

**Summary of Legislation and Recommendations for Paradise Valley**  
**March 11, 2021**  
**Updates in BOLD/UNDERLINED**

**Short-Term Rentals**

**SB1379 Vacation Rentals' Short-Term Rentals; Enforcement**

This is the STR industry bill. Modifies the list of regulations that counties and municipalities are authorized to impose on vacation rentals or short-term rentals to include requiring the owner of a vacation rental or short-term rental to maintain liability insurance appropriate to cover the rental in the aggregate of at least \$500,000 or to advertise and offer each vacation rental or short-term rental through a hosting platform that provides equal or greater coverage. Counties and municipalities are authorized to impose civil penalties for each day a property is in violation of specified provisions. Modifies civil penalties for online lodging operators that fail to comply with applicable transaction privilege tax requirements. After notice and a hearing, the Department of Revenue is authorized to suspend for a period of 12 months the transaction privilege tax license of the owner of a vacation rental or short-term rental that has three "verified violations" (defined) within the same 12-month period.

ARS Titles Affected: [9 11 41](#)

First sponsor: Sen. Mesnard (R - Dist 17)

*Recommend Partial Oppose, Doesn't go far enough*

**Passed Senate on March 1<sup>st</sup> by a vote of 27-3. Senators Kerr, Gowan and Petersen voted NO. Before the vote in Committee of the Whole, Sen. Mesnard eliminated the occupancy standards in the bill.**

**The House Speaker assigned the bill to House Commerce chaired by Rep. Weninger, not to House Government and Elections chaired by Rep. Kavanagh. Sen. Mesnard lobbied the Speaker to send it to his LD17 seatmate, Rep. Weninger.**

**HB 2481 Short-Term Rentals; Enforcement; Penalties**

Modifies the list of regulations that counties and municipalities are authorized to impose on vacation rentals or short-term rentals to include requiring the owner of a vacation rental or short-term rental to license or register with the county or municipality, and restricting the occupancy of a vacation rental or short-term rental to the lesser of the occupancy limit of the county or municipality or 2 adults per bedroom plus 2 additional adults. Vacation rentals and short-term rentals cannot advertise to exceed the occupancy limit of the dwelling or for any nonresidential use. Counties and municipalities are authorized to impose a civil penalty for each day a property is in violation of this advertisement prohibition. An online lodging operator that falsifies information to an online lodging marketplace is guilty of a petty offense. A county or municipality cannot prohibit the

operation of a vacation rental or short-term rental based solely on its status as a vacation rental or short-term rental if the owner of the vacation rental or short-term rental, as of May 1, 2021, has a valid transaction privilege tax license, and as of June 2, 2021, has provided the owner's or the owner's designee's contact information to the county or municipality in which the vacation rental or short-term rental is located, if required by ordinance.

ARS Titles Affected: [9 11 42](#)

First sponsor: Rep. Kavanagh (R - Dist 23)

Others: Sen. Alston (D - Dist 24) , Sen. Barto (R - Dist 15) , Rep. Butler (D - Dist 28) , Sen. Engel (D - Dist 10) , Rep. Jermaine (D - Dist 18) , Rep. Kaiser (R - Dist 15) , Rep. Lieberman (D - Dist 28) , Rep. Longdon (D - Dist 24) , Sen. Marsh (D - Dist 28) , Rep. Shah (D - Dist 24)

*Recommend Support (Last Year's Sen. Kate Brophy McGee's SB 1554 that passed Senate 23-5)*

**On March 2<sup>nd</sup>, League sent amendments to the STR industry for review. League will be meeting with AirBnB today to discuss our proposed amendments. The industry has requested that if an agreement is reached, SB1379 would be the vehicle bill not HB2481. We have discussed this with Rep. Kavanagh and he is comfortable with that request.**

## **Construction Sales Tax**

### **HB 2211 TPT; Prime Contracting; Exemptions; Certificates**

Various changes to statutes relating to transaction privilege taxes (TPT) for prime contracting. The definitions of "modification" and "alteration" for the purpose of computing the tax base for the prime contracting classification of TPT are modified. A certificate that a contractor provides to a person stating that the contractor is liable for any amount of transaction privilege taxes due is valid for a period of up to one year. After the certificate expires, the contractor is allowed to execute and provide to the person a new certificate. The Department of Revenue (DOR) is required to prescribe a form for a certificate to be used by a prime contractor that is subject to TPT for purchasing tangible personal property, the purchase price of which was excluded from the tax base under the retail classification of TPT. The prime contractor is required to obtain the certificate from DOR, and the certificate is valid for up to one year. After the certificate expires, the contractor is allowed to obtain a new certificate. Applies to contracts entered into beginning January 1, 2022.

ARS Titles Affected: [42](#)

First sponsor: Rep. Cobb (R - Dist 5)

Others: Rep. Bolick (R - Dist 20) , Rep. Toma (R - Dist 22)

*Recommend Oppose (Cobb's bill from previous year that would be detrimental to the Town)*

**This bill is dead for now. Rep. Cobb is the Appropriations Chair and has many tools to revive it.**

**SB 1721 TPT: Prime Contracting Classification**

The gross proceeds of sales or gross income derived from a construction contract with an owner of real property or the improvements to real property that does not exceed \$100,000 per unit for a "residential project" (defined) or \$1 million for a nonresidential project is not subject to tax under the prime contracting classification of transaction privilege taxes, and is required to be exempt from municipal transaction privilege and use taxes. Only the contract price is used to determine whether a contract exceeds the threshold amount described in this paragraph with no subtractions for amounts paid to subcontractors or any deductions or exemptions allowed. Project elements cannot be artificially separated from a contract to cause a project to qualify for this exemption. The Department of Revenue has the burden of proving that project elements have been artificially separated from a contract. A contract that primarily involves construction of any electricity generating facility or system installed on any commercial, residential or governmental property, including the maintenance, repair, replacement or alteration of existing improvements of an electricity generating or distribution facility, is not subject to tax under the prime contracting classification of transaction privilege taxes. Retroactive to contracts entered into beginning July 1, 2021. Establishes provisions for application to contracts that were bid or entered into from January 1, 2015 through July 1, 2021.

ARS Titles Affected: [41](#) [42](#)

First sponsor: Sen. Fann (R - Dist 1)

*Recommend Support*

**This bill is awaiting amendments for Committee of the Whole. It is Senate President Fann's bill. The president is trying to allay concerns from ATRA mainly regarding the commercial side of this bill. We understand the residential portion of the bill will remain pretty much as is.**

## **Electronic Traffic Enforcement**

### **SB 1419 Highway Video Surveillance; Prohibition**

The state and political subdivisions are prohibited from conducting "highway video surveillance" (defined) on a controlled access highway or on a sidewalk. A person who suffers an injury as a result of a violation of this prohibition is entitled to damages of at least \$1,000 for each violation, plus costs and reasonable attorney fees. Statutes authorizing and regulating photo enforcement are repealed.

ARS Titles Affected: [28](#)

First sponsor: Sen. Rogers (R - Dist 6)

*Recommend Oppose*

***We killed this bill in Senate Transportation Committee 4-5 on 2/15!***

## **Preemption for Police Department 'Defunding'**

### **SB1333 Law Enforcement; Budget Reduction; Prohibition**

This is similar to HB2310, but is triggered at any level of reduction to a PD budget. The state treasurer would withhold the same amount from the municipality's state shared revenues. A 25% reduction would see a withholding of the entire police department budget by the state treasurer until restoration. This bill provides exemptions for employee related expenses (health care or pension). It does authorize a county sheriff to assume law enforcement functions if the municipality's budget is reduced by 25%. Funds withheld by the treasurer under this bill would be available to the county sheriff in the form of grants.

ARS Titles Affected: [9](#) [41](#) [42](#) [43](#)

First sponsor: Sen. Gowan (R - Dist 14)

*Recommend Oppose, potential loss of State Shared Revenue with fluctuating Police Budgets*

***This bill is awaiting to be heard in Committee of the Whole. There has been no action for nearly a month. Chances are this bill will die.***

## **Tourism Marketing Authorities**

### **HB 2161 AND SB1101 Tourism Marketing Authorities (Both bills are the same)**

Establishes a new chapter in Title 9 (Cities and Towns) and a new chapter in Title 11 (Counties) allowing the governing body of one or more municipalities and/or of a county with a population of less than 2 million persons (all but Maricopa County) to adopt a resolution, on presentation of a petition signed by the owners of at least 67 percent of the transient lodging rooms in the geographic area, forming a tourism marketing authority to promote and enhance tourism in that geographic area. Establishes powers and duties of a

tourism marketing authority, including authorization to levy an assessment of up to \$5 per room on transient lodging rooms sold per night. A tourism marketing authority is governed by a board of directors, and budgeting, recordkeeping and reporting requirements for the board are specified. Establishes a process for termination of a tourism marketing authority. Emergency clause.

ARS Titles Affected: [9](#) [11](#)

First sponsor: Rep. Kaiser (R - Dist 15) and Sen. Pace (R - Dist 25)

Others: Rep. Blackman (R - Dist 6) , Rep. Chaplik (R - Dist 23) , Rep. Cobb (R - Dist 5) , Rep. Weninger (R - Dist 17) and Sen. Bowie (D - Dist 18)

*Recommend Support (Last year's TMA bill that Experience Scottsdale and the Arizona Lodging and Tourism Association would like the Town to support)*

**HB 2161 was defeated on the House Floor on 2/23 by a vote of 28-32. It was reconsidered on March 3<sup>rd</sup> and passed 38-20. The bill has been assigned to Senate Commerce Committee chaired by Sen. Mesnard. It appears that should this bill make it to the Governor's Office, it will be the House version.**

### **Other Bills of Interest**

#### **HB2618 AND SB1502 Public Nuisance; Noise; Evidence (Both bills are the same.)**

A prosecution for a public nuisance violation that involves noise is required to include an accurate recording and measurement of the noise made by a peace officer or code enforcement officer. Measurement standards are specified. Applies to all cases in which the defendant did not plead guilty or no contest and that, as of the effective date of this legislation, have not been submitted to the fact finder to render a verdict. COW amendment requires a public nuisance to be intentional and allows use of a type 2 sound meter.

ARS Titles Affected: [13](#)

First sponsor: Rep. Parker (R - Dist 16); Sen. Townsend (R – Dist 16)

Others: Rep. Payne (R - Dist 21), Sen. Townsend (R - Dist 16)

**HB 2618 passed the House on March 4<sup>th</sup> by a vote of 31-28. It has been referred to the Senate Government Committee chaired by Sen. Ugenti-Rita. SB1502 failed in the Senate on March 1<sup>st</sup> by a vote of 14-16.**

**HB2348 Failure; Return Vehicle; Offense; Repeal**

Repeals the crime of unlawful failure to return a motor vehicle subject to a security interest, a class 6 (lowest) felony.

ARS Titles Affected: [13](#)

First sponsor: Rep. D. Hernandez (D - Dist 2)

**Passed House on February 24th by a vote of 59-0. It has been referred to Sen. Petersen's Judiciary Committee.**

**SB1643 Attorney's Fees; Costs; Recovery**

Requires a court to award fees and other expenses to any party, other than the state, a city, town or county, that prevails by an adjudication on the merits in a civil action brought by a party seeking declaratory or injunctive relief against the state or a city, town or county, for an action that violates the U.S. Constitution, the Arizona Constitution or Arizona law. Currently, courts can award attorney's fees to government entities OR require government entities to pay attorney's fees; this bill would create an imbalance against government entities and no longer allow the courts to make reasonable determination on when those fees should be awarded.

**The League is actively opposing this bill and has asked its members to help with their opposition. It passed out of Senate Committee of the Whole on March 8<sup>th</sup> and awaits a Third Read vote.**