



HOUSE OF REPRESENTATIVES

HB 2465

Online TPT; income tax reduction

Sponsors: Representatives Mesnard, Dial, Kwasman, et al.

DP Committee on Ways and Means

DPA Caucus and COW

X House Engrossed

OVERVIEW

HB 2465 reduces individual income tax rates in order to offset increased revenue received from online sales tax that is the result of Congressional action.

HISTORY

Transaction Privilege Tax (TPT) is imposed on a vendor for the privilege of conducting business in Arizona. Under this tax, the seller is responsible for remitting to the state the entire amount of tax due based on the gross proceeds or gross income of the business. While the tax is commonly passed on to the consumer at the point of sale, it is ultimately the seller's responsibility to remit the tax. Business activities subject to TPT include, but are not limited to: retail, restaurants and bars, hotel/motel, commercial leasing, advertising, amusements, personal property rentals, real property rentals, construction contracting, owner/builders, manufactured building, mining, timbering, transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines. The current Arizona TPT rate is 5.6%. The Arizona Department of Revenue (DOR) collects TPT and administers distribution to the state general fund (GF) and counties, cities and towns.

In 1992, the Supreme Court of the United States stated that absent federal legislation, states could not collect sales tax from retailers with no physical presence in their state. The Marketplace Fairness Act (MFA) is an example of federal legislation that would enable states to collect sales tax from remote retailers who have no presence, or nexus, in their state. The MFA, if enacted in its current form, would require Arizona to be in compliance with the Streamlined Sales and Use Tax Agreement or meet alternative tax simplification requirements. Arizona currently collects online sales tax from online retailers who also have brick and mortar stores in Arizona, as well as the online retailer Amazon.

PROVISIONS

- Requires DOR to determine the amount of new revenue collected during the first full tax year (TY) in which a *qualifying federal law* results in new collections of remote retailer TPT.
- Requires DOR to determine the amount that individual income taxes can be reduced in the following TY in order to decrease individual income tax revenue by the amount of increased revenue from online TPT sales tax collections.
- Requires DOR to certify its determinations to the Governor, Speaker of the House of Representatives, and President of the Senate one year prior to the TY in which the tax rates take effect.

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- Defines *qualifying federal law* as any federal law to expand Arizona's authority to require out-of-state retailers to collect and remit TPT to Arizona.
- States that the Act does not demonstrate the Legislature's intent to support or oppose the MFA or similar federal law.