

REFERENCE TITLE: corporate tax credits; annual report

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

HB 2251

Introduced by
Representatives Mitchell, Borrelli, Olson, Otondo, Petersen: Allen J,
Cardenas, Fann, Fernandez, Finchem, Friese, Gabaldón, Kern, Mach, Mesnard,
Shope, Thorpe

AN ACT

AMENDING SECTION 41-1525, ARIZONA REVISED STATUTES; AMENDING TITLE 42,
CHAPTER 1, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1131;
AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES; RELATING TO CORPORATE TAX
CREDIT INFORMATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-1525, Arizona Revised Statutes, is amended to
3 read:

4 41-1525. Arizona quality jobs incentives; tax credits for new
5 employment; qualifications; definitions

6 A. The owner of a business located in this state before July 2017 is
7 eligible for income tax credits under section 43-1074 or 43-1161 or an
8 insurance premium tax credit under section 20-224.03 for net increases in
9 full-time employees residing in this state and hired in qualified employment
10 positions in this state.

11 B. To qualify under this section, and subject to preapproval by the
12 authority, the business must meet either of the following requirements for
13 each location of the business before it claims a first year tax credit for
14 the location:

15 1. Invest at least five million dollars of capital investment and
16 create at least twenty-five new qualified employment positions at a location
17 within the exterior boundaries of a city or town that has a population of
18 fifty thousand persons or more and that is located in a county that has a
19 population of eight hundred thousand persons or more.

20 2. Invest at least one million dollars of capital investment and
21 create at least five qualified employment positions in any other location.

22 C. The capital investment and the new qualified employment positions
23 requirements of subsection B of this section must be accomplished within
24 twelve months after the start of the required capital investment. No credit
25 may be claimed until both requirements are met. A business that meets the
26 requirements of subsection B of this section for a location is eligible to
27 claim first year credits for three years beginning with the taxable year in
28 which those requirements are completed. Employees hired at the location
29 before the beginning of the taxable year but during the twelve-month period
30 allowed in this subsection are considered to be new employees for the taxable
31 year in which all of those requirements are completed. The employees that
32 are considered to be new employees for the taxable year under this subsection
33 shall not be included in the average number of full-time employees during the
34 immediately preceding taxable year until the taxable year in which all of the
35 requirements of subsection B of this section are completed. An employee
36 working at a temporary ~~work-site~~ WORKSITE in this state while the designated
37 location is under construction is considered to be working at the designated
38 location if all of the following occur:

39 1. The employee is hired after the start of the required investment at
40 the designated location.

41 2. The employee is hired to work at the designated location after it
42 is completed.

43 3. The payroll for the employees destined for the designated location
44 is segregated from other employees.

- 1 4. The employee is moved to the designated location within thirty days
2 after its completion.
- 3 D. No more than ten thousand new jobs for all employers qualify for
4 first year credits each year.
- 5 E. To claim a tax credit, the business must:
- 6 1. Obtain preapproval from the authority at a time, on a form and in a
7 manner prescribed by the authority. Preapproval shall cover all first year
8 credits intended to be claimed for the designated location and all second and
9 third year credits associated with those first year credits.
- 10 2. Certify to the department of revenue or the department of
11 insurance, as applicable, on or before the due date of the tax return,
12 including any extensions for the year for which the credit is claimed, in a
13 form prescribed by the department, including electronic media, information
14 that the department may require, including the ownership interests of
15 co-owners of the business if the business is a partnership, limited liability
16 company or an S corporation, and the following information for each employee
17 in the designated location:
- 18 (a) The date of initial employment.
- 19 (b) The number of hours worked during the year.
- 20 (c) Whether the position was full-time.
- 21 (d) The employee's annual compensation.
- 22 (e) The total cost of health insurance for the employee and the cost
23 paid by the employer.
- 24 (f) Other information required by the department.
- 25 3. Report and certify to the authority the following information, and
26 provide supporting documentation, on a form and in a manner approved by the
27 authority, and as specified in subsection F of this section, for each year in
28 which the taxpayer earned and claimed or used credits or is carrying forward
29 amounts from previously earned and claimed credits:
- 30 (a) The business name and mailing address and any other contact
31 information requested by the authority.
- 32 (b) The physical address of the business location or locations and the
33 number of employees qualified for the credit at each location.
- 34 (c) The average hourly wage and the total amount of compensation paid
35 to employees qualified for the credit and for all employees.
- 36 (d) The total number of qualified employment positions and the amount
37 of income tax or premium tax credits qualified for in the taxable year.
- 38 (e) The estimated amount of tax credits to be used in the taxable year
39 to offset tax liability.
- 40 (f) The estimated amount of tax credits to be available for
41 carryforward in the taxable year and the year in which the credits expire.
- 42 (g) The number of jobs and the amount of credits earned and claimed on
43 the prior year's tax return.
- 44 (h) The amount of credits used to offset tax liabilities on the prior
45 year's tax return.

1 (i) The amount of credits available for carryforward as reported on
2 the prior year's tax return and the year the credits expire.

3 (j) Capital investment made during the taxable year and the preceding
4 taxable year.

5 (k) Other information necessary for the management and reporting of
6 the incentives under this section.

7 4. For any year in which the taxpayer is claiming first year credits,
8 report and certify the following additional information and provide
9 supporting documentation to the authority on a form and in a manner approved
10 by the authority, and as specified in subsection F of this section:

11 (a) That the net increase in the number of qualified employment
12 positions for which credit is sought is the least of:

13 (i) The total number of filled qualified employment positions created
14 at the designated location or locations during the taxable year.

15 (ii) The difference between the average number of full-time employees
16 in this state in the current taxable year and the average number of full-time
17 employees in this state during the immediately preceding taxable year.

18 (b) That all employees filling a qualified employment position were
19 employed for at least ninety days during the first taxable year. Employees
20 hired in the last ninety days of the taxable year are excluded for that
21 taxable year and are considered to be new employees in the following taxable
22 year.

23 (c) That none of the employees filling qualified employment positions
24 were employed by the taxpayer during the twelve months before the current
25 date of hire except for those relocating to this state.

26 (d) That all employees for whom second and third year credits are
27 claimed are in qualified employment positions for which first year credits
28 were allowed and claimed by the taxpayer on the original first and second
29 year tax returns.

30 (e) That all employees for whom credits are taken performed their job
31 duties primarily at the designated locations of the business.

32 F. To qualify for first year credits, the report and certification
33 prescribed by subsection E, paragraphs 3 and 4 of this section must be filed
34 with the authority by the earlier of six months after the end of the taxable
35 year in which the qualified employment positions were created or by the date
36 the tax return is filed for the taxable year in which the qualified
37 employment positions were created. To qualify for second year credits, the
38 report and certification prescribed by subsection E, paragraph 3 of this
39 section must be filed with the authority by the earlier of six months after
40 the end of the taxable year or the date the tax return is filed for the
41 taxable year in which the second year credits are allowable. To qualify for
42 third year credits, the report and certification prescribed by subsection E,
43 paragraph 3 of this section must be filed with the authority by the earlier
44 of six months after the end of the taxable year or the date the tax return is
45 filed for the taxable year in which the third year credits are allowable.

1 G. Any information submitted to the authority under subsection E,
2 paragraph 3, subdivisions (e) through (j) of this section is exempt from
3 title 39, chapter 1, article 2 and considered to be confidential and is not
4 subject to disclosure except:

5 1. To the extent that the person or organization that provided the
6 information consents to the disclosure.

7 2. To the department of revenue for use in tax administration AND FOR
8 THE REPORT OF CORPORATE TAX CREDITS REQUIRED BY SECTION 42-1131.

9 H. Documents filed with the authority, the department of insurance and
10 the department of revenue under subsection E of this section shall contain
11 either a sworn statement or certification, signed by an officer of the
12 company under penalty of perjury, that the information contained is true and
13 correct according to the best belief and knowledge of the person submitting
14 the information after a reasonable investigation of the facts. If the
15 document contains information that is materially false, the taxpayer is
16 ineligible for the tax credits described under subsection A of this section
17 and is subject to recovery of the amount of tax credits allowed in preceding
18 taxable years based on the false information, plus penalties and interest.

19 I. The authority may make site visits to a taxpayer's facilities if it
20 is necessary to further document or clarify reported information. The
21 taxpayer must freely provide the access.

22 J. The authority by rule shall prescribe preapproval requirements and
23 additional reporting requirements for taxpayers who claim tax credits
24 pursuant to this section.

25 K. On or before September 30 of each year, the authority shall
26 transmit a report to the governor, the president of the senate, the speaker
27 of the house of representatives and the chairpersons of the senate finance
28 committee and the house of representatives ways and means committee and
29 provide a copy of the report to the secretary of state. The report shall
30 include the following information:

31 1. The business names, locations, number of employees and amount of
32 compensation paid to employees qualifying for income tax credits as reported
33 to the authority.

34 2. The amount of capital investment, made during the preceding fiscal
35 year and cumulatively.

36 3. The total amount of income tax credits allowed for the preceding
37 taxable year and the number of qualified employment positions for which
38 credits were claimed pursuant to sections 43-1074 and 43-1161.

39 L. For the purposes of this section:

40 1. "Capital investment" means an expenditure to acquire, lease or
41 improve property that is used in operating a business, including:

42 (a) Land, buildings, machinery and fixtures.

43 (b) For taxable years beginning from and after June 30, 2011,
44 equipment.

1 2. "Designated location" means the location at which the required
2 capital investment is made under subsection B of this section.

3 3. "Location" means a single parcel or contiguous parcels of owned or
4 leased land in this state, the structures and personal property contained on
5 the land or any part of the structures occupied by the owner. Parcels that
6 are separated only by a public thoroughfare or right-of-way are considered to
7 be contiguous but parcels that are in locations respectively described by
8 subsection B, paragraphs 1 and 2 of this section are not considered to be
9 contiguous.

10 4. "Qualified employment position" means employment that meets the
11 following requirements:

12 (a) The position consists of at least one thousand seven hundred fifty
13 hours per year of full-time permanent employment.

14 (b) The job duties are performed primarily at the location or
15 locations of the business in this state.

16 (c) The employment provides health insurance coverage for the employee
17 for which the employer pays at least sixty-five ~~per-cent~~ PERCENT of the
18 premium or membership cost. If the business is self-insured, the employer
19 pays at least sixty-five ~~per-cent~~ PERCENT of a predetermined fixed cost per
20 employee for an insurance program that is payable whether or not the employee
21 has filed claims.

22 (d) The employer pays compensation at least equal to the median wage
23 by county as computed annually by the authority.

24 Sec. 2. Title 42, chapter 1, article 3, Arizona Revised Statutes, is
25 amended by adding section 42-1131, to read:

26 42-1131. Corporate tax credits; annual report

27 A. FROM AND AFTER DECEMBER 31, 2015, THE DEPARTMENT SHALL ANNUALLY
28 REPORT THE INFORMATION REQUIRED BY SUBSECTION B OF THIS SECTION FOR ANY
29 CORPORATION THAT CLAIMS OR CARRIES FORWARD AN AUTHORIZED TAX CREDIT EQUAL TO
30 OR MORE THAN FIVE THOUSAND DOLLARS IN A TAXABLE YEAR PURSUANT TO SECTION
31 20-224.03, 41-1507, 41-1525, 43-1161, 43-1164.01, 43-1164.03, 43-1164.04 OR
32 43-1168.

33 B. THE REPORT SHALL INCLUDE THE FOLLOWING INFORMATION FOR EACH TAX
34 CREDIT:

35 1. THE AGGREGATE AMOUNT OF TAX CREDIT USED IN THE PRECEDING TAXABLE
36 YEAR AND THE AGGREGATE AMOUNT OF CARRYFORWARD FOR EACH SUBSEQUENT TAXABLE
37 YEAR.

38 2. A RECONCILIATION BETWEEN THE INFORMATION PROVIDED IN PARAGRAPH 1 OF
39 THIS SUBSECTION AND THE CORPORATIONS THAT ARE CLAIMING THE TAX CREDIT THAT
40 INCLUDES THE NAME OF EACH CORPORATION, THE AMOUNT OF CREDIT CLAIMED BY THE
41 CORPORATION AND THE AMOUNT OF CREDIT CARRIED FORWARD BY THE CORPORATION.

42 C. THE DEPARTMENT SHALL TRANSMIT A COPY OF THE REPORT REQUIRED BY THIS
43 SECTION TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE
44 HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE SENATE FINANCE COMMITTEE

1 AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE, OR THEIR SUCCESSOR
2 COMMITTEES, AND THE SECRETARY OF STATE.

3 Sec. 3. Section 42-2003, Arizona Revised Statutes, is amended to read:
4 42-2003. Authorized disclosure of confidential information

5 A. Confidential information relating to:

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

10 2. A corporate taxpayer may be disclosed to any principal officer, any
11 person designated by a principal officer or any person designated in a
12 resolution by the corporate board of directors or other similar governing
13 body.

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

17 4. An estate may be disclosed to the personal representative of the
18 estate and to any heir, next of kin or beneficiary under the will of the
19 decedent if the department finds that the heir, next of kin or beneficiary
20 has a material interest which will be affected by the confidential
21 information.

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

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

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

31 B. Confidential information may be disclosed to:

32 1. Any employee of the department whose official duties involve tax
33 administration.

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

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

44 4. Other state tax officials whose official duties require the
45 disclosure for proper tax administration purposes if the information is

1 sought in connection with an investigation or any other proceeding conducted
2 by the official. Any disclosure is limited to information of a taxpayer who
3 is being investigated or who is a party to a proceeding conducted by the
4 official.

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

10 (a) The United States internal revenue service, alcohol and tobacco
11 tax and trade bureau of the United States treasury, United States bureau of
12 alcohol, tobacco, firearms and explosives of the United States department of
13 justice, United States drug enforcement agency and federal bureau of
14 investigation.

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

16 (c) An organization of states, federation of tax administrators or
17 multistate tax commission that operates an information exchange for tax
18 administration purposes.

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

22 (e) An agency, official or organization of an Indian tribal government
23 with responsibilities comparable to the responsibilities of the agencies,
24 officials or organizations identified in subdivision (a), (b) or (c) of this
25 paragraph.

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

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

30 (a) The processing, storage, transmission, destruction and
31 reproduction of the information.

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

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

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

38 (a) Regarding income tax or withholding tax.

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

41 9. The United States treasury inspector general for tax administration
42 for the purpose of reporting a violation of internal revenue code section
43 7213A (26 United States Code section 7213A), unauthorized inspection of
44 returns or return information.

- 1 10. The financial management service of the United States treasury
2 department for use in the treasury offset program.
- 3 11. The United States treasury department or its authorized agent for
4 use in the state income tax levy program and in the electronic federal tax
5 payment system.
- 6 12. The Arizona commerce authority for its use in:
7 (a) Qualifying renewable energy operations for the tax incentives
8 under sections 42-12006, 43-1083.01 and 43-1164.01.
9 (b) Qualifying businesses with a qualified facility for income tax
10 credits under sections 43-1083.03 and 43-1164.04.
11 (c) Fulfilling its annual reporting responsibility pursuant to section
12 41-1511, subsections U and V and section 41-1512, subsections U and V.
13 (d) Certifying computer data centers for tax relief under section
14 41-1519.
- 15 13. A prosecutor for purposes of section 32-1164, subsection C.
- 16 14. The state fire marshal for use in determining compliance with and
17 enforcing title 41, chapter 16, article 3.1.
- 18 15. The department of transportation for its use in administering
19 taxes, surcharges and penalties prescribed by title 28.
- 20 16. The Arizona health care cost containment system administration for
21 its use in administering nursing facility provider assessments.
- 22 C. Confidential information may be disclosed in any state or federal
23 judicial or administrative proceeding pertaining to tax administration
24 pursuant to the following conditions:
25 1. One or more of the following circumstances must apply:
26 (a) The taxpayer is a party to the proceeding.
27 (b) The proceeding arose out of, or in connection with, determining
28 the taxpayer's civil or criminal liability, or the collection of the
29 taxpayer's civil liability, with respect to any tax imposed under this title
30 or title 43.
31 (c) The treatment of an item reflected on the taxpayer's return is
32 directly related to the resolution of an issue in the proceeding.
33 (d) Return information directly relates to a transactional
34 relationship between a person who is a party to the proceeding and the
35 taxpayer and directly affects the resolution of an issue in the proceeding.
- 36 2. Confidential information may not be disclosed under this subsection
37 if the disclosure is prohibited by section 42-2002, subsection C or D.
- 38 D. Identity information may be disclosed for purposes of notifying
39 persons entitled to tax refunds if the department is unable to locate the
40 persons after reasonable effort.
- 41 E. The department, on the request of any person, shall provide the
42 names and addresses of bingo licensees as defined in section 5-401, verify
43 whether or not a person has a privilege license and number, a tobacco product
44 distributor's license and number or a withholding license and number or
45 disclose the information to be posted on the department's website or

1 otherwise publicly accessible pursuant to section 42-1124, subsection F and
2 section 42-3201, subsection A.

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

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

16 H. Confidential information relating to transaction privilege tax, use
17 tax, severance tax, jet fuel excise and use tax and any other tax collected
18 by the department on behalf of any jurisdiction may be disclosed to any
19 county, city or town tax official if the information relates to a taxpayer
20 who is or may be taxable by a county, city or town or who may be subject to
21 audit by the department pursuant to section 42-6002. Any taxpayer
22 information released by the department to the county, city or town:

23 1. May only be used for internal purposes, including audits.

24 2. May not be disclosed to the public in any manner that does not
25 comply with confidentiality standards established by the department. The
26 county, city or town shall agree in writing with the department that any
27 release of confidential information that violates the confidentiality
28 standards adopted by the department will result in the immediate suspension
29 of any rights of the county, city or town to receive taxpayer information
30 under this subsection.

31 I. The department may disclose statistical information gathered from
32 confidential information if it does not disclose confidential information
33 attributable to any one taxpayer. The department may disclose statistical
34 information gathered from confidential information, even if it discloses
35 confidential information attributable to a taxpayer, to:

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

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

41 J. The department may disclose:

42 1. The aggregate amounts of any tax credit, tax deduction or tax
43 exemption enacted after January 1, 1994. Information subject to disclosure
44 under this ~~subsection~~ PARAGRAPH shall not be disclosed if a taxpayer

1 demonstrates to the department that such information would give an unfair
2 advantage to competitors.

3 2. THE REPORT OF CORPORATE TAX CREDITS REQUIRED BY SECTION 42-1131.

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(1)(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 to the attorney general confidential
41 information as requested by the attorney general for purposes of determining
42 compliance with or enforcing any of the following:

43 1. Any public health control law relating to tobacco sales as provided
44 under title 36, chapter 6, article 14.

1 2. Any law relating to reduced cigarette ignition propensity standards
2 as provided under title 41, chapter 16, article 3.1.

3 3. Sections 44-7101 and 44-7111, the master settlement agreement
4 referred to in those sections and all agreements regarding disputes under the
5 master settlement agreement.

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

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

21 2. Such return or return information relates or may relate to a
22 transactional relationship between a person who is a party to the proceeding
23 and the taxpayer which directly affects the resolution of an issue in the
24 proceeding.

25 3. The method of payment of the taxpayer's withholding tax liability
26 or the method of filing the taxpayer's withholding tax return is an issue for
27 the period.

28 V. The department and attorney general may share the information
29 specified in subsection T of this section with any of the following:

30 1. Federal, state or local agencies for the purposes of enforcement of
31 corresponding laws of other states.

32 2. A court, arbitrator, data clearinghouse or similar entity for the
33 purpose of assessing compliance with or making calculations required by the
34 master settlement agreement or agreements regarding disputes under the master
35 settlement agreement, and with counsel for the parties or expert witnesses in
36 any such proceeding, if the information otherwise remains confidential.

37 W. The department may provide the name and address of qualifying
38 hospitals and qualifying health care organizations, as defined in section
39 42-5001, to a business classified and reporting transaction privilege tax
40 under the utilities classification.

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

- 1 1. May only be used by the city, town or county for internal purposes.
- 2 2. May not be disclosed to the public in any manner that does not
- 3 comply with confidentiality standards established by the department. The
- 4 city, town or county must agree with the department in writing that any
- 5 release of confidential information that violates the confidentiality
- 6 standards will result in the immediate suspension of any rights of the city,
- 7 town or county to receive information under this subsection.