



NEWS RELEASE

Arizona House of Representatives
Arizona Senate

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FOR IMMEDIATE RELEASE

House and Senate Announce Creation of Ad Hoc Study Committee on the Tax Treatment of Digital Goods and Services

STATE CAPITOL, PHOENIX – The Arizona House of Representatives and the Arizona Senate today announced the creation of the Joint Legislative Ad Hoc Study Committee on the Tax Treatment of Digital Goods and Services.

Speaker of the House J.D. Mesnard (R-17) has appointed Representative Michelle Ugenti-Rita (R-23) to co-chair the committee and Representatives Jeff Weninger (R-17) and Mark Cardenas (D-19) to serve on it. President Steve Yarbrough (R-17) has appointed Senator David Farnsworth (R-16) to co-chair the committee and Senators Karen Fann (R-1) and Sean Bowie (D-18) to serve on it.

Additional members of the committee will include Grant Nülle, deputy director of the Arizona Department of Revenue; Tom Belshe, deputy director of the League of Arizona Cities and Towns; Kevin McCarthy, president of the Arizona Tax Research Association; Pat Derdenger of Steptoe & Johnson; and Bill Molina of the Apollo Group.

“As technological advances make digital goods and services more and more prevalent, the gray area concerning the taxation of these purchases becomes larger and larger,” said Representative Ugenti-Rita. **“My intention in chairing this Ad Hoc Committee is to determine the appropriate nexus for levying a transaction privilege tax on a good or service sold in Arizona to the jurisdiction collecting it. Unlike a sales tax, transaction privilege taxes are the burden on the seller and not the buyer and therefore it is imperative that we determine what impact a seller has on a particular jurisdiction in justifying the collection of the tax. As people’s behavior changes with advancements in technology, government too must adjust to not hinder technological innovations or growth in our economy.”**

“Consumer consumption of digital technology is expanding at such a rapid pace,” said Senator David Farnsworth. **“This Ad Hoc Committee is designed to examine Arizona's tax structure to assure it is keeping pace with the rapid development and expansion of digital technologies, while at the same time guaranteeing that Arizona retains its competitive business climate.”**

The purview of the committee will include:

1. Arizona’s current statutes, rules, and guidelines regarding the tax treatment of digital goods and services. This should include a review of the current position of the Arizona Department of Revenue and the department’s efforts to disseminate that position to affected businesses and taxpayers.
2. The current legal issues surrounding the taxation of digital goods and services in Arizona as well as other states.
3. The administrative implications associated with the taxation of digital goods and services including its impact on taxpayer compliance and tax administration.
4. The tax treatment of digital goods and services in other states and the economic impacts associated with the taxation of digital goods and services.
5. The potential Arizona tax impact associated with the state and local taxation of digital goods and services.
6. An overview of recent legislative and regulatory actions designed to address the tax treatment of digital goods and services at the state and local levels in Arizona and other states.

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CONTACT:

Matthew Specht
Director of Communications
House Majority Staff
602-926-5518
mspecht@azleg.gov

Mike Philipsen
Director of Communications
Senate Majority Staff
602-926-3972
mphilipsen@azleg.gov