

FLOOR AMENDMENT
SENATE AMENDMENTS TO H.B. 2111
(Reference to APPROP amendment)

1 Page 1, strike lines 2 through 28
2 Strike pages 2 through 97
3 Page 98, strike lines 1 through 28, insert:
4 ""Section 1. Section 42-1118, Arizona Revised Statutes, is amended to
5 read:
6 42-1118. Refunds, credits, offsets and abatements
7 A. If the department determines that any amount of tax, penalty or
8 interest has been paid in excess of the amount actually due, the department
9 shall credit the excess amount against any tax administered pursuant to this
10 article, including any penalty, interest or other amounts owed by the
11 taxpayer to the department. If it is determined that the amount cannot be
12 credited against a tax or installment of taxes due from the taxpayer, the
13 department may:
14 1. Refund the entire amount of tax, interest and penalty, in a lump
15 sum or in not more than five annual installments, to the taxpayer from whom
16 it was collected.
17 2. Issue to the taxpayer a credit voucher for the entire amount of
18 tax, interest and penalty collected, to be carried forward and applied
19 against future tax liabilities until exhausted.
20 3. Refund part, and issue a credit voucher for the balance, of the
21 tax, interest and penalties as provided in paragraphs 1 and 2 of this
22 subsection.
23 B. If the total amount withheld from income under section 43-401
24 exceeds the amount of the tax on the employee's entire taxable income as
25 computed under title 43, the department shall refund the amount of the excess
26 deducted without requiring a filing of a refund claim as provided in this
27 section. The failure of the department to make the refund does not limit the
28 right of the taxpayer to file a claim for a refund pursuant to this section
29 if the claim is not barred under section 42-1106. The department shall not
30 refund amounts less than one dollar unless specifically requested by the
31 taxpayer at the time the return or claim for refund is filed.
32 C. Any overpayment that may result from withholdings or estimates
33 pursuant to section 43-401, 43-581 or 43-582 shall not be credited or
34 refunded unless an Arizona income tax return has been filed for the tax year
35 for which the withholdings or estimates were made.
36 D. The department shall give a vendor who has a duty to collect use
37 tax pursuant to chapter 5, article 4 of this title and who has not collected
38 that tax full credit or offset for any use tax, interest and penalty paid to
39 the department by the purchaser when issuing a determination of a deficiency
40 pursuant to section 42-1108. This credit or offset shall be computed from

1 the date of the use tax payment by the purchaser. If the purchaser has been
2 audited by the department for use tax for the period of the purchase, the
3 purchaser is considered to have paid the use tax to the department. For
4 other purchases, the vendor may submit an affirmation by a purchaser on a
5 form prescribed by the department that use tax was paid on the purchase. A
6 fully completed certificate, taken in good faith by the vendor, constitutes
7 proof that the vendor is entitled to this credit or offset. The department
8 may require a purchaser who has submitted the certificate to establish the
9 accuracy and completeness of the information contained in the certificate.
10 If the purchaser cannot establish the accuracy and completeness of the
11 information, the purchaser is liable for a penalty equal to the amount of tax
12 and interest that would have been paid by the seller and for the additional
13 penalties pursuant to section 42-1125. Payment of the penalty relieves the
14 purchaser of any responsibility for paying the use tax. The department may
15 require this proof and may assess the purchaser within the later of the
16 period of limitations set forth in section 42-1104 or one year from the date
17 the notice of proposed deficiency is issued to the vendor if the purchaser
18 does not establish the accuracy of the information contained in the
19 certificate.

20 E. Each claim for refund shall be filed with the department in writing
21 and shall identify the claimant by name, address and tax identification
22 number. Each claim shall provide the amount of refund requested, the
23 specific tax period involved and the specific grounds on which the claim is
24 founded. Refunds are subject to setoff for debts pursuant to section
25 42-1122.

26 F. A motor vehicle manufacturer that repurchases a vehicle pursuant to
27 section 44-1263 or for reasons of consumer satisfaction may apply for a
28 refund of the taxes paid under chapter 5 of this title if that manufacturer
29 has refunded the amount of tax to the consumer. A refund is allowed under
30 this subsection only if the manufacturer provides satisfactory proof to the
31 department that tax amounts attributed to the sale of the vehicle were
32 collected from the consumer and that the manufacturer refunded an amount of
33 tax to the consumer. Any refund provided under this subsection is in lieu of
34 any refund on the vehicle that the dealer may otherwise be entitled to
35 receive. A manufacturer must apply for a refund under this subsection within
36 four years after repurchasing the vehicle. For the purposes of this
37 subsection:

38 1. "Consumer" has the same meaning prescribed in section 44-1261.

39 2. "Motor vehicle manufacturer" means a corporation engaged in the
40 business of producing passenger cars, trucks and multipurpose passenger
41 vehicles as described in 49 Code of Federal Regulations section 571.3.

42 3. "Satisfactory proof" includes copies of checks and a purchase or
43 lease agreement that lists the vehicle identification number and that
44 itemizes the amount that was collected as tax from the consumer.

45 G. The department shall not imprint the full social security number or
46 other taxpayer identifier used pursuant to section 42-1105 on any taxpayer
47 refund check, voucher or other credit documentation issued to the taxpayer
48 under this section.

1 H. If any amount has been erroneously determined to be due from any
2 person but not yet collected, the department shall cancel the amount or
3 amounts on its records.

4 I. If, with or after the filing of a protest or an appeal with the
5 department, the state board of tax appeals or the court, a taxpayer pays the
6 tax protested or appealed before the department, board or court acts upon the
7 protest or the appeal, such body shall treat the protest or the appeal as a
8 claim for refund or an appeal from the denial of a claim for refund filed
9 under this section.

10 J. IF THE DEPARTMENT DETERMINES THAT ANY AMOUNT OF TAX, PENALTY OR
11 INTEREST RECEIVED BY THE DEPARTMENT HAS BEEN ALLOCATED BY THE DEPARTMENT OR
12 THE TAXPAYER TO STATE, COUNTY OR MUNICIPAL TAX THAT SHOULD HAVE BEEN
13 ALLOCATED TO A DIFFERENT JURISDICTION, THE DEPARTMENT SHALL DISTRIBUTE THE
14 ERRONEOUS ALLOCATION TO THE CORRECT JURISDICTION. IF ANY JURISDICTION
15 ASSERTS, IN WHOLE OR IN PART, THE RIGHT TO A TAX THAT WAS PAID TO THE
16 DEPARTMENT, THE DEPARTMENT AND THE JURISDICTION SHALL RESOLVE THE ALLOCATION
17 OF THE TAX BETWEEN THEM. THE TAXPAYER SHALL NOT BE A PARTY TO THE DISPUTE
18 BUT MAY BE COMPELLED TO GIVE EVIDENCE OR PRODUCE BOOKS AND RECORDS TO THE
19 DEPARTMENT.

20 Sec. 2. Section 42-2003, Arizona Revised Statutes, is amended to read:
21 42-2003. Authorized disclosure of confidential information

22 A. Confidential information relating to:

23 1. A taxpayer may be disclosed to the taxpayer, its successor in
24 interest or a designee of the taxpayer who is authorized in writing by the
25 taxpayer. A principal corporate officer of a parent corporation may execute
26 a written authorization for a controlled subsidiary.

27 2. A corporate taxpayer may be disclosed to any principal officer, any
28 person designated by a principal officer or any person designated in a
29 resolution by the corporate board of directors or other similar governing
30 body.

31 3. A partnership may be disclosed to any partner of the partnership.
32 This exception does not include disclosure of confidential information of a
33 particular partner unless otherwise authorized.

34 4. An estate may be disclosed to the personal representative of the
35 estate and to any heir, next of kin or beneficiary under the will of the
36 decedent if the department finds that the heir, next of kin or beneficiary
37 has a material interest which will be affected by the confidential
38 information.

39 5. A trust may be disclosed to the trustee or trustees, jointly or
40 separately, and to the grantor or any beneficiary of the trust if the
41 department finds that the grantor or beneficiary has a material interest that
42 will be affected by the confidential information.

43 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
44 to confidentiality either in writing or on the record in any administrative
45 or judicial proceeding.

46 7. The name and taxpayer identification numbers of persons issued
47 direct payment permits may be publicly disclosed.

1 B. Confidential information may be disclosed to:

2 1. Any employee of the department whose official duties involve tax
3 administration.

4 2. The office of the attorney general solely for its use in
5 preparation for, or in an investigation that may result in, any proceeding
6 involving tax administration before the department or any other agency or
7 board of this state, or before any grand jury or any state or federal court.

8 3. The department of liquor licenses and control for its use in
9 determining whether a spirituous liquor licensee has paid all transaction
10 privilege taxes and affiliated excise taxes incurred as a result of the sale
11 of spirituous liquor, as defined in section 4-101, at the licensed
12 establishment and imposed on the licensed establishments by this state and
13 its political subdivisions.

14 4. Other state tax officials whose official duties require the
15 disclosure for proper tax administration purposes if the information is
16 sought in connection with an investigation or any other proceeding conducted
17 by the official. Any disclosure is limited to information of a taxpayer who
18 is being investigated or who is a party to a proceeding conducted by the
19 official.

20 5. The following agencies, officials and organizations, if they grant
21 substantially similar privileges to the department for the type of
22 information being sought, pursuant to statute and a written agreement between
23 the department and the foreign country, agency, state, Indian tribe or
24 organization:

25 (a) The United States internal revenue service, alcohol and tobacco
26 tax and trade bureau of the United States treasury, United States bureau of
27 alcohol, tobacco, firearms and explosives of the United States department of
28 justice, United States drug enforcement agency and federal bureau of
29 investigation.

30 (b) A state tax official of another state.

31 (c) An organization of states, federation of tax administrators or
32 multistate tax commission that operates an information exchange for tax
33 administration purposes.

34 (d) An agency, official or organization of a foreign country with
35 responsibilities that are comparable to those listed in subdivision (a), (b)
36 or (c) of this paragraph.

37 (e) An agency, official or organization of an Indian tribal government
38 with responsibilities comparable to the responsibilities of the agencies,
39 officials or organizations identified in subdivision (a), (b) or (c) of this
40 paragraph.

41 6. The auditor general, in connection with any audit of the department
42 subject to the restrictions in section 42-2002, subsection D.

43 7. Any person to the extent necessary for effective tax administration
44 in connection with:

45 (a) The processing, storage, transmission, destruction and
46 reproduction of the information.

47 (b) The programming, maintenance, repair, testing and procurement of
48 equipment for purposes of tax administration.

1 (c) The collection of the taxpayer's civil liability.

2 8. The office of administrative hearings relating to taxes
3 administered by the department pursuant to section 42-1101, but the
4 department shall not disclose any confidential information:

5 (a) Regarding income tax or withholding tax.

6 (b) On any tax issue relating to information associated with the
7 reporting of income tax or withholding tax.

8 9. The United States treasury inspector general for tax administration
9 for the purpose of reporting a violation of internal revenue code section
10 7213A (26 United States Code section 7213A), unauthorized inspection of
11 returns or return information.

12 10. The financial management service of the United States treasury
13 department for use in the treasury offset program.

14 11. The United States treasury department or its authorized agent for
15 use in the state income tax levy program and in the electronic federal tax
16 payment system.

17 12. The Arizona commerce authority for its use in:

18 (a) Qualifying renewable energy operations for the tax incentives
19 under sections 42-12006, 43-1083.01 and 43-1164.01.

20 (b) Qualifying businesses with a qualified facility for income tax
21 credits under sections 43-1083.03 and 43-1164.04.

22 (c) Fulfilling its annual reporting responsibility pursuant to section
23 41-1511, subsections U and V and section 41-1512, subsections U and V.

24 13. A prosecutor for purposes of section 32-1164, subsection C.

25 14. The state fire marshal for use in determining compliance with and
26 enforcing title 41, chapter 16, article 3.1.

27 15. The department of transportation for its use in administering taxes
28 and surcharges prescribed by title 28.

29 C. Confidential information may be disclosed in any state or federal
30 judicial or administrative proceeding pertaining to tax administration
31 pursuant to the following conditions:

32 1. One or more of the following circumstances must apply:

33 (a) The taxpayer is a party to the proceeding.

34 (b) The proceeding arose out of, or in connection with, determining
35 the taxpayer's civil or criminal liability, or the collection of the
36 taxpayer's civil liability, with respect to any tax imposed under this title
37 or title 43.

38 (c) The treatment of an item reflected on the taxpayer's return is
39 directly related to the resolution of an issue in the proceeding.

40 (d) Return information directly relates to a transactional
41 relationship between a person who is a party to the proceeding and the
42 taxpayer and directly affects the resolution of an issue in the proceeding.

43 2. Confidential information may not be disclosed under this subsection
44 if the disclosure is prohibited by section 42-2002, subsection C or D.

45 D. Identity information may be disclosed for purposes of notifying
46 persons entitled to tax refunds if the department is unable to locate the
47 persons after reasonable effort.

1 E. The department, on the request of any person, shall provide the
2 names and addresses of bingo licensees as defined in section 5-401, verify
3 whether or not a person has a privilege license and number, a distributor's
4 license and number or a withholding license and number or disclose the
5 information to be posted on the department's website or otherwise publicly
6 accessible pursuant to section 42-1124, subsection F and section 42-3201,
7 subsection A.

8 F. A department employee, in connection with the official duties
9 relating to any audit, collection activity or civil or criminal
10 investigation, may disclose return information to the extent that disclosure
11 is necessary to obtain information that is not otherwise reasonably
12 available. These official duties include the correct determination of and
13 liability for tax, the amount to be collected or the enforcement of other
14 state tax revenue laws.

15 G. If an organization is exempt from this state's income tax as
16 provided in section 43-1201 for any taxable year, the name and address of the
17 organization and the application filed by the organization on which the
18 department made its determination for exemption together with any papers
19 submitted in support of the application and any letter or document issued by
20 the department concerning the application are open to public inspection.

21 H. Confidential information relating to transaction privilege tax, use
22 tax, severance tax, jet fuel excise and use tax and ~~and~~ any other tax
23 collected by the department on behalf of ~~the county~~ ANY JURISDICTION may be
24 disclosed to any county, city or town tax official if the information relates
25 to a taxpayer who is or may be taxable by the county, city or town OR WHO IS
26 OR MAY BE SUBJECT TO AUDIT BY THE DEPARTMENT OR ANY CITY OR TOWN PURSUANT TO
27 SECTION 42-6005. Any taxpayer information released by the department to the
28 county, city or town:

29 1. May only be used for internal purposes, INCLUDING AUDITS.

30 2. May not be disclosed to the public in any manner that does not
31 comply with confidentiality standards established by the department. The
32 county, city or town shall agree in writing with the department that any
33 release of confidential information that violates the confidentiality
34 standards adopted by the department will result in the immediate suspension
35 of any rights of the county, city or town to receive taxpayer information
36 under this subsection.

37 I. The department may disclose statistical information gathered from
38 confidential information if it does not disclose confidential information
39 attributable to any one taxpayer. The department may disclose statistical
40 information gathered from confidential information, even if it discloses
41 confidential information attributable to a taxpayer, to:

42 1. The state treasurer in order to comply with the requirements of
43 section 42-5029, subsection A, paragraph 3.

44 2. The joint legislative income tax credit review committee and the
45 joint legislative budget committee staff in order to comply with the
46 requirements of section 43-221.

47 J. The department may disclose the aggregate amounts of any tax
48 credit, tax deduction or tax exemption enacted after January 1, 1994.

1 Information subject to disclosure under this subsection shall not be
2 disclosed if a taxpayer demonstrates to the department that such information
3 would give an unfair advantage to competitors.

4 K. Except as provided in section 42-2002, subsection C, confidential
5 information, described in section 42-2001, paragraph 1, subdivision (a), item
6 (ii), may be disclosed to law enforcement agencies for law enforcement
7 purposes.

8 L. The department may provide transaction privilege tax license
9 information to property tax officials in a county for the purpose of
10 identification and verification of the tax status of commercial property.

11 M. The department may provide transaction privilege tax, luxury tax,
12 use tax, property tax and severance tax information to the ombudsman-citizens
13 aide pursuant to title 41, chapter 8, article 5.

14 N. Except as provided in section 42-2002, subsection D, a court may
15 order the department to disclose confidential information pertaining to a
16 party to an action. An order shall be made only upon a showing of good cause
17 and that the party seeking the information has made demand upon the taxpayer
18 for the information.

19 O. This section does not prohibit the disclosure by the department of
20 any information or documents submitted to the department by a bingo licensee.
21 Before disclosing the information the department shall obtain the name and
22 address of the person requesting the information.

23 P. If the department is required or permitted to disclose confidential
24 information, it may charge the person or agency requesting the information
25 for the reasonable cost of its services.

26 Q. Except as provided in section 42-2002, subsection D, the department
27 of revenue shall release confidential information as requested by the
28 department of economic security pursuant to section 42-1122 or 46-291.
29 Information disclosed under this subsection is limited to the same type of
30 information that the United States internal revenue service is authorized to
31 disclose under section 6103(l)(6) of the internal revenue code.

32 R. Except as provided in section 42-2002, subsection D, the department
33 of revenue shall release confidential information as requested by the courts
34 and clerks of the court pursuant to section 42-1122.

35 S. To comply with the requirements of section 42-5031, the department
36 may disclose to the state treasurer, to the county stadium district board of
37 directors and to any city or town tax official that is part of the county
38 stadium district confidential information attributable to a taxpayer's
39 business activity conducted in the county stadium district.

40 T. The department shall release confidential information as requested
41 by the attorney general for purposes of determining compliance with and
42 enforcing section 44-7101, the master settlement agreement referred to
43 therein and subsequent agreements to which the state is a party that amend or
44 implement the master settlement agreement. Information disclosed under this
45 subsection is limited to luxury tax information relating to tobacco
46 manufacturers, distributors, wholesalers and retailers and information
47 collected by the department pursuant to section 44-7101(2)(j).

1 U. For proceedings before the department, the office of administrative
2 hearings, the board of tax appeals or any state or federal court involving
3 penalties that were assessed against a return preparer, an electronic return
4 preparer or a payroll service company pursuant to section 42-1103.02,
5 42-1125.01 or 43-419, confidential information may be disclosed only before
6 the judge or administrative law judge adjudicating the proceeding, the
7 parties to the proceeding and the parties' representatives in the proceeding
8 prior to its introduction into evidence in the proceeding. The confidential
9 information may be introduced as evidence in the proceeding only if the
10 taxpayer's name, the names of any dependents listed on the return, all social
11 security numbers, the taxpayer's address, the taxpayer's signature and any
12 attachments containing any of the foregoing information are redacted and if
13 either:

14 1. The treatment of an item reflected on such return is or may be
15 related to the resolution of an issue in the proceeding.

16 2. Such return or return information relates or may relate to a
17 transactional relationship between a person who is a party to the proceeding
18 and the taxpayer which directly affects the resolution of an issue in the
19 proceeding.

20 3. The method of payment of the taxpayer's withholding tax liability
21 or the method of filing the taxpayer's withholding tax return is an issue for
22 the period.

23 V. The department may disclose to the attorney general confidential
24 information received under section 44-7111 and requested by the attorney
25 general for purposes of determining compliance with and enforcing section
26 44-7111. The department and attorney general shall share with each other the
27 information received under section 44-7111, and may share the information
28 with other federal, state or local agencies only for the purposes of
29 enforcement of section 36-798.06, 44-7101, ~~OR~~ 44-7111 or corresponding laws
30 of other states.

31 W. The department may provide the name and address of qualifying
32 hospitals and qualifying health care organizations, as defined in section
33 42-5001, to a business classified and reporting transaction privilege tax
34 under the utilities classification.

35 X. The department may disclose to the attorney general confidential
36 information requested by the attorney general for the purposes of determining
37 compliance with and enforcing section 36-798.06.

38 Y. The department may disclose to an official of any city, town or
39 county in a current agreement or considering a prospective agreement with the
40 department as described in section 42-5032.02, subsection F any information
41 relating to amounts subject to distribution required by section 42-5032.02.
42 Information disclosed by the department under this subsection:

43 1. May only be used by the city, town or county for internal purposes.

44 2. May not be disclosed to the public in any manner that does not
45 comply with confidentiality standards established by the department. The
46 city, town or county must agree with the department in writing that any
47 release of confidential information that violates the confidentiality

1 standards will result in the immediate suspension of any rights of the city,
2 town or county to receive information under this subsection.

3 Sec. 3. Section 42-2059, Arizona Revised Statutes, is amended to read:

4 42-2059. No additional audits or proposed assessments;
5 exceptions

6 A. When the department completes an audit or the findings of a managed
7 audit are accepted by the director or approved on appeal and a deficiency has
8 been completely determined under section 42-1108 or chapter 1, article 6 of
9 this title, the taxpayer's liability for the particular tax for the period
10 subjected to the audit is fixed and determined, and no additional audit may
11 be conducted except under the following circumstances:

12 1. If a taxpayer files a claim for refund under section 42-1251,
13 subsection B or any other provision authorizing a claim for refund. Any
14 departmental audit of the claim is limited to the issues presented on the
15 claim for refund.

16 2. Changes or corrections required to be reported to the department by
17 section 43-327. The department may audit any such reports or any periods for
18 which a report was required notwithstanding this section and may determine a
19 tax deficiency or a refund.

20 ~~3. An audit of state transaction privilege or use tax does not~~
21 ~~preclude a subsequent audit for a city or town. An audit of transaction~~
22 ~~privilege or use tax for a city or town does not preclude a subsequent audit~~
23 ~~for this state.~~

24 ~~4.~~ 3. If the taxpayer failed to disclose material information during
25 the audit, or has falsified books or records or otherwise engaged in an
26 action that prevented the department from conducting an accurate audit, the
27 applicability of this subsection may be part of a subsequent protest and may
28 be contested by the taxpayer pursuant to chapter 1, article 6 of this title.

29 ~~5.~~ 4. If a managed audit is completed under the terms of a limited
30 managed audit agreement, the department may audit the issues not covered by
31 the limited managed audit agreement within the statute of limitations
32 prescribed by section 42-1104.

33 B. If the department issues a notice of proposed assessment of taxes
34 imposed by chapter 5, article 1 or 4 of this title or title 43, chapter 10,
35 the department may not increase the amount of the proposed assessment except
36 in one or more of the following circumstances:

37 1. The taxpayer has made a material misrepresentation of facts.

38 2. The taxpayer has failed to disclose a material fact to the auditor.

39 3. The department has requested information and the taxpayer fails to
40 provide that information to the department.

41 4. After issuing the notice of proposed assessment but before the
42 assessment becomes final the tax court, court of appeals or supreme court
43 issues a decision, the application of which causes the tax initially proposed
44 to increase.

45 C. Subsection B of this section does not apply to changes or
46 corrections that are required to be reported to the department by section
47 43-327.

1 Sec. 4. Section 42-2075, Arizona Revised Statutes, is amended to read:
2 42-2075. Audit duration; definition

3 A. An audit of a taxpayer's return or claim for refund shall not
4 exceed two years from the date of initial audit contact to the issuance of a
5 notice of proposed deficiency assessment or proposed overpayment, except:

6 1. An audit of a fraudulent tax return.

7 2. An audit delayed as the result of the taxpayer's bankruptcy
8 proceeding.

9 3. An audit in which the department has issued a letter to the
10 taxpayer or the taxpayer's representative citing the potential imposition of
11 the penalty described in section 42-1125, subsection C for the taxpayer's
12 failure or refusal to provide information pursuant to the department's
13 written request.

14 4. An audit involving proceedings concerning the enforcement or
15 validity of a subpoena or subpoena duces tecum issued pursuant to section
16 42-1006, subsection C.

17 5. An audit involving a proceeding under section 42-2056.

18 6. An audit where a taxpayer has filed a petition pursuant to section
19 43-1148, but only in relation to the effect of the petition request.

20 7. An audit in which the taxpayer provides a written request to extend
21 the audit beyond the two-year period. A request for extension under this
22 paragraph is not a substitute for a waiver of the statute of limitations
23 pursuant to section 42-1104, subsection B, paragraph 9. However, a waiver of
24 the statute of limitations is considered to be a written request to extend
25 the audit beyond the two-year period under this paragraph.

26 B. This section applies to audits conducted by the department and to
27 ~~joint~~ audits conducted by the department and cities and towns pursuant to
28 section 42-6005.

29 C. For the purposes of this section, "initial audit contact" means:

30 1. For a field audit, the date of the first meeting between the
31 taxpayer or the taxpayer's representative and a member of the department's
32 audit staff.

33 2. For a desk or office audit, the date of the first letter to the
34 taxpayer regarding the audit."

35 Sec. 5. Repeal

36 Section 42-5005, Arizona Revised Statutes, is repealed.

37 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes, is
38 amended by adding a new section 42-5005 and sections 42-5005.01, 42-5005.02,
39 42-5005.03 and 42-5005.04, to read:

40 42-5005. Privilege and use tax license; fees; casual sales;
41 revocation; violation; classification

42 A. A PERSON SHALL OBTAIN FROM THE DEPARTMENT A PRIVILEGE AND USE TAX
43 LICENSE IF THE PERSON DOES EITHER OF THE FOLLOWING:

44 1. WANTS TO ENGAGE IN OR CONTINUE IN BUSINESS ACTIVITIES IN THIS STATE
45 ON WHICH A PRIVILEGE TAX IS IMPOSED BY THIS CHAPTER.

46 2. ENGAGES IN OR CONTINUES IN BUSINESS IN THIS STATE THAT INVOLVES
47 STORING OR USING TANGIBLE PERSONAL PROPERTY IN THIS STATE AND THIS ACTIVITY
48 IS SUBJECT TO A USE TAX IMPOSED BY THIS CHAPTER.

1 B. A PERSON SHALL NOT ENGAGE IN THE ACTIVITIES DESCRIBED IN SUBSECTION
2 A OF THIS SECTION WITHOUT A VALID PRIVILEGE AND USE TAX LICENSE.

3 C. WHEN APPLYING FOR A PRIVILEGE AND USE TAX LICENSE, THE PERSON SHALL
4 PAY A NONREFUNDABLE APPLICATION FEE OF _____ DOLLARS AND A NONREFUNDABLE
5 LICENSE FEE OF _____ DOLLARS. IN THE FIRST YEAR IN WHICH A PERSON CONDUCTS
6 ACTIVITIES DESCRIBED IN SUBSECTION A OF THIS SECTION, THE LICENSE FEE SHALL
7 BE PRORATED BASED ON THE BUSINESS START DATE AS FOLLOWS:

8 1. IF THE BUSINESS START DATE IS ON OR AFTER JANUARY 1 AND BEFORE
9 APRIL 1, THE PERSON SHALL PAY THE FULL FEE.

10 2. IF THE BUSINESS START DATE IS ON OR AFTER APRIL 1 AND BEFORE JULY
11 1, THE PERSON SHALL PAY SEVENTY-FIVE PER CENT OF THE FULL FEE.

12 3. IF THE BUSINESS START DATE IS ON OR AFTER JULY 1 AND BEFORE OCTOBER
13 1, THE PERSON SHALL PAY FIFTY PER CENT OF THE FULL FEE.

14 4. IF THE BUSINESS START DATE IS ON OR AFTER OCTOBER 1 AND BEFORE THE
15 FOLLOWING JANUARY 1, THE PERSON SHALL PAY TWENTY-FIVE PER CENT OF THE FULL
16 FEE.

17 D. FOR THE PURPOSES OF THIS SECTION, A PERSON ENGAGES IN OR CONTINUES
18 IN BUSINESS IN THIS STATE IF THE PERSON DOES ANY OF THE FOLLOWING:

19 1. ENGAGES IN ANY ACTIVITY THAT IS SUBJECT TO PRIVILEGE TAX PURSUANT
20 TO THIS CHAPTER.

21 2. MAINTAINS IN THIS STATE DIRECTLY OR, IF A CORPORATION, THROUGH A
22 SUBSIDIARY AN OFFICE, A DISTRIBUTION HOUSE, A SALES HOUSE, A WAREHOUSE OR ANY
23 OTHER PLACE OF BUSINESS, OR ANY AGENT OR OTHER REPRESENTATIVE OPERATING IN
24 THIS STATE UNDER THE AUTHORITY OF THE PERSON OR, IF A CORPORATION, ITS
25 SUBSIDIARY, REGARDLESS OF WHETHER THE PLACE OF BUSINESS OR AGENT OR OTHER
26 REPRESENTATIVE IS LOCATED IN THIS STATE PERMANENTLY OR TEMPORARILY OR WHETHER
27 THE PERSON OR SUBSIDIARY IS AUTHORIZED OR LICENSED TO DO BUSINESS IN THIS
28 STATE.

29 3. SOLICITS SALES, ORDERS, CONTRACTS, LEASES AND OTHER SIMILAR FORMS
30 OF BUSINESS RELATIONSHIPS IN THIS STATE FROM CUSTOMERS, CONSUMERS OR USERS
31 LOCATED IN THIS STATE, BY MEANS OF SALESPERSONS, SOLICITORS, AGENTS,
32 REPRESENTATIVES, BROKERS AND OTHER SIMILAR PERSONS OR BY MEANS OF CATALOGS OR
33 OTHER ADVERTISING, WHETHER THE ORDERS ARE RECEIVED OR ACCEPTED IN OR OUTSIDE
34 THIS STATE.

35 4. ENGAGES IN ANY ACTIVITY THAT IS SUBJECT TO USE TAX PURSUANT TO THIS
36 CHAPTER, UNLESS THE PERSON IS AN INDIVIDUAL AND ACQUIRES TANGIBLE PERSONAL
37 PROPERTY OUTSIDE THIS STATE FOR PERSONAL USE BY THE PERSON OR THE PERSON'S
38 FAMILY.

39 E. A PERSON THAT ENGAGES IN MORE THAN ONE CATEGORY OF ACTIVITY THAT
40 REQUIRES A PRIVILEGE AND USE TAX LICENSE AT ONE BUSINESS LOCATION IS NOT
41 REQUIRED TO OBTAIN A SEPARATE LICENSE FOR EACH ACTIVITY IF THE PERSON LISTS
42 ON THE LICENSE APPLICATION EACH CATEGORY OF ACTIVITY IN WHICH THE PERSON IS
43 ENGAGED.

44 F. A PERSON WHO HAS RECEIVED A LICENSE SHALL INFORM THE DEPARTMENT OF
45 ANY CHANGE IN THE PERSON'S BUSINESS ACTIVITIES, LOCATION OR MAILING ADDRESS
46 WITHIN THIRTY DAYS AFTER THE CHANGE.

1 G. THE ISSUANCE OF A PRIVILEGE AND USE TAX LICENSE IS NOT PERMISSION
2 TO CONDUCT A BUSINESS ACTIVITY IN VIOLATION OF ANY LAW TO WHICH THE BUSINESS
3 ACTIVITY IS SUBJECT.

4 H. A PERSON IS NOT SUBJECT TO THE LICENSING REQUIREMENTS OF THIS
5 ARTICLE IF THE PERSON IS ENGAGED IN PRIVATE PARTY SALES ACTIVITY ON NOT MORE
6 THAN THREE SEPARATE OCCASIONS IN ANY CALENDAR YEAR. FOR THE PURPOSES OF THIS
7 SUBSECTION, "PRIVATE PARTY SALES ACTIVITY" INCLUDES THE SALE OF A PERSONAL
8 MOTOR VEHICLE AND A GARAGE SALE.

9 I. A PRIVILEGE AND USE TAX LICENSE IS NOT TRANSFERABLE BETWEEN OWNERS
10 OR LOCATIONS AND SHALL BE DISPLAYED TO THE PUBLIC IN THE LICENSEE'S PLACE OF
11 BUSINESS.

12 J. IF A PERSON VIOLATES THIS ARTICLE OR ANY RULE ADOPTED UNDER THIS
13 ARTICLE, THE DEPARTMENT MAY REVOKE ANY PRIVILEGE AND USE TAX LICENSE ISSUED
14 TO THE PERSON AFTER A HEARING. THE DEPARTMENT SHALL PROVIDE TEN DAYS'
15 WRITTEN NOTICE OF THE HEARING, STATING THE TIME AND PLACE OF THE HEARING AND
16 REQUIRING THE PERSON TO APPEAR AND SHOW CAUSE WHY THE LICENSE SHOULD NOT BE
17 REVOKED. THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO THE PERSON OF THE
18 REVOCATION OF THE LICENSE. THE NOTICES MAY BE SERVED PERSONALLY OR BY MAIL
19 PURSUANT TO SECTION 42-5037. AFTER REVOCATION, THE DEPARTMENT SHALL NOT
20 ISSUE A NEW LICENSE TO THE PERSON UNLESS THE PERSON PRESENTS EVIDENCE
21 SATISFACTORY TO THE DEPARTMENT THAT THE PERSON WILL COMPLY WITH THIS ARTICLE
22 AND WITH THE RULES ADOPTED UNDER THIS ARTICLE. THE DEPARTMENT MAY PRESCRIBE
23 THE TERMS UNDER WHICH A REVOKED LICENSE MAY BE REISSUED.

24 K. A PERSON WHO VIOLATES ANY PROVISION OF THIS SECTION IS GUILTY OF A
25 CLASS 3 MISDEMEANOR.

26 42-5005.01. Privilege and use tax license: application
27 requirements

28 A. AN APPLICATION FOR A PRIVILEGE AND USE TAX LICENSE FOR:

29 1. A PARTNERSHIP SHALL INCLUDE THE NAMES AND ADDRESSES OF ALL GENERAL
30 PARTNERS. THE LICENSE SHALL BE IN THE NAME OF THE PARTNERSHIP.

31 2. A LIMITED LIABILITY COMPANY SHALL INCLUDE THE NAMES AND ADDRESSES
32 OF ALL MEMBERS AND THE MANAGER. THE LICENSE SHALL BE ISSUED IN THE NAME OF
33 THE LIMITED LIABILITY COMPANY.

34 3. A CORPORATION SHALL INCLUDE THE NAMES AND ADDRESSES OF THE CHIEF
35 EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER OF THE CORPORATION. THE
36 LICENSE SHALL BE IN THE NAME OF THE CORPORATION.

37 B. A PERSON THAT ENGAGES IN OR CONDUCTS BUSINESS AT TWO OR MORE
38 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES SHALL OBTAIN A SEPARATE LICENSE
39 FOR EACH LOCATION OR BUSINESS NAME. FOR THE PURPOSES OF THIS SUBSECTION,
40 "LOCATION" MEANS A PLACE OF A SEPARATE BUSINESS ESTABLISHMENT.

41 42-5005.02. Renewal of license: fee

42 A. A PRIVILEGE AND USE TAX LICENSE IS VALID FOR THE CALENDAR YEAR IN
43 WHICH IT IS ISSUED.

44 B. A LICENSE MAY BE RENEWED BY FILING A RENEWAL APPLICATION WITH THE
45 DEPARTMENT AND PAYING A RENEWAL FEE OF ____ DOLLARS ON OR BEFORE JANUARY 1 OF
46 THE LICENSE YEAR. THE FEE IS DELINQUENT IF IT IS NOT RECEIVED BY THE
47 DEPARTMENT ON OR BEFORE THE LAST BUSINESS DAY OF JANUARY.

1 42-5005.03. Transient privilege license; fee

2 A. NOTWITHSTANDING SECTION 42-5005, THE DEPARTMENT MAY ISSUE A
3 TRANSIENT PRIVILEGE TAX LICENSE TO A PERSON WHO WILL BE ENGAGED IN BUSINESS
4 IN THIS STATE FOR THIRTY DAYS OR LESS. A PERSON THAT WANTS A TRANSIENT
5 PRIVILEGE TAX LICENSE SHALL FILE AN APPLICATION WITH THE DEPARTMENT AND PAY
6 AN APPLICATION AND LICENSE FEE OF _____ DOLLARS INSTEAD OF ANY OTHER FEE
7 IMPOSED UNDER THIS ARTICLE.

8 B. A TRANSIENT PRIVILEGE TAX LICENSE IS VALID FOR THIRTY DAYS AFTER
9 THE DATE OF APPLICATION. A PERSON WHO RECEIVES A TRANSIENT PRIVILEGE TAX
10 LICENSE AND CONTINUES TO CONDUCT BUSINESS BEYOND THE THIRTY-DAY LIMIT IS
11 DEEMED TO BE CONDUCTING BUSINESS IN THIS STATE WITHOUT A VALID PRIVILEGE AND
12 USE TAX LICENSE AND SHALL NOT BE ISSUED A LICENSE PURSUANT TO SECTION 42-5005
13 OR AN ADDITIONAL LICENSE PURSUANT TO THIS SECTION UNLESS THE PERSON PAYS ALL
14 RELATED APPLICATION AND LICENSE FEES.

15 C. ISSUANCE OF A LICENSE PURSUANT TO THIS SECTION IS SOLELY IN THE
16 DISCRETION OF THE DEPARTMENT.

17 42-5005.04. Penalties; waiver

18 A. NOTWITHSTANDING SECTION 42-1125, A PERSON THAT IS REQUIRED TO BE
19 LICENSED UNDER THIS ARTICLE AND FAILS TO OBTAIN A PRIVILEGE AND USE TAX
20 LICENSE BEFORE CONDUCTING THE BUSINESS ACTIVITY THAT REQUIRES THE LICENSE
21 SHALL PAY ALL UNPAID APPLICATION, LICENSE AND RENEWAL FEES PLUS A PENALTY
22 EQUAL TO FIFTY PER CENT OF THE AMOUNT OF THESE FEES. THIS PENALTY IS IN
23 ADDITION TO ANY OTHER PENALTY IMPOSED UNDER THIS CHAPTER, AND THE FEES AND
24 PENALTY SHALL BE PAID BEFORE THE PERSON MAY RECEIVE A PRIVILEGE AND USE TAX
25 LICENSE.

26 B. A PERSON MAY SEEK WAIVER OF THE PENALTIES IMPOSED PURSUANT TO THIS
27 SECTION BY FILING A WRITTEN REQUEST FOR WAIVER WITH THE DEPARTMENT WITHIN
28 FORTY-FIVE DAYS AFTER THE DATE OF THE NOTICE FROM THE DEPARTMENT THAT IMPOSED
29 THE PENALTIES.

30 C. THE DEPARTMENT MAY WAIVE THE PENALTIES IF THE PERSONS SHOWS THAT
31 THE FAILURE TO OBTAIN THE PRIVILEGE AND USE TAX LICENSE WAS THE RESULT OF
32 REASONABLE CAUSE AND NOT DUE TO WILFUL NEGLECT.

33 Sec. 7. Title 42, chapter 5, article 1, Arizona Revised Statutes, is
34 amended by adding section 42-5015, to read:

35 42-5015. Expanded online portal

36 A. ON OR BEFORE JANUARY 1, 2015, THE ONLINE PORTAL PRESCRIBED BY
37 SECTION 42-6001 SHALL BE MODIFIED SO THAT A TAXPAYER WHO IS REQUIRED TO PAY
38 ANY TRANSACTION PRIVILEGE AND AFFILIATED EXCISE TAXES TO THIS STATE OR ANY
39 MUNICIPALITY MAY INSTEAD REPORT AND PAY THE REQUIRED TAX THROUGH THE ONLINE
40 PORTAL. THE EXPANDED ONLINE PORTAL SHALL BE ADMINISTERED BY THE DEPARTMENT
41 OF REVENUE. THE COSTS OF THE ONLINE PORTAL SHALL BE PAID BY THE MUNICIPAL
42 TAXING JURISDICTIONS BASED ON THE RELATIVE NUMBER OF TRANSACTIONS FOR EACH
43 MUNICIPAL TAXING JURISDICTION. THE EXPANDED ONLINE PORTAL SHALL:

44 1. INCLUDE A SINGLE POINT FOR LICENSING, FILING RETURNS AND PAYING THE
45 TAX.

46 2. CONSOLIDATE DATA IN A MANNER COMPATIBLE WITH THE DATA SYSTEMS OF
47 THE DEPARTMENT OF REVENUE.

1 3. CAPTURE DATA WITH SUFFICIENT SPECIFICITY TO MEET THE NEEDS OF THE
2 TAXING JURISDICTIONS.

3 4. PROVIDE A LINK TO THE ONLINE DATABASE OF INFORMATION,
4 INTERPRETATIONS AND CONTACT INFORMATION MAINTAINED BY THE DEPARTMENT AND THE
5 UNIFORMITY COMMITTEE ESTABLISHED BY SECTION 42-6012.

6 5. ALLOW FOR IDENTIFICATION OF THE CORRECT TAXING JURISDICTIONS AND
7 TAX RATES BASED ON THE PLACE WHERE THE BUYER TAKES POSSESSION OF PROPERTY
8 PURCHASED.

9 B. THE DEPARTMENT OF REVENUE SHALL PROVIDE ONLINE AND TELEPHONIC
10 TECHNICAL SUPPORT FOR THE ONLINE PORTAL.

11 Sec. 8. Section 42-5075, Arizona Revised Statutes, is amended to read:

12 42-5075. Prime contracting classification; exemptions;
13 definitions

14 A. The prime contracting classification is comprised of the business
15 of prime contracting and dealership of manufactured buildings. Sales for
16 resale to another dealership of manufactured buildings are not subject to
17 tax. Sales for resale do not include sales to a lessor of manufactured
18 buildings. The sale of a used manufactured building is not taxable under
19 this chapter. The proceeds from alteration and repairs to a used
20 manufactured building are taxable under this section.

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

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

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

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

36 4. The gross proceeds of sales or gross income received from a
37 contract entered into for the construction, alteration, repair, addition,
38 subtraction, improvement, movement, wrecking or demolition of any building,
39 highway, road, railroad, excavation, manufactured building or other
40 structure, project, development or improvement located in a military reuse
41 zone for providing aviation or aerospace services or for a manufacturer,
42 assembler or fabricator of aviation or aerospace products within an active
43 military reuse zone after the zone is initially established or renewed under
44 section 41-1531. To be eligible to qualify for this deduction, before
45 beginning work under the contract, the prime contractor must have applied for
46 a letter of qualification from the department of revenue.

47 5. The gross proceeds of sales or gross income derived from a contract
48 to construct a qualified environmental technology manufacturing, producing or

1 processing facility, as described in section 41-1514.02, and from subsequent
2 construction and installation contracts that begin within ten years after the
3 start of initial construction. To qualify for this deduction, before
4 beginning work under the contract, the prime contractor must obtain a letter
5 of qualification from the department of revenue. This paragraph shall apply
6 for ten full consecutive calendar or fiscal years after the start of initial
7 construction.

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

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

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

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

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

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

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

37 7. The gross proceeds of sales or gross income that is derived from a
38 contract entered into for the installation, assembly, repair or maintenance
39 of machinery, equipment or other tangible personal property that is deducted
40 from the tax base of the retail classification pursuant to section 42-5061,
41 subsection B, or that is exempt from use tax pursuant to section 42-5159,
42 subsection B, and that does not become a permanent attachment to a building,
43 highway, road, railroad, excavation or manufactured building or other
44 structure, project, development or improvement. If the ownership of the
45 realty is separate from the ownership of the machinery, equipment or tangible
46 personal property, the determination as to permanent attachment shall be made
47 as if the ownership were the same. The deduction provided in this paragraph
48 does not include gross proceeds of sales or gross income from that portion of

1 any contracting activity that consists of the development of, or modification
2 to, real property in order to facilitate the installation, assembly, repair,
3 maintenance or removal of machinery, equipment or other tangible personal
4 property that is deducted from the tax base of the retail classification
5 pursuant to section 42-5061, subsection B or that is exempt from use tax
6 pursuant to section 42-5159, subsection B. For the purposes of this
7 paragraph, "permanent attachment" means at least one of the following:

8 (a) To be incorporated into real property.

9 (b) To become so affixed to real property that it becomes a part of
10 the real property.

11 (c) To be so attached to real property that removal would cause
12 substantial damage to the real property from which it is removed.

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

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

17 (b) Section 42-5061, subsection B.

18 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),
19 (c), (d), (e), (f), (i), (j) or (l).

20 (d) Section 42-5159, subsection B.

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

25 10. The gross proceeds of sales or gross income that is derived from a
26 contract entered into with a person who is engaged in the commercial
27 production of livestock, livestock products or agricultural, horticultural,
28 viticultural or floricultural crops or products in this state for the
29 construction, alteration, repair, improvement, movement, wrecking or
30 demolition or addition to or subtraction from any building, highway, road,
31 excavation, manufactured building or other structure, project, development or
32 improvement used directly and primarily to prevent, monitor, control or
33 reduce air, water or land pollution.

34 11. The gross proceeds of sales or gross income that is derived from
35 the installation, assembly, repair or maintenance of clean rooms that are
36 deducted from the tax base of the retail classification pursuant to section
37 42-5061, subsection B, paragraph 16.

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

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

1 records relating to sales of solar energy devices available to the department
2 for examination.

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

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

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

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

19 18. The gross proceeds of sales or gross income received from a
20 contract for the construction of any building, or other structure, project,
21 development or improvement owned by a qualified business under section
22 41-1516 for harvesting or processing qualifying forest products removed from
23 qualifying projects as defined in section 41-1516 if actual construction
24 begins before January 1, 2024. To qualify for this deduction, the prime
25 contractor must obtain a letter of qualification from the Arizona commerce
26 authority before beginning work under the contract.

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

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

34 (b) The attributable amount is equal to the total amount of
35 development fees paid by the prime contractor or subcontractor, and the total
36 development fees credited in exchange for the construction of, contribution
37 to or dedication of real property for providing public infrastructure, public
38 safety or other public services necessary to the development. The real
39 property must be the subject of the development fees.

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

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

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

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

4 (b) Obtaining a certificate executed by the purchaser indicating the
5 name and address of the purchaser, the precise nature of the business of the
6 purchaser, the purpose for which the purchase was made, the necessary facts
7 to establish the deductibility of the property under section 42-5061,
8 subsection B, and a certification that the person executing the certificate
9 is authorized to do so on behalf of the purchaser. The certificate may be
10 disregarded if the prime contractor has reason to believe that the
11 information contained in the certificate is not accurate or complete.

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

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

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

36 D. Subcontractors or others who perform services in respect to any
37 improvement, building, highway, road, railroad, excavation, manufactured
38 building or other structure, project, development or improvement are not
39 subject to tax if they can demonstrate that the job was within the control of
40 a prime contractor or contractors or a dealership of manufactured buildings
41 and that the prime contractor or dealership is liable for the tax on the
42 gross income, gross proceeds of sales or gross receipts attributable to the
43 job and from which the subcontractors or others were paid.

44 E. Amounts received by a contractor for a project are excluded from
45 the contractor's gross proceeds of sales or gross income derived from the
46 business if the person who hired the contractor executes and provides a
47 certificate to the contractor stating that the person providing the
48 certificate is a prime contractor and is liable for the tax under article 1

1 of this chapter. The department shall prescribe the form of the certificate.
2 If the contractor has reason to believe that the information contained on the
3 certificate is erroneous or incomplete, the department may disregard the
4 certificate. If the person who provides the certificate is not liable for
5 the tax as a prime contractor, that person is nevertheless deemed to be the
6 prime contractor in lieu of the contractor and is subject to the tax under
7 this section on the gross receipts or gross proceeds received by the
8 contractor.

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

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

20 H. For the purposes of section 42-5032.02, from and after September
21 30, 2013, the department shall separately account for revenues reported and
22 collected under the prime contracting classification from any prime
23 contractor engaged in the construction of any buildings and associated
24 improvements that are for the benefit of a manufacturing facility. For the
25 purposes of this subsection, "associated improvements" and "manufacturing
26 facility" have the same meanings prescribed in section 42-5032.02.

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

37 J. The gross proceeds of sales or gross income derived from
38 landscaping activities are subject to tax under this section. Landscaping
39 includes installing lawns, grading or leveling ground, installing gravel or
40 boulders, planting trees and other plants, felling trees, removing or
41 mulching tree stumps, removing other imbedded plants, building or modifying
42 irrigation berms, repairing sprinkler or watering systems, installing
43 railroad ties and installing underground sprinkler or watering systems.

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

1 actual costs that are directly expended in providing architectural or
2 engineering services.

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

9 M. The following apply to manufactured buildings:

10 1. For sales in this state where the dealership of manufactured
11 buildings contracts to deliver the building to a setup site or to perform the
12 setup in this state, the taxable situs is the setup site.

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

17 3. For sales in this state where the dealership of manufactured
18 buildings contracts to deliver the building to a setup site that is outside
19 this state, the situs is outside this state and the transaction is excluded
20 from tax.

21 N. The gross proceeds of sales or gross income attributable to a
22 separate, written design phase services contract or professional services
23 contract, executed before modification begins, is not subject to tax under
24 this section, regardless of whether the services are provided sequential to
25 or concurrent with prime contracting activities that are subject to tax under
26 this section. This subsection does not include the gross proceeds of sales
27 or gross income attributable to construction phase services. For the
28 purposes of this subsection:

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

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

35 (b) Administration or supervision of any modification performed
36 pursuant to a punch list. For the purposes of this subdivision, "punch list"
37 means minor items of modification work performed after substantial completion
38 and before final completion of the project.

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

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

45 (ii) The amount of an adjustment, if any, to the guaranteed maximum
46 price as set in the contract for modification work. For the purposes of this
47 item, "guaranteed maximum price" means the amount guaranteed to be the

1 maximum amount due to a prime contractor for the performance of all
2 modification work for the project.

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

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

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

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

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

21 (i) Master schedule updates.

22 (ii) Modification work cash flow projection updates.

23 (iii) Site reports made on a periodic basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (vi) Any bond and insurance premiums.

22 (vii) Any applicable taxes.

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

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

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

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

37 0. Notwithstanding subsection ~~P~~ Q, paragraph ~~8~~ 9 of this section, a
38 person owning real property who enters into a contract for sale of the real
39 property, who is responsible to the new owner of the property for
40 modifications made to the property in the period subsequent to the transfer
41 of title and who receives a consideration for the modifications is considered
42 a prime contractor solely for purposes of taxing the gross proceeds of sale
43 or gross income received for the modifications made subsequent to the
44 transfer of title. The original owner's gross proceeds of sale or gross
45 income received for the modifications shall be determined according to the
46 following methodology:

47 1. If any part of the contract for sale of the property specifies
48 amounts to be paid to the original owner for the modifications to be made in

1 the period subsequent to the transfer of title, the amounts are included in
2 the original owner's gross proceeds of sale or gross income under this
3 section. Proceeds from the sale of the property that are received after
4 transfer of title and that are unrelated to the modifications made subsequent
5 to the transfer of title are not considered gross proceeds of sale or gross
6 income from the modifications.

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

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

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

23 P. A SERVICE CONTRACTOR IS A RETAILER OF TANGIBLE PERSONAL PROPERTY
24 THAT IS INCORPORATED INTO THE PROJECT. THE TAXABLE SITUS IS THE JOB SITE.

25 ~~P.~~ Q. For the purposes of this section:

26 1. "Contracting" means engaging in business as a contractor.

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

38 3. "Dealership of manufactured buildings" means a dealer who either:

39 (a) Is licensed pursuant to title 41, chapter 16 and who sells
40 manufactured buildings to the final consumer.

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

45 4. "MAJOR REMODEL" MEANS CONSTRUCTION CONTRACTING UNDER A WRITTEN OR
46 VERBAL CONTRACT OR SERIES OF CONTRACTS BY AFFILIATED LEGAL ENTITIES FOR THE
47 ALTERATION OF A COMPLETED BUILDING OR THE COMPLETED RELATED AMENITIES, IF ANY
48 OF THE FOLLOWING APPLY:

1 (a) THE ACTIVITY RESULTS IN AN INCREASE IN THE SQUARE FOOTAGE OF THE
2 BUILDING OR A NEW RELATED AMENITY.

3 (b) THE TOTAL OF ALL CONTRACTS BY A CONSTRUCTION CONTRACTOR AFFECTING
4 A RESIDENTIAL PARCEL BEING IMPROVED WITHIN A TWELVE CONSECUTIVE MONTH PERIOD
5 EXCEEDS TEN PER CENT OF THE FULL CASH VALUE OF THE ENTIRE PARCEL AS
6 DETERMINED BY THE COUNTY ASSESSOR AT THE TIME THE FIRST CONTRACT IS ENTERED
7 INTO.

8 (c) THE TOTAL OF ALL CONTRACTS BY A CONSTRUCTION CONTRACTOR AFFECTING
9 A COMMERCIAL PARCEL BEING IMPROVED WITHIN A TWELVE CONSECUTIVE MONTH PERIOD
10 EXCEEDS FIFTY THOUSAND DOLLARS.

11 ~~4.~~ 5. "Manufactured building" means a manufactured home, mobile home
12 or factory-built building, as defined in section 41-2142.

13 ~~5.~~ 6. "Modification" means construction, alteration, repair,
14 addition, subtraction, improvement, movement, wreckage or demolition.

15 ~~6.~~ 7. "Modify" means to construct, alter, repair, add to, subtract
16 from, improve, move, wreck or demolish.

17 ~~7.~~ 8. "Prime contracting" means engaging in business as a prime
18 contractor.

19 ~~8.~~ 9. "Prime contractor" means a contractor OTHER THAN A SERVICE
20 CONTRACTOR who supervises, performs or coordinates the modification of any
21 building, highway, road, railroad, excavation, manufactured building or other
22 structure, project, development or improvement including the contracting, if
23 any, with any subcontractors or specialty contractors and who is responsible
24 for the completion of the contract. Except as provided in subsections E and
25 O of this section, a person who owns real property, who engages one or more
26 contractors to modify that real property and who does not itself modify that
27 real property is not a prime contractor within the meaning of this paragraph
28 regardless of the existence of a contract for sale or the subsequent sale of
29 that real property.

30 10. "RELATED AMENITIES" MEANS REAL PROPERTY IMPROVEMENTS THAT ARE NOT A
31 COMPONENT OF THE BUILDING, INCLUDING A DETACHED GARAGE, LANDSCAPING, A POOL
32 OR A PATIO.

33 ~~9.~~ 11. "Sale of a used manufactured building" does not include a
34 lease of a used manufactured building.

35 12. "SERVICE CONTRACTOR" MEANS A PERSON WHO PERFORMS CONSTRUCTION
36 CONTRACTING IN THE FORM OF SERVICE, REPAIR, REPLACEMENT, MODIFICATION,
37 MAINTENANCE OR ANY ALTERATION OF A COMPLETED BUILDING OR COMPLETED RELATED
38 AMENITIES LOCATED ON THE SAME PARCEL, IF THE CONSTRUCTION CONTRACTING IS NOT
39 A MAJOR REMODEL.

40 Sec. 9. Section 42-5164, Arizona Revised Statutes, is amended to read:
41 42-5164. Disposition of revenue

42 A. The department shall deposit, pursuant to sections 35-146 and
43 35-147, all monies received under the provisions of this article.

44 B. FOR THE PURPOSES OF SECTION 42-5029:

45 1. Twenty per cent of the revenues collected from the tax on
46 electricity purchased from electricity suppliers is designated as
47 distribution base ~~for purposes of section 42-5029.~~

1 2. FORTY PER CENT OF THE REVENUES COLLECTED PURSUANT TO THIS ARTICLE,
2 EXCEPT THE REVENUES DESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION, IS
3 DESIGNATED AS DISTRIBUTION BASE.

4 C. The remainder of the monies collected pursuant to this article
5 shall be deposited in the state general fund pursuant to section 42-1116.

6 Sec. 10. Section 42-5353, Arizona Revised Statutes, is amended to
7 read:

8 42-5353. Administration; disposition of revenues

9 A. Unless the context otherwise requires, article 1 of this chapter
10 governs the administration of the tax imposed under this article.

11 B. Forty per cent of the revenue derived from the tax imposed by
12 section 42-5352, ~~subsection A~~ is designated as distribution base and shall be
13 distributed pursuant to section 42-5029, subsection D.

14 C. Sixty per cent of the revenue derived from the tax imposed by
15 section 42-5352, ~~subsection A~~ shall be credited to the state general fund.

16 ~~D. One hundred per cent of the revenue derived from the tax imposed by~~
17 ~~section 42-5352, subsection B shall be credited to the state general fund."~~

18 Renumber to conform

19 Page 98, line 32, after the semicolon insert "coordinated licensing, collection and
20 audit functions;"

21 Lines 33 and 36, strike "~~may~~ SHALL" insert "may"

22 Page 99, line 1, strike the first "and" insert "OR"

23 Strike lines 4 through 36

24 Strike pages 100 through 103

25 Page 104, strike lines 1 through 31, insert:

26 "B. The director may enter into agreements with cities and towns of
27 this state that levy transaction privilege and affiliated excise taxes to
28 provide for unified or coordinated licensing, collection ~~and~~ OR auditing
29 programs for such taxes levied by cities and towns and taxes levied pursuant
30 to chapter 5 of this title. Such cities and towns may enter into agreements
31 with the department to provide for unified or coordinated licensing,
32 collection ~~and~~ OR auditing programs for such transaction privilege and
33 affiliated excise taxes levied by such cities and towns and for taxes levied
34 pursuant to chapter 5 of this title.

35 C. A city or town that does not enter into an agreement with the
36 department for the collection of municipal transaction privilege and
37 affiliated excise taxes shall report to the department on or before September
38 1 of each year the total amount of those taxes collected by the city or town
39 in the preceding fiscal year.

40 D. The director shall establish with such cities and towns a uniform
41 licensing, collection and audit committee to direct such unified or
42 coordinated functions.

43 E. A taxpayer who is required to pay any municipal transaction
44 privilege and affiliated excise taxes to a city or town that has not entered
45 into an intergovernmental contract or agreement with the department of
46 revenue under subsection B of this section to provide a coordinated method of
47 collecting municipal transaction privilege and affiliated excise taxes may
48 instead report and pay the required tax to that city or town through an

1 online portal. The online portal shall be procured by the department of
2 administration pursuant to a public-private partnership entered into pursuant
3 to section 41-2559, shall include access to a single point of filing and
4 paying the tax and shall provide security measures to protect taxpayer
5 information. ~~The taxpayer may be charged a fee to use the online portal."~~

6 Page 104, line 36, after the first "The" insert "DEPARTMENT AND THE"; after
7 "functions" insert ", INCLUDING AN AUDIT MANUAL, STANDARDIZED AUDIT PROGRAMS
8 AND AUDITOR TRAINING AND CERTIFICATION STANDARDS"; strike the second "The"
9 Strike line 37

10 Page 105, strike lines 1 through 4

11 Line 5, strike "business."

12 Line 13, strike "C. A taxpayer that conducts business in more than one
13 jurisdiction"

14 Line 14, strike "IS SUBJECT TO A SINGLE audit for all taxing jurisdictions."

15 Strike lines 20, 21 and 22, insert:

16 "B. ALL AUDITS SHALL INCLUDE ALL TAXING JURISDICTIONS IN THIS STATE
17 REGARDLESS OF WHICH JURISDICTION CONDUCTS THE AUDIT. ONLY THE DEPARTMENT MAY
18 CONDUCT AN AUDIT OF A REMOTE SELLER. THE DEPARTMENT MAY CONDUCT AUDITS OF
19 ANY TAXPAYER SUBJECT TO TAX LEVIED UNDER THIS TITLE. A CITY OR TOWN MAY
20 CONDUCT AN AUDIT OF ANY TAXPAYER THAT IS ENGAGED IN BUSINESS ONLY IN THAT
21 CITY OR TOWN OR ANY OTHER TAXPAYER AS AUTHORIZED BY THE DEPARTMENT.

22 C. THE DIRECTOR SHALL ENTER INTO AGREEMENTS WITH CITIES AND TOWNS TO
23 PROVIDE FOR A UNIFIED OR COORDINATED AUDITING PROGRAM. THE AGREEMENT SHALL
24 CONTAIN PROVISIONS RELATING AT LEAST TO THE FOLLOWING:

25 1. CONFIDENTIALITY OF TAXPAYER RECORDS.

26 2. PROCEDURES FOR REQUESTING AN AUDIT BY A CITY OR TOWN AND THE
27 DEPARTMENT'S RESPONSE TO SUCH A REQUEST.

28 3. MINIMAL ACCEPTABLE TIMELINES TO INITIATE A REQUESTED AUDIT AND
29 ALTERNATIVES IF THE AUDIT IS NOT INITIATED IN A TIMELY MANNER, INCLUDING THE
30 ABILITY OF THE DEPARTMENT TO AUTHORIZE THE REQUESTING JURISDICTION TO PERFORM
31 THE AUDIT.

32 D. THE DEPARTMENT SHALL ISSUE ALL AUDIT ASSESSMENTS ON BEHALF OF ALL
33 TAXING JURISDICTIONS IN A SINGLE NOTICE TO THE TAXPAYER. THE DIRECTOR SHALL
34 ESTABLISH PROCEDURES TO EFFECT THE TIMELY ALLOCATION AND TRANSFER OF AUDIT
35 PAYMENTS RECEIVED BY THE DEPARTMENT TO THE APPROPRIATE TAXING JURISDICTIONS.

36 E. APPEALS OF AUDIT ASSESSMENTS SHALL BE DIRECTED TO THE DEPARTMENT.
37 ON RECEIPT OF AN APPEAL, THE DEPARTMENT SHALL NOTIFY ALL AFFECTED CITIES OR
38 TOWNS TO CONDUCT A COORDINATED DEFENSE OF THE APPEAL.

39 F. THE DEPARTMENT SHALL NOTIFY ALL AFFECTED CITIES OR TOWNS BEFORE
40 ENTERING INTO ANY COMPROMISE, CLOSING, SETTLEMENT OR OTHER AGREEMENT WITH A
41 PERSON RELATED TO THE TAX LEVIED AND IMPOSED BY THE CITIES OR TOWNS.

42 Sec. 13. Title 42, chapter 6, article 1, Arizona Revised Statutes, is
43 amended by adding section 42-6012, to read:

44 42-6012. Uniformity committee; interpretations

45 A. THE UNIFORMITY COMMITTEE IS ESTABLISHED IN THE DEPARTMENT THAT
46 CONSISTS OF FOUR REPRESENTATIVES OF THE DEPARTMENT, AT LEAST ONE OF WHOM IS
47 AN ATTORNEY, WHO ARE APPOINTED BY THE DIRECTOR AND THREE REPRESENTATIVES OF

1 CITIES AND TOWNS, AT LEAST ONE OF WHOM IS AN ATTORNEY, WHO ARE APPOINTED BY
2 THE UNIFIED AUDIT COMMITTEE ESTABLISHED PURSUANT TO SECTION 42-6005.
3 B. THE UNIFORMITY COMMITTEE SHALL PROVIDE UNIFORM INTERPRETATIONS OF
4 CHAPTER 5 OF THIS TITLE AND THE MODEL CITY TAX CODE. A TAXPAYER OR A TAXING
5 JURISDICTION MAY REQUEST AN INTERPRETATION, AND THE INTERPRETATION IS BINDING
6 ON ALL TAXING JURISDICTIONS.
7 C. THE COMMITTEE SHALL PUBLISH UNIFORM GUIDELINES THAT INTERPRET THE
8 MODEL CITY TAX CODE AND THAT APPLY TO ALL CITIES AND TOWNS THAT HAVE ADOPTED
9 THE MODEL CITY TAX CODE.
10 D. IF THE STATE STATUTES AND MODEL CITY TAX CODE ARE THE SAME AND THE
11 DEPARTMENT HAS ISSUED WRITTEN GUIDANCE, THE DEPARTMENT'S INTERPRETATION IS
12 BINDING ON CITIES AND TOWNS."
13 Renumber to conform
14 Page 105, strike lines 23 through 37
15 Strike pages 106 through 133
16 Page 134, strike lines 1 through 25
17 Renumber to conform
18 Page 135, strike lines 1 through 4, insert:
19 "Sec. 16. Legislative intent
20 The Legislature intends to establish a single level of administration
21 for state, county and municipal transaction privilege taxes to reduce the
22 compliance burden on taxpayers, to streamline the administration for state
23 and local governments and to comply with the requirements of federal law
24 authorizing collection of tax on remote sales."
25 Renumber to conform
26 Line 5, strike "dates" insert "date"
27 Strike lines 6 through 14
28 Line 15, strike "Statutes, as amended by this act, are" insert "This act is"
29 Amend title to conform