



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

FACT SHEET FOR H.B. 2674

TPT exemption; amateur races

Purpose

Exempts non-profit sponsoring organizations of amateur races, including running, walking, swimming or biking events, or any combination of these events, from Transaction Privilege Tax (TPT).

Background

The Arizona TPT is commonly referred to as a sales tax, however, the tax is on the privilege of doing business in Arizona and is not a true sales tax. Under Arizona's TPT, 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. The seller can include the tax in the purchase price or absorb the tax. TPT is currently levied on 16 business classifications including retail, utilities, restaurants and bars, prime contracting, transient lodging, rental of personal property, telecommunications and amusements.

The amusement classification is comprised of the business of operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, public dances, dance halls, boxing and wrestling matches, skating rinks, tennis courts, except as provided in subsection B of this section, video games, pinball machines, sports events or any other business charging admission or user fees for exhibition, amusement or entertainment, including the operation or sponsorship of events by a tourism and sports authority.

Arizona is one of the few states that allow incorporated cities and towns to have a separate tax base for their TPT collections. These municipalities operate under the Model City Tax Code (MCTC) and all proposed changes to the code are approved by the Municipal Tax Code Commission. Statute outlines exemptions from taxes imposed by a city, town or special taxing district (A.R.S. 42-6004).

According to a Joint Legislative Budget Committee (JLBC) fiscal note, this legislation would result in reduced TPT collections in future years, but the magnitude is highly uncertain. Based on available data on amateur racing events, the impact could range from \$(554,000) to \$(1.1) million in reduced TPT distributions. These amounts would consist of approximately \$(365,000) to \$(731,000) in reduced General Fund revenues, \$(130,000) to \$(259,000) in reduced revenues for localities, and \$(59,000) to \$(119,000) in reduced Proposition 301 revenues. The extent to which the bill would reduce existing TPT revenues is unknown because the number of non-profit sponsors of amateur races that currently pay TPT is not known.

This legislation would also potentially reduce one-time retroactive collections of TPT revenues from past amateur races, but the fiscal impact of these foregone retroactive collections cannot be measured because it is not known how many sponsors of amateur races failed to pay TPT in past years or the extent to which the Arizona Department of Revenue (DOR) would decide to audit and collect taxes from such sponsors.

The Department of Revenue (DOR) does not have an estimate of the bill's impact.

Provisions

1. Exempts nonprofit organizations that sponsor noncompetitive run, walk, swim, bicycle ride or similar events, or any combination of these events, from TPT under the amusement classification.
2. Stipulates that these events must consist of amateur individuals or allow fewer than two percent of the participants to be professional or amateur for special recognition or prizes.
3. Exempts, until January 31, 2017, the gross proceeds of sales or gross income derived from entry fees for events that consist of a run, walk, swim or bicycle ride or a similar event, or any combination of these events, from municipal tax.
4. Exempts the gross proceeds of sales or gross income derived from entry fees for events operated or conducted by nonprofit organizations if the event consists of a run, walk, swim or bicycle ride or a similar event, or any combination of these events, from municipal tax.
5. Stipulates that the TPT and municipal tax exemptions are effective retroactively with respect to entry fees paid for an event that took place before the effective date if the operator did not collect TPT.
6. Specifies that any amount assessed to an operator as a tax, interest or penalty before the effective date is to be remitted and forgiven.
7. Stipulates that any lien against an operator's property to collect an amount of tax, interest or penalty is to be abated and requires DOR to do all of the following:
 - a) release the property and rights to property from the lien;
 - b) withdraw any recorded notice of lien; and
 - c) on written notice of the operator, issue a certificate of release of lien to the operator against whom the lien was claimed.
8. Makes technical and conforming changes.
9. Becomes effective of the general effective date, retroactive to February 1, 2017.

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House Action

WM	2/15/16	DP	8-1-0-0
3 rd Read	2/24/16		59-0-1-0

Prepared by Senate Research

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