

SUPREME COURT OF ARIZONA

Saban Rent-A-Car LLC v. Ariz. Dep't of Revenue, 246 Ariz. 89

434 P.3d 1168 (2019) · No. CV-18-0080-PR · Decided February 25, 2019

SUMMARY

The Arizona Supreme Court held that Maricopa County's surcharge on car-rental agencies does not violate the dormant Commerce Clause or Arizona's constitutional anti-diversion provision. The court concluded that the surcharge was imposed evenhandedly and that revenues from it were not derived from fees, excises, or license taxes relating to the operation or use of vehicles on public highways. The court reversed and remanded, while affirming the court of appeals' judgment in favor of the Arizona Department of Revenue and the Tourism and Sports Authority.

CASE DETAILS

COURT	Supreme Court of Arizona
WRITING FOR THE COURT	Justice Timmer; Chief Justice Bales; Vice Chief Justice Brutinel; Justice Pelander; Justice Gould; Justice Lopez; Justice Bolick
JURISDICTION	Arizona
DECIDED	February 25, 2019
DOCKET	CV-18-0080-PR
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Arizona Supreme Court granted review of a court of appeals decision reversing the Arizona Tax Court's judgment for Saban in a class action challenging a car-rental surcharge. The parties had filed cross-motions for summary judgment.
STANDARD OF REVIEW	De novo review of constitutional questions, statutory construction, and grants of summary judgment.
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of Arizona.
PARTIES	Arizona Department of Revenue, Tourism and Sports Authority v. Saban Rent-A-Car LLC

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QUESTIONS PRESENTED

1. Whether the car-rental surcharge was enacted with discriminatory intent or otherwise violated the dormant Commerce Clause.
2. Whether the surcharge was a fee, excise, or license tax relating to the operation or use of vehicles on public highways or streets under article 9, section 14 of the Arizona Constitution, such that its revenues had to be spent on highway and street purposes.

HOLDINGS

1. The car-rental surcharge does not violate the dormant Commerce Clause because it is imposed evenhandedly on resident and nonresident car-rental agencies and customers without differentiating between in-state and out-of-state economic interests. The fact that nonresident visitors may bear most of the economic burden does not establish discriminatory intent.
2. The car-rental surcharge does not constitute a fee, excise, or license tax relating to the operation or use of vehicles on public highways or streets. The phrase refers to taxes or fees imposed as a prerequisite to, or triggered by, the legal operation or use of a vehicle on a public road; a surcharge imposed on the business of renting vehicles does not meet that definition.

KEY QUOTATIONS

“In sum, “fees, excises, or license taxes relating to . . . the . . . operation, or use of vehicles” are ones imposed as a prerequisite to, or triggered by, the legal operation or use of a vehicle on a public road.” (¶ 39)

“Discrimination “means differential treatment of in-state and out-of-state economic interests that benefits the former and burdens the latter.”” (¶ 12)

FACTUAL BACKGROUND

Maricopa County voters approved a surcharge on car-rental companies leasing vehicles for less than one year, calculated generally as the greater of \$2.50 per rental or 3.25% of gross proceeds or income. The revenues fund the Maricopa County Stadium District and the Arizona Tourism and Sports Authority, and rental companies may pass the surcharge to customers. Saban paid the surcharge, primarily for rentals to local residents, and challenged it under the dormant Commerce Clause and Arizona's constitutional anti-diversion provision.

PROCEDURAL HISTORY

Saban sought refunds and injunctive relief after the Arizona Department of Revenue denied its refund request. The Arizona Tax Court certified a class, granted summary judgment to Saban on the Arizona Constitution's anti-diversion provision, rejected its dormant Commerce Clause claim, and ordered refunds. The court of appeals held that the surcharge violated neither provision and remanded for judgment for the Department and AzSTA. The Arizona Supreme Court affirmed the court of appeals, reversed the tax court, remanded for entry of judgment for the defendants, and vacated the refund order.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the Arizona Tax Court's judgment in favor of Saban and remand for entry of judgment in favor of the Arizona Department of Revenue and the Tourism and Sports Authority, together with any further proceedings consistent with the opinion. Vacate the tax court's refund order.

CASES CITED

- Gallardo v. State, 236 Ariz. 84, 87 ¶ 8, 336 P.3d 717, 720 (2014)
- BSI Holdings, LLC v. Ariz. Dep't of Transp., 244 Ariz. 17, 19 ¶ 9, 417 P.3d 782, 784 (2018)
- Cave Creek Unified Sch. Dist. v. Ducey, 233 Ariz. 1, 5 ¶ 11, 308 P.3d 1152, 1156 (2013)
- Or. Waste Sys., Inc. v. Dep't of Envtl. Quality of Or., 511 U.S. 93, 98-101 (1994)
- Dep't of Revenue of Ky. v. Davis, 553 U.S. 328, 337-38 (2008)
- Gen. Motors Corp. v. Tracy, 519 U.S. 278, 299 (1997)
- Hunt v. Wash. State Apple Advert. Comm'n, 432 U.S. 333, 350 (1977)
- Pike v. Bruce Church, Inc., 397 U.S. 137, 142 (1970)
- Amerada Hess Corp. v. Dir., Div. of Taxation, N.J. Dep't of the Treasury, 490 U.S. 66, 75 (1989)
- Commonwealth Edison Co. v. Montana, 453 U.S. 609, 618-19, 636 (1981)
- Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 270-71 (1984)
- Camps Newfound/Owatonna, Inc. v. Town of Harrison, 520 U.S. 564, 568-80 (1997)
- United States v. Superior Court, 144 Ariz. 265, 275-76, 697 P.2d 658, 668-69 (1985)
- Heath v. Kiger, 217 Ariz. 492, 495 ¶ 12, 176 P.3d 690, 693 (2008)
- State v. Estrada, 201 Ariz. 247, 251 ¶ 19, 34 P.3d 356, 360 (2001)
- Fields v. Elected Officials' Ret. Plan, 234 Ariz. 214, 218 ¶ 16, 320 P.3d 1160, 1164 (2014)
- City of Phx. v. Glenayre Elecs., Inc., 242 Ariz. 139, 147 ¶ 32, 393 P.3d 919, 927 (2017)
- Texas Co. v. State, 31 Ariz. 485, 487, 254 P. 1060 (1927)
- Ariz. Early Childhood Dev. & Health Bd. v. Brewer, 221 Ariz. 467, 471 ¶ 14, 212 P.3d 805, 809 (2009)
- White v. Moore, 46 Ariz. 48, 54-56, 46 P.2d 1077 (1935)
- Peterson v. Smith, 92 Ariz. 340, 342, 376 P.2d 865 (1962)

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