



MEMORANDUM

Date: October 8, 2019

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Car Rental Tax Use**

As you will recall, the use of the car rental tax was challenged in Maricopa County Superior Court. A Maricopa County Superior Court Judge ruled the tax was invalid and the matter was appealed to the Arizona Court of Appeals who overturned the Maricopa County decision. The matter was then appealed to the Arizona Supreme Court who also ruled the tax was appropriate. The original Plaintiffs appealed to the United States Supreme Court who declined to hear the matter. Attached is an article from the *Arizona Daily Star* on this subject.

These actions mean the car rental tax will remain in place and the revenues will be used to pay for the continuing expansion of the Kino Sports Complex to host regional soccer, baseball and other field sport tournaments that attract visitors to the southwest, thereby increasing tourism revenues. This is the intent of the car rental tax that financed sports complexes in Maricopa and Pima Counties.

CHH/anc

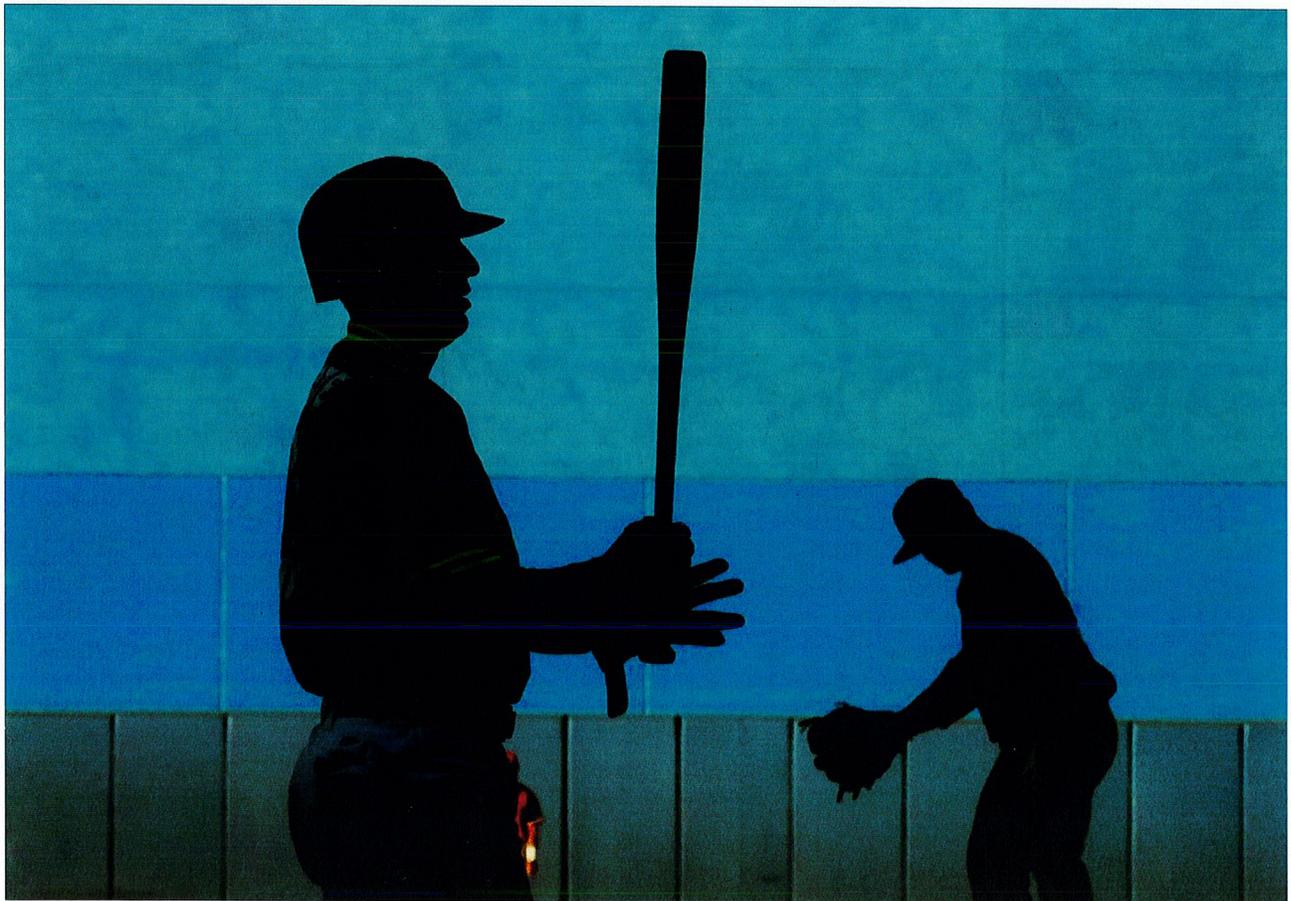
Attachment

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Michelle Campagne, Director, Finance and Risk Management
Reenie Ochoa, Director, Stadium District

https://tucson.com/news/local/supreme-court-won-t-review-ruling-on-car-rental-tax/article_6588bb74-5959-5e10-bf27-bd2ef959d275.html

Supreme Court won't review ruling on car-rental tax funding sports facilities

By Howard Fischer Capitol Media Services Oct 8, 2019 Updated 1 hr ago



Funds from a car rental tax have been used to pay for construction of Pima County's Kino Sports Complex. Pima has kept the levy to expand the complex.

A.E. Araiza / Arizona Daily Star file

PHOENIX — Pima and Maricopa counties are going to get to keep tapping

tourists to pay for their sports facilities.

The U.S. Supreme Court on Monday refused to review a ruling by the Arizona Supreme Court that found nothing improper by financing these projects with taxes on car rentals, a levy largely borne by people visiting the state. The justices gave no reason for their decision.

Monday's ruling, made on the first day the nation's high court was back from summer recess, also leaves intact the decision by the Arizona justices that, strictly speaking, a tax on the renting of cars is not a tax on the use of state roads.

That distinction is critical.

The Arizona Constitution spells out that any money raised from fees or taxes related to the registration, operation or use of vehicles on public highways and streets can be used only to build and maintain roads. If the court had found the car-rental tax was a levy on the use of public roads, then it would be illegal to use the money to finance stadiums and other similar facilities.

Monday's decision ensures that the state Sports and Tourism Authority continues to benefit from the car-rental tax. The most recent audit shows the tax of 3.5% on vehicles rented in Maricopa County contributes close to \$15.6 million of its \$51.8 million annual budget.

The biggest share of those dollars — nearly \$14 million — goes to paying off the bonds used to construct State Farm Stadium, home of the Arizona Cardinals. There also is \$8.3 million for tourism promotion, \$5 million for Cactus League and \$1.8 million for youth and amateur sports.

In Pima County, the tax is a flat \$3.50 per vehicle rental, generating about \$1.5 million annually.

Those funds have been used to pay for construction of the Kino Sports Complex. And while there is no longer Cactus League play in Tucson and the debt is being paid off, the county has kept the levy to expand the complex.

In filing suit, attorneys for Saban's Rent-A-Car first charged that the levies violated the Commerce Clause of the U.S. Constitution because it was designed to impose a burden on residents of other states that, in general, did not exist for Arizonans.

Arizona Supreme Court Justice Ann Scott Timmer did not dispute that the tax was sold to voters on the premise that it would be visitors who largely would pay for the sports facilities.

But she said that, strictly speaking, it was not discriminatory because the tax also applies to Arizonans who, for whatever reason, also need to rent a vehicle.

The closer question was that issue of the state constitution requiring that the proceeds of any tax raised based on the use of public streets be used only for road construction, maintenance and related purposes.

But Timmer said the majority did not see the car rental fee as a tax on road users.

That drew a skeptical response from Justice Clint Bolick.

“Even public objectives of the highest order, including (apparently) the building of publicly financed stadiums, do not license us to rewrite constitutional text,” he wrote in his dissent.

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