph:

(a) For existing property that is properly classified as class two property under section 42-12002, paragraph 1, subdivision (c) or paragraph 2, subdivision (c) and that is used for residential purposes, class three property under section 42-12003 or class four property under section 42-12004, this paragraph does not apply if the contract amount is more than twenty-five percent of the most recent full cash value established under chapter 13, article 2 of this title as of the date of any bid for the work or the date of the contract, whichever value is higher.

(b) For all existing property other than existing property described in subdivision (a) of this paragraph, this paragraph does not apply if the contract amount is more than $750,000.

(c) Project elements may not be artificially separated from a contract to cause a project to qualify as an alteration. The department has the burden of proof that project elements have been artificially separated from a contract.

(d) If a project for which the owner and the person performing the work reasonably believed, at the inception of the contract, would be treated as an alteration under this paragraph and, on completion of the project, the project exceeded the applicable threshold described in either

subdivision (a) or (b) of this paragraph by not more than twenty-five percent of the applicable threshold for any reason, the work performed under the contract qualifies as an alteration.

(e) A change order that directly relates to the scope of work of the original contract shall be treated as part of the original contract, and the contract amount shall include any amount attributable to a change order that directly relates to the scope of work of the original contract.

(f) Alteration does not include maintenance, repair or replacement.

2. "Contracting" means engaging in business as a contractor.

3. "Contractor" is synonymous with the term "builder" and means any person or organization that undertakes to or offers to undertake to, or purports to have the capacity to undertake to, or submits a bid to, or does personally or by or through others, modify any building, highway, road, railroad, excavation, manufactured building or other structure, project, development or improvement, or to do any part of such a project, including the erection of scaffolding or other structure or works in connection with such a project, and includes subcontractors and specialty contractors. For all purposes of taxation or deduction, this definition shall govern without regard to whether or not such a contractor is acting in fulfillment of a contract.

4. "Manufactured building" means a manufactured home, mobile home or factory-built building, as defined in section 41-4001.

5. "Manufactured building dealer" means a dealer who either:

(a) Is licensed pursuant to title 41, chapter 37, article 4 and who sells manufactured buildings to the final consumer.

(b) Supervises, performs or coordinates the excavation and completion of site improvements or the setup of a manufactured building, including the contracting, if any, with any subcontractor or specialty contractor for the completion of the contract.

6. "Modification" means construction, grading and leveling ground, wreckage or demolition. Modification does not include:

(a) Any project described in subsection P of this section.

(b) Any wreckage or demolition of existing property, or any other activity that is a necessary component of a project described in subsection P of this section.

(c) Any mobilization or demobilization related to a project described in subsection P of this section, such as the erection or removal of temporary facilities to be used by those persons working on the project.

7. "Modify" means to make a modification or cause a modification to be made.

8. "Owner" means the person that holds title to the real property or improvements to real property that is the subject of the work, as well as an agent of the title holder and any person with the authority to perform or authorize work on the real property or improvements, including a tenant and a property manager. For the purposes of subsection P of this section, a person who is hired by a general contractor that is hired by an owner, or a subcontractor of a general contractor that is hired by an owner, is considered to be hired by the owner.

9. "Prime contracting" means engaging in business as a prime contractor.

10. "Prime contractor" means a contractor who supervises, performs or coordinates the modification of any building, highway, road, railroad, excavation, manufactured building or other structure, project, development or improvement, including the contracting, if any, with any subcontractors or specialty contractors and who is responsible for the completion of the contract. Except as provided in subsections E and ~~R~~ S of this section, a person who owns real property, who engages one or more contractors to modify that real property and who does not itself modify that real property is not a prime contractor within the meaning of this paragraph regardless of the existence of a contract for sale or the subsequent sale of that real property.

11. "Replacement" means the removal from service of one component or system of existing property or tangible personal property installed in existing property, including machinery or equipment, and the installation of a new component or system or new tangible personal property, including machinery or equipment, that provides the same, a similar or an upgraded design or functionality, regardless of the contract amount and regardless of whether the existing component or system or existing tangible personal property is physically removed from the existing property.

12. "Sale of a used manufactured building" does not include a lease of a used manufactured building.

Sec. 4. Effective date

Section 9-461.21, Arizona Revised Statutes, as added by this act, and sections 35-726 and 42-5075, Arizona Revised Statutes, as amended by this act, are effective twelve months from and after the general effective date.

Sec. 5. Short title

This act may be cited as the "Workforce Housing Incentive Act"."

Amend title to conform

TERESA MARTINEZ

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Rural Economic Development BILL NO. SB 1401

DATE March 26, 2026 MOTION: DPA/SE

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Bliss		✓			
Hernandez C					✓
Peshlakai			✓		
Volk		✓			
Lopez, Vice-Chairman		✓			
Martinez, Chairman		✓			
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Veronica Graham
COMMITTEE SECRETARY

APPROVED:

TERESA MARTINEZ, Chairman
CHRIS LOPEZ, Vice-Chairman

ATTACHMENT 9