



# TPT UPDATE

*The latest in sales tax simplification*

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HB 2111 (Laws 2013, Ch. 255) brought landmark changes to how both state and local sales taxes are administered in Arizona. It is all too easy to forget about what happens after a bill is passed. This periodic newsletter is intended to keep the Legislature updated on the progress being made in reaching full implementation.

## **Administration:**

Recognizing that the provisions of HB 2111 were set to become effective January 1, 2015 and the magnitude of the reform, municipalities began work with DOR shortly after Governor Brewer signed the bill into law. We are pleased to report that we have made significant progress in achieving that goal. However, it became evident that there are some technological challenges that require more time to overcome. We came to agreement with the previous administration to delay implementation in order to provide the best product for the taxpayer and tax administrators. A Project Manager is now in place and specific, measurable benchmarks have been established. We remain committed to supporting those efforts and implementing these reforms correctly and as quickly as possible.

## **Prime Contracting:**

The bill was intended to simplify state and local TPT tax filing for those engaged in maintenance, repair, replacement and alteration by having them pay the retail tax on materials they use on the job. However, it has become clear that further refinement of these provisions is needed and efforts are currently underway to finalize a consensus bill to address these issues. We are grateful to Senator Lesko, who is leading the discussions with the construction industry and other interested parties to accomplish final language as soon as possible.

## **Audit:**

HB 2111 requires DOR to create one set of TPT audit procedures for use by all taxing jurisdictions and declares multi-jurisdictional audits are the responsibility of the state. Municipalities will continue to have the authority to directly audit single-jurisdiction businesses according to the audit procedures established by DOR. This new audit program is successfully in effect today, providing greater simplicity to the taxpayer.

**In 2013, Lawmakers passed HB 2111 to streamline Arizona's Transaction Privilege Tax (TPT) system. The bill establishes the Arizona Department of Revenue (DOR) as the sole collection agency for municipal and state TPT. The bill also changes the way businesses that do repair and maintenance work pay TPT.**

**Finally, the bill integrates municipal and state TPT audits into a program that all taxing agencies will use to ensure taxpayer compliance.**

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