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

Section 1. Section 16-901, Arizona Revised Statutes, is amended to read:

16-901. Definitions
In this chapter, unless the context otherwise requires:
1. "Advertisement" means information or materials, other than nonpaid social media messages, that are mailed, e-mailed, posted, distributed, published, displayed, delivered, broadcasted or placed in a communication medium and that are for the purpose of influencing an election.
2. "Affiliate" means any organization that controls, is controlled by or is under common control with a corporation, limited liability company or labor organization.
3. "Agent" means any person who has actual authority, either express or implied, to represent or make decisions on behalf of another person.
4. "Ballot measure expenditure" means an expenditure made by a person that expressly advocates the support or opposition of a clearly identified ballot measure.
5. "Best effort" means that a committee treasurer or treasurer's agent makes at least one written effort, including an attempt by e-mail, text message, private message through social media or other similar communication, or at least one oral effort that is documented in writing to identify the contributor of an incomplete contribution.
6. "Calendar quarter" means a period of three consecutive calendar months ending on March 31, June 30, September 30 or December 31.
7. "Candidate" means an individual who receives contributions or makes expenditures or who gives consent to another person to receive contributions or make expenditures on behalf of that individual in connection with the candidate's nomination, election or retention for any public office.
8. "Candidate committee" includes the candidate.
9. "Clearly identified candidate" means that the name or a description, image, photograph or drawing of the candidate appears or the identity of the candidate is otherwise apparent by unambiguous reference.
10. "Committee" means a candidate committee, a political action committee or a political party.
11. "Contribution" means any money, advance, deposit or other thing of value that is made to a person for the purpose of influencing an election. Contribution includes:
   (a) A contribution that is made to retire campaign debt from a previous election cycle.
   (b) Money or the fair market value of anything that is directly or indirectly provided to an elected official for the specific purpose of defraying the expense of communications with constituents.
(c) The full purchase price of any item from a committee.
(d) A loan that is made to a committee for the purpose of
     influencing an election, to the extent the loan remains outstanding.

12. "Control" means to possess, directly or indirectly, the power
to direct or to cause the direction of the management or policies of
another organization, whether through voting power, ownership, contract or
otherwise.

13. "Coordinate", "coordinated" or "coordination" means the
     coordination of an expenditure as prescribed by section 16-922.

14. "Coordinated party expenditures" means expenditures that are
     made by a political party to directly pay for goods or services on behalf
     of its nominee.

15. "District office" means an elected office established or
     organized pursuant to title 15 or 48.

16. "Earmarked" means a designation, instruction or encumbrance
     between the transferor of a contribution and a transferee that requires
     the transferee to make a contribution to a clearly identified candidate.

17. "Election" means any election for any ballot measure in this
     state or any candidate election during a primary, general, recall, special
     or runoff election for any office in this state other than a federal
     office and a political party office prescribed by chapter 5, article 2 of
     this title.

18. "Election cycle" means the two-year period beginning on January
     1 in the year after a statewide general election and ending on December 31
     in the year of a statewide general election or, for cities and towns, the
     two-year period beginning on the first day of the calendar quarter after
     the calendar quarter in which the city's or town's second, runoff or
     general election is scheduled and ending on the last day of the calendar
     quarter in which the city's or town's immediately following second, runoff
     or general election is scheduled, however that election is designated by
     the city or town. For the purposes of a:

     (a) Recall election, "election cycle" means the period between
         issuance of a recall petition serial number and the latest of the
         following:

         (i) The date of the recall election that is called pursuant to
             section 19-209.

         (ii) The date that a resignation is accepted pursuant to section
             19-208.

         (iii) The date that the receiving officer provides notice pursuant
              to section 19-208.01 that the number of signatures is insufficient.

     (b) Special election, "election cycle" means the period between the
date of issuance of a proclamation or order calling the special election
and the last day of the calendar quarter in which the special election is
held.
19. "Employee" means an individual who is entitled to compensation for labor or services performed for the individual's employer.

20. "Employer" means any person that pays compensation to and directs the labor or services of any individual in the course of employment.

21. "Enforcement officer" means the attorney general or the county, city or town attorney with authority to collect fines or issue penalties with respect to a given election pursuant to section 16-938.

22. "Entity" means a corporation, limited liability company, labor organization, partnership, trust, association, organization, joint venture, cooperative, unincorporated organization or association or other organized group that consists of more than one individual.

23. "Excess contribution" means a contribution that exceeds the applicable contribution limits for a particular election.

24. "Exclusive insurance contract" means an insurance producer's contract with an insurer that does either of the following:
   (a) Prohibits the producer from soliciting insurance business for any other insurer.
   (b) Requires a right of first refusal on all lines of insurance business written by the insurer and solicited by the producer.

25. "Expenditure" means any purchase, payment or other thing of value that is made by a person for the purpose of influencing an election.

26. "Family contribution" means any contribution that is provided to a candidate's committee by the parent, grandparent, aunt, uncle, child or sibling of the candidate or the candidate's spouse, including the spouse of any of the listed family members, regardless of whether the relation is established by marriage or adoption.

27. "Filing officer" means the secretary of state or the county, city or town officer in charge of elections for that jurisdiction who accepts statements and reports for those elections pursuant to section 16-928.

28. "Firewall" means a written policy that precludes one person from sharing information with another person.

29. "Identification" or "identify" means:
   (a) For an individual, the individual's first and last name, residence location or street address and occupation and the name of the individual's primary employer.
   (b) For any other person, the person's full name and physical location or street address.

30. "Incomplete contribution" means any contribution that is received by a committee for which the contributor's complete identification has not been obtained.

31. "Independent expenditure" means an expenditure by a person, other than a candidate committee, that complies with both of the following:
(a) Expressly advocates the election or defeat of a clearly identified candidate.

(b) Is not made in cooperation or consultation with or at the request or suggestion of the candidate or the candidate's agent.

32. "In-kind contribution" means a contribution of goods, services or anything of value that is provided without charge or at less than the usual and normal charge.

33. "Insurance producer" means a person that:

(a) Is required to be licensed to sell, solicit or negotiate insurance.

(b) Has an exclusive insurance contract with an insurer.

34. "Itemized" means that each contribution received or expenditure made is set forth separately.

35. "Labor organization" means any employee representation organization that exists for the purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment or other conditions of employment.

36. "Legislative office" means the office of representative in the state house of representatives or senator in the state senate.

37. "Mega PAC status" means official recognition that a political action committee has received contributions from five hundred or more individuals in amounts of ten dollars or more in the four-year period immediately before application to the secretary of state.

38. "Nominee" means a candidate who prevails in a primary election for partisan office and includes the nominee's candidate committee.

39. "Person" means an individual or a candidate, nominee, committee, corporation, limited liability company, labor organization, partnership, trust, association, organization, joint venture, cooperative or unincorporated organization or association.

40. "Personal monies" means any of the following:

(a) Assets to which the individual or individual's spouse has either legal title or an equitable interest.

(b) Salary and other earned income from bona fide employment of the individual or individual's spouse.

(c) Dividends and proceeds from the sale of investments of the individual or individual's spouse.

(d) Bequests to the individual or individual's spouse.

(e) Income to the individual or individual's spouse from revocable trusts for which the individual or individual's spouse is a beneficiary.

(f) Gifts of a personal nature to the individual or individual's spouse that would have been given regardless of whether the individual became a candidate or accepted a contribution.

(g) The proceeds of loans obtained by the individual or individual's spouse that are secured by collateral or security provided by the individual or individual's spouse.
(h) Family contributions.

41. "Political action committee" means an entity that is required to register as a political action committee pursuant to section 16-905.

42. "Political party" means a committee that meets the requirements for recognition as a political party pursuant to chapter 5 of this title.

43. "Primary purpose" means an entity's predominant purpose. Notwithstanding any other law or rule, an entity is not organized for the primary purpose of influencing an election if all of the following apply at the time the contribution or expenditure is made:

(a) The entity has tax exempt status under section 501(a) of the internal revenue code.

(b) Except for a religious organization, assembly or institution, the entity has properly filed a form 1023 or form 1024 with the internal revenue service or the equivalent successor form designated by the internal revenue service.

(c) The entity's tax exempt status has not been denied or revoked by the internal revenue service.

(d) The entity remains in good standing with the corporation commission.

(e) The entity has properly filed a form 990 with the internal revenue service or the equivalent successor form designated by the internal revenue service in compliance with the most recent filing deadline established by internal revenue service regulations or policies.

44. "Retention" means the election process by which a superior court judge, appellate court judge or supreme court justice is retained in office as prescribed by article VI, section 38 or 40, Constitution of Arizona.

45. "Separate segregated fund" means a fund established by a corporation, limited liability company, labor organization or partnership that is required to register as a political action committee.

46. "Social media messages" means forms of communication, including internet sites for social networking or blogging, through which users create a personal profile and participate in online communities to share information, ideas and personal messages.

47. "Sponsor" means any person that establishes, administers or contributes financial support to the administration of a political action committee or that has common or overlapping membership or officers with that political action committee.

48. "Standing committee" means a political action committee or political party that is active in more than one reporting jurisdiction in this state and that files a statement of organization in a format prescribed by the secretary of state.

49. "Statewide office" means the office of governor, secretary of state, state treasurer, attorney general, superintendent of public instruction, corporation commissioner or mine inspector.
50. "Surplus monies" means those monies of a terminating committee that remain after all of the committee's expenditures have been made, all debts have been extinguished and the committee ceases accepting contributions.

Sec. 2. Section 16-905, Arizona Revised Statutes, is amended to read:

16-905. Committee qualification; requirements; exemption; adjustments

A. A candidate for election or retention shall register as a candidate committee if the candidate receives contributions or makes expenditures, in any combination, of at least one thousand dollars in connection with that candidacy.

B. An entity shall register as a political action committee if both of the following apply:
   1. The entity is organized for the primary purpose of influencing the result of an election.
   2. The entity knowingly receives contributions or makes expenditures, in any combination, of at least one thousand dollars in connection with any election during a calendar year.

C. A filing officer or enforcement officer shall make a rebuttable presumption that an entity is organized for the primary purpose of influencing the result of an election if the entity meets any of the following:
   1. Except for a religious organization, assembly or institution, claims tax exempt status but had not filed form 1023 or form 1024 with the internal revenue service, or the equivalent successor form designated by the internal revenue service, before making a contribution or expenditure.
   2. Made a contribution or expenditure and at that time had its tax exempt status revoked by the internal revenue service.
   3. Made a contribution or expenditure and at that time failed to file form 990 with the internal revenue service, or the equivalent successor form designated by the internal revenue service, if required by law.
   4. At the time of making a contribution or expenditure was not registered with the corporation commission if required by law.
   5. At the time of making a contribution or expenditure was registered with the corporation commission but was not in good standing.

D. EXCEPT AS PRESCRIBED IN SUBSECTIONS B AND C OF THIS SECTION AND SECTION 16-938, A FILING OFFICER, ENFORCEMENT OFFICER OR OTHER OFFICER OF A CITY, TOWN, COUNTY OR OTHER POLITICAL SUBDIVISION OF THIS STATE MAY NOT REQUIRE AN ENTITY THAT CLAIMS TAX EXEMPT STATUS UNDER SECTION 501(a) OF THE INTERNAL REVENUE CODE AND THAT REMAINS IN GOOD STANDING WITH THE INTERNAL REVENUE SERVICE TO DO ANY OF THE FOLLOWING:
   1. REGISTER OR FILE AS A POLITICAL ACTION COMMITTEE.
2. REPORT OR OTHERWISE DISCLOSE PERSONALLY IDENTIFYING INFORMATION RELATING TO INDIVIDUALS WHO HAVE MADE CONTRIBUTIONS TO THAT ENTITY.

3. DISCLOSE ITS SCHEDULE B, FORM 990.

4. SUBMIT TO AN AUDIT OR SUBPOENA OR PRODUCE EVIDENCE REGARDING A POTENTIAL CAMPAIGN FINANCE VIOLATION.

   E. A fund that is established by a corporation, limited liability company, labor organization or partnership for the purpose of influencing the result of an election shall register as a political action committee.

   F. An entity may register as a political party committee only as prescribed in chapter 5 of this title.

   G. A committee is not subject to state income tax and is not required to file a state income tax return.

   H. The dollar amounts prescribed by this section shall be increased every two years pursuant to section 16-931.

APPROVED BY THE GOVERNOR APRIL 5, 2018.